# Agenda

# Overview and Scrutiny Committee

## Thursday, 14 July 2022 at 7.30 pm

## New Council Chamber, Town Hall, Reigate

This meeting will take place in the Town Hall, Castlefield Road, Reigate. Members of the public, Officers and Visiting Members may attend remotely or in person.

*All attendees at the meeting have personal responsibility for adhering to any Covid control measures. Attendees are welcome to wear face coverings if they wish.*

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

## Members:

**N. D. Harrison (Chair)**

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| H. Avery | N. C. Moses |
| M. S. Blacker | S. Parnall |
| G. Buttironi | A. Proudfoot |
| M. Elbourne | R. Ritter |
| J. C. S. Essex | M. Tary |
| G. Hinton | R. S. Turner |
| A. King | S. T. Walsh |

## Substitutes:


**For enquiries regarding this agenda;**

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Published 06 July 2022


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

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|---|---|
| **Conservatives:** | R. Absalom, J. Baker, Z. Cooper and J. P. King |
| **Residents Group:** | G. Adamson and P. Harp J. S. Bray |
| **Green Party:** | J. Booton, P. Chandler, V. Chester, S. McKenna, S. Sinden and D. Torra |
| **Liberal Democrats** | S. A. Kulka |

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

**1. Apologies for absence and substitutions**

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

**2. Minutes** (Pages 5 - 16)

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

**3. Declarations of interest**

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

**4. Medium Term Financial Plan 2023/24** (Pages 17 - 106)

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

**5. Capital Investment Strategy 2023/24** (Pages 107 - 170)

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

**6. O&S Work Programme Schedule 2022/23** (Pages 171 - 180)

To consider and agree any changes to the schedule for Overview and Scrutiny Committee's Forward Work Programme 2022/23 and consider the Action Tracker from the previous meeting.

**7. Executive**

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

**8. Any other urgent business**

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

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

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

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

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

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

# Minutes of a meeting of the **Overview and Scrutiny Committee** held at the **New Council Chamber - Town Hall, Reigate** on **Thursday, 16 June 2022** at **7.30 pm**.

**Present:** Councillors H. Avery, M. S. Blacker, G. Buttironi, J. C. S. Essex, N. D. Harrison, G. Hinton, A. King, N. C. Moses, S. Parnall, A. Proudfoot, R. S. Turner, S. T. Walsh, R. Absalom (Substitute), P. Chandler (Substitute) and S. A. Kulka (Substitute)

**Visiting Members Present**: Councillor T. Archer

## 1 Election of Chair

The Committee elected a Chair for this Municipal Year 2022/23. Cllr N. Harrison was proposed by Cllr S. Walsh and seconded by Cllr J. Essex.

**RESOLVED** that Cllr N. Harrison be elected Chair of the Committee for this Municipal Year 2022/23.

## 2 Election of Vice-Chair

The Committee elected a Vice-Chair for this Municipal Year 2022/23. Cllr S. Walsh was proposed by Cllr S. Parnall and seconded by Cllr N. Moses.

**RESOLVED** that Cllr S. Walsh be elected Vice-Chair of the Committee for this Municipal Year 2022/23.

## 3 Apologies for absence and substitutions

Cllr M. Elbourne sent his apologies for absence and was substituted by Cllr S.Kulka.

Cllr R. Ritter sent her apologies for absence and was substituted by Cllr P. Chandler.

Cllr M. Tary sent his apologies for absence and was substituted by Cllr R. Absalom.

## 4 Minutes

The minutes of the previous meeting on 17 March 2022 were approved.
The exempt minute from the previous meeting on 17 March 2022 was approved.

## 5 Declarations of interest

There were no Declarations of Interest.

**6 Quarter 4 performance report 2021/22**

The Committee received reports giving an overview of the Council's performance for Quarter 4 2021/22, including Key Performance Indicator (KPI) reporting, as well as revenue and capital budget monitoring. The reports were due to go to Executive on 23 June.

Cath Rose, Head of Corporate Policy, Projects and Business Assurance, and Pat Main, Head of Finance outlined the report to Members.

Points to note on KPIs included:

- Of the 11 KPIs that are reported on in Quarter 4, 10 were on target or within agreed tolerance.
- The sole red rated KPI 10 which related to recycling, is reported one quarter in arrears and against a target of 60%, 54% had been achieved. Despite not achieving the target in Q3 it was recognised that the target is a challenging one and the cumulative achievement for the year to date is the Council's strongest ever performance for recycling. Following comments from the Committee at the last meeting, additional contextual information had been added, including residual waste data which indicates a decrease in residual waste generated per household compared to the previous year.
- Council tax collection was reported at 97.9% and business rates collection was reported at 99.8% which were great improvements on earlier in the year and collection rates had since increased even further with Council tax collection at 99.14% and business rates collection at 99.91%.
- Performance against homelessness targets had been consistently above target, despite the challenges presented to the team through the pandemic. The vast majority of those in need of temporary accommodation within the borough had been accommodated.
- Both overall housing completions and affordable housing completions were above target.
- Neighbourhood Services indicators KPI 8 and KPI 9 show that the local environment continues to be kept clean, with a reliable waste collection service for residents.
- Several contextual indicators had been included; these are indicators where no target has been set but are useful for considering the council's performance.

Members commented that the appearance of the report had improved greatly and was very useful.

Members made comments and observations on the following areas:

**Homelessness** – Members asked whether the figures for homelessness could be compared to the previous year in order to predict a final figure for the end of this year. It was confirmed that the figures fluctuated throughout the year, and individual cases often spanned reporting quarters, however a comparison with the previous year could be sought. A written answer would be provided by the Head of Corporate Policy, Projects and Business Assurance after the meeting.

**Affordable Housing and affordable housing completions** – Members asked how many of the affordable housing completions are socially rented and how many are affordable rented. Members also asked whether the KPI was green rated based on over delivering on the number of homes in one particular year, which might cause other problems in the medium to long term. It was confirmed that the way in which the data is collected from planning applications does not allow for distinction between rent levels as affordable and social rent. However, the title of the tables in the document would be amended to reflect that it relates to affordable rent and social rented combined. The local plan sets a numerical target for affordable housing of 1,500 over the plan period and the Council was on target to achieve this. A written answer would be provided by the Head of Corporate Policy, Projects and Business Assurance after the meeting.

**Staff Turnover and Staff Sickness Absence** – Members asked whether numbers of staff working in the offices / working from home should be reported. It was confirmed that there was some tracking of numbers of staff working in the offices for track and trace purposes, as well as those members of staff required to physically attend work. It was suggested that this be reported to the Employment Committee.

**Corporate Complaints** – Members asked whether stage 2 complaints were investigated by a different officer / department to the stage 1 complaint. It was confirmed that the investigating officer at stage 2 would be from a different department to the investigating officer at stage 1.

Points to note on revenue and capital budget monitoring included:

- The final outturn position would be finalised when accounts for the year were complete, but no significant changes were expected.
- There was a £0.9 million underspend on the service budgets.
- There was a £0.4 million overspend in Central Budgets mainly due to a year-end payment to Surrey Pension Fund.
- COVID-19 income losses were just over £1.0 million (after Government grant contribution).
- The result of these three items was a net revenue budget overspend of £0.541 million which was funded through a call on the £2.0 million Reserve that was set aside for COVID-19 income losses, leaving a balance on the Reserve of just under £1.5million.
- Capital expenditure at £35.7 million was below the programme budget for the year.
- The variance was a combination of slippage (£101.7 million) and underspends (£3.7 million). £37 million was being carried forward to 2022/23 while the remainder, comprising sums previously allocated for commercial investment, would be added back to the programme when business cases were approved.
- Overall, it had been another challenging and complicated year from a financial perspective due to the continued impacts of the pandemic, but those impacts had been monitored closely and the year had ended with a net underspend on the underlying service and central budgets and healthy reserves.

Members made comments and observations on the following areas:

**Capital Programme** - Members asked, with regards to Marketfield Way and other developments, what is the financial impact of delayed completion on income forecasts and is that impact being borne by the Council, or by the contractors. It was confirmed that a more comprehensive response on the impact of both the revenue and capital income would be given at a future date when more information became available. Members agreed that this project would be considered at a future meeting.

**COVID-19 Income Losses** – Members asked whether there was an update on grants from Government regarding COVID-19 losses. The Head of Finance confirmed that all expected Government support had been received by year-end and that this had matched the expenditure incurred.

Members referenced the £1.3million loss in car parking and other income and asked what the budget for 2022/23 would be. The Head of Finance confirmed that the budget for 2022/23 had been reduced by £1.1 million to reflect post-pandemic forecasts; actual receipts compared to this revised budget would be monitored and reported throughout the year.

**Garden Waste** – Members asked how significant additional income was generated by the service during the year and would this income go some way to offsetting the income losses from car parking. It was confirmed that the increased income was due to signing up additional new customers to the garden waste scheme, above the number predicted when the budget was set. This additional income had contributed to the net underspend on service budgets which in turn had helped mitigate COVID-19 income losses for the year.

**Street Cleansing** – Members enquired why street cleansing had incurred a £6k additional spend on postage. The Head of Finance agreed to provide a written answer following the meeting.

**Service Budget Variances** – Members asked whether the variances had been taken into account when setting the budget for 2022/23 or had they been "one-off" variances. The Head of Finance confirmed that historical budget outturn results were considered during budget setting.

**Data Insight** – Members asked what benefits are derived from the Data Insight expenditure of £172k. It was explained that this was a relatively new initiative for collating information from internal and external sources to present to management and Members to support decision-making and planning. The expenditure had been incurred in building further capacity. The Leader commented that Data Insight had been of vital importance throughout the pandemic and there was a growing demand from partners, such as the NHS, to share data to benefit the development of resident-centred services, rather than just from the Council's perspective. It was suggested that the Chair and Vice-Chair undertake a piece of work to examine the work of the Data Insight team and its benefits and report back to the Committee.

**RESOLVED** that the Committee:

1) Notes the Key Performance Indicator performance for Q4 2021/22 as detailed in the report and Annex 1 and makes observations to the Executive as set out in the minutes;
2) Notes the Revenue Budget outturn for 2021/22 and recommended budget carry-forwards as detailed in the report and at Annex 2 and makes observations to the Executive as set out in the minutes;
3) Notes the Capital Programme outturn for 2021/22 as detailed in the report and at Annex 3 and makes observations to the Executive as set out in the minutes;

## 7 O&S Work Programme Schedule 2022/23

Members considered the proposed future work programme for the Committee.

The Chair informed Members that the additional topics for scrutiny had been discussed by the Chair, Vice-Chair and the Leader and that the objectives had been defined. Any future refinements would be decided by the Chair and Vice-Chair of the Committee. The Leader commented that it was important for the work programme to be clear in its objectives as the work programme is expensive in terms of officer's time. It was noted that the work of the Banstead Commons Conservators would centre on the open spaces and would not include budgets, which were examined separately. The Executive Member for Neighbourhood Services, Councillor N. Bramhall, expressed her concern at the extra work which would be created for officers and asked to be consulted in the process. The Chair and Vice-Chair would make this a succinct piece of work. It was also noted that Councillors Harp and Moses were members of the Banstead Common Conservators and would be unable to take part in the scrutiny, bit would be welcome to attend the meeting. Members asked whether members of the public would be able to ask questions of the Banstead Commons Conservators. It was confirmed that this topic would be scrutinised by a sub-group which would not seek public input directly, but that members of the task group would be encouraged to meet with members of the public to ascertain their views and to collate questions to ask, which should be submitted as advance questions.

**RESOLVED** – the Committee agreed the Overview and Scrutiny Committee's Work Programme for 2022/23.

## 8 Companies Performance Update - Spring 2022

The Committee received the Spring 2022 Companies Performance Update report from the Executive Member for Investment and Companies, Councillor Archer. This report updated the Committee on the performance of the companies currently owned or part-owned by the Council which currently consist of: Greensand Holdings Limited, Horley Business Park Development LLP, Pathway for Care Limited and Camelia Close (Tadworth) Residents Management Company Limited.

The Council is currently reviewing the future strategy for Greensand Holdings Limited with its Directors following recent changes to local government guidance on commercial investments. Horley Business Park Development LLP is not currently considered to be performing in line with expectations.

The Council continues to attempt to obtain management information from Pathway for Care Limited in order to review its performance. There are no issues anticipated with Camelia Close (Tadworth) Residents Management Company Limited and, as soon as all units are sold, the Council's involvement with the company will cease and the management of the communal areas will transfer to the resident management company.

**RESOLVED** – to note the Spring 2022 Companies Performance Update as set out in the report to the Committee and the observations of the Committee for consideration by the Commercial Ventures Executive Sub-Committee.

**9 Reigate & Banstead 2025 Annual Report 2021/22**

Members received a report from Cllr M. Brunt, Leader of the Council, on the Reigate & Banstead 2025 Annual Report 2021/22.

The Reigate & Banstead 2025 Annual Report and the Equalities Objectives Progress Report are key tools to assess the Council's progress towards its corporate plan and equalities objectives. The plan had been adopted by the Council in January 2020 and this was the second year of its implementation. 2021/22 had been a year of both good progress and ongoing challenges for the Council. Key projects such as The Rise in Redhill and Camelia Close in Tadworth had either grown nearer to fruition or had been completed this year. The Council has also maintained consistent delivery of core services, despite the lingering disruption of the coronavirus pandemic and has improved its work with local partners to deliver support to local residents and communities.

Points to note included:

- The delivery of affordable housing at Tadworth and Redhill.
- YMCA housing for young people.
- Harlequin and Community centres.
- Support for vulnerable residents with support from Surrey County Council and NHS.
- Delivery of family support including refugee support.
- Progress on The Rise at Redhill, including a cinema and bowling alley.
- Development of Merstham Recreation Park and Horley Town Centre.
- Local businesses supported to recover from the pandemic.
- New business start-ups supported.
- Local people being connected to local jobs.
- High quality services delivered by Neighbourhood Services Team.
- Record local levels of recycling.
- Awards received for greenspaces.
- New commercial strategy.
- IT strategy.
- Work to deliver the £150 Council Tax rebate.

Challenges had included:

- Changes in services throughout the pandemic and changes in the prioritisation of services.
- Rising costs.
- Focus on financial sustainability.

Members thanked officers for the report and made the following comments and observations for the Executive for its meeting on 23 June.

**Average resident income** – Members asked why average employee earnings in the borough had decreased in the years 2012-2016 while average employee income in other districts had risen and asked whether this indicated that residents in the borough are not well paid. It was confirmed that this is a complex indicator but that average earnings in the borough were above the national average.

**Town Centre Audits** – Members asked whether some of the smaller towns and villages could be considered for funded items that the larger towns received, such as painting, maintenance of park benches and Christmas decorations. It was explained that the audits had been externally funded and so scope was limited, however, the points raised would be considered. Local CIL funding can be used to make improvements, however, if something specific was required, this could be brought to the attention of the Portfolio Holder.

**Clear and Effective Communication** – Members asked whether communication from residents was received via email, phone calls or letters. It was confirmed that communication from residents was received via all three channels and that a written answer would be provided to members with more detail following the meeting.

**Local Plan** – Members asked whether the Local Plan up to 2027 could be presented with a timeline. The Leader explained that the Local Plan had been discussed at the recent Group Leaders meeting and that a plan will be prepared with timescales for review of the current Local Plan and to develop the new Local Plan.

**Leisure and Wellbeing** – Members noted that a Playing Pitch and Outdoor Facilities Strategy, and Leisure and Culture Strategy were in development and commented that all Councillors should be included in the consultation and development of new strategies relating to improvements in parks and greenspaces and other leisure developments. Consultation was requested at an early stage through the provision of workshops.

**Community Infrastructure Levy (CIL)** – Members commented that Local CIL was working well but that workshops with officers would be helpful to understand needs and focus with the upcoming review of Strategic CIL. The Leader commented that some Strategic CIL bids had been disappointing and that there would be a review of Strategic CIL bids. Members were urged to consider options for strategic projects in their own wards.

**Equalities Objectives** – Members commented that the Council should investigate options with partners to improve equalities, such as rising prices and the availability of affordable housing. The Leader confirmed that the Council is working with the NHS and other partners to provide integrated delivery to help residents holistically, not just from the Council’s perspective. It was confirmed that advice would be sought from the Head of Corporate Policy on including this in reporting.

Members asked the Director of Place, Luci Mould to pass on their thanks and congratulations to officers for driving the borough forward successfully through the recent difficult times.

**RESOLVED** that the Committee –

1) Notes the Reigate & Banstead 2025 Annual Report for 2021/22 and makes

the observations set out in the Minutes for consideration by the Executive.

2) Notes the Equality Objectives Progress Report for 2021/22 and makes

the observations set out in the Minutes for consideration by the Executive.

**10 Overview of scrutiny**

Committee Members received an introduction to the purpose of overview and scrutiny and the work of the Committee from the Chair, Cllr N. Harrison, Vice-Chair, Cllr S. Walsh and Democratic Services Officer, Marie Crabtree.

Members requested that the presentation be circulated following the meeting.

A training session run by the Centre for Governance and Scrutiny would take place in early September 2022.

Members commented that the Council website is difficult to navigate.

**11 Executive**

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

**12 Any other urgent business**

There were no items of urgent business.

The meeting finished at 10.05 pm

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

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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<br>Executive |
| **DATE** | Thursday 14 July 2022<br>Thursday, 21 July 2022 |
| **EXECUTIVE MEMBER** | Councillor Tony Schofield, Portfolioholder for Finance & Governance |

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| **KEY DECISION REQUIRED** | Yes |
| **WARDS AFFECTED** | (All Wards); |

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| **SUBJECT** | Medium-Term Financial Plan 2023/24 to 2027/28 |

**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 2023/24 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 2023/24.

**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 2023/24 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 14 July 2022 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. As part of budget-setting for 2022/23 the Executive adopted a Financial Sustainability Plan for addressing the forecast budget gap over the medium term.
5. The budget-setting 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 early 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 2022/23 to Executive in January and the Budget and Council Tax recommendations to Full Council in February.

8. It covers the following:
   - Objectives and priorities for the 2023/24 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 2023/24;
- Key budget information, including the 2021/22 budget outturn position, current year budgets and forecast new budget pressures and saving opportunities;
- Updates on the capital programme and treasury management;
- Updated outcomes for the financial implications of the COVID-19 pandemic in 2021/22;
- 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.
- Information about the Financial Sustainability Programme and supporting activities (Annex 2).

**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 1: MEDIUM TERM REVENUE BUDGET FORECAST** | Approved Budget 2022/23 £m | Forecast Budget 2023/24 £m | Forecast Budget 2024/25 £m | Forecast Budget 2023/34 £m | Forecast Budget 2026/27 £m | Forecast Budget 2027/28 £m |
|---|---|---|---|---|---|---|
| **FORECAST GAP** | Balanced | 2.116 | 2.709 | 3.809 | 4.829 | 5.446 |
| Annual Increase in Gap | Balanced | 2.116 | 0.593 | 1.100 | 1.020 | 0.617 |
| Gap as % of 2022/23 budget requirement | n/a | 10.6% | 13.6% | 19.1% | 24.2% | 27.3% |

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.<br>• Delivery of Financial Sustainability Programme initiatives.<br>• While an estimate for the 2023/24 pay award has been included in the MTFP 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 35.8% of gross direct expenditure in the 2022/23 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 next three years net borrowing costs are forecast to increase from 3.8% of the net Revenue Budget to 4.4%. |
| Council Tax | • Council tax setting assumptions are based on a £5 increase and forecast movements in the taxbase. |

| | |
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| NNDR | • Removal of Negative RSG Grant and the Business Rates reset are now forecast to take place in 2025/26; they have the effect of negating the benefit of forecast business rates growth over the MTFP period. |
| Use of Reserves & Grants | • Funding for the 2022/23 budget includes drawing £0.212m from the General Fund Reserve. If equivalent savings, efficiencies or new sources of income are not identified for 2023/24 this requirement to call on Reserves will continue to increase and further reduce available balances.<br>• The 2022/23 budget also depends on drawing £0.115m from the Government Funding Risks Reserve (Housing Benefit subsidy reduction), £0.350m from the Pension Reserve (for additional charges from Surrey Pension Fund) and up to £1.1m from the COVID Risks Reserve depending on the rate of recovery of car parking income. The ongoing requirement for this funding will have to be assessed as part of service & financial planning over coming months.<br>• Government grant funding that is being used to help fund the net budget requirement in 2022/23 include: Lower Tier Services Grant (£0.107m), Services Grant (£0.164m) and New Homes Bonus (£1.000m). |

11. Key changes since the January 2022 budget report include:
    - Updated forecast for pay cost inflation to reflect the estimated salary budget for 2023/24;
    - Updated forecasts for council tax and business rates income;
    - Updated forecast for borrowing costs to reflect the Capital Programme outturn in 2021/22;
    - Forecasts for new income streams and pension costs; and
    - Assumptions on continuation of the Government grants awarded in the 2022/23 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.

13. Reflecting this, in agreeing the budget for 2022/23, the Executive also agreed to commence a Programme of work to ensure the future financial sustainability of the authority. More information about the approach that is being taken to this Financial Sustainability Programme is included at Annex 2; the outcomes of initial work on this programme will be reflected as part of the 2023/24 budget setting process, with the programme continuing into future years to inform ongoing financial planning.

**OPTIONS**

14. 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 2023/24 budgets.

**LEGAL IMPLICATIONS**

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

**FINANCIAL IMPLICATIONS**

16. These are addressed throughout the report and Annex.

**EQUALITIES IMPLICATIONS**

17. 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**

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

**ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS**

19. There are no environmental sustainability implications arising directly from this report. The budget proposals will include consideration of the requirement to invest in measures that support delivery of the corporate Environmental Sustainability Strategy.

**RISK MANAGEMENT CONSIDERATIONS**

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

**HUMAN RESOURCES IMPLICATIONS**

21. 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.

**CONSULTATION**

22. As part of the budget setting process, public consultation will be undertaken and budget proposals will also be circulated to the business community via the monthly Business e-bulletin (which has in excess of 1,500 recipients). Comments received will be reported to the Executive and taken into account in agreeing the final budget for 2023/24

23. Savings and growth proposals will be considered by the Budget Scrutiny Panel of the Overview & Scrutiny Committee in November 2022. The conclusions and recommendations of the Panel and the Committee are reported to the Executive.

**POLICY FRAMEWORK**

24. 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).

25. The budget reflects the priorities in the Council's Corporate Plan and puts in place

resources to deliver these priorities.

26. 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.

**ANNEXES**

1. Medium Term Financial Strategy 2023/24 to 2027/28
2. Financial Sustainability Programme Overview

**BACKGROUND PAPERS**

- *Budget 2022/23 & Capital Programme 2022/23 to 2026/27*, *report to Executive,* 27 January 2022
- *Treasury Management Strategy 2022/23,* report to Council, 7 April 2022
- *Capital Investment Strategy 2023/24,* Report to Executive, 21 July 2022

**ANNEX 1**

# MEDIUM TERM FINANCIAL PLAN
## 2023/24 to 2027/28
## July 2022

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**APPENDICES**

1. Revenue Budget 2022/23
2. Medium Term Revenue Budget Forecast 2023/24 to 2027/28

3.1 Capital Programme 2022/23 to 2026/27

4.1 Reserves Policy

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**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 2023/24 to 2027/28 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 2022 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 2023/24.

Key changes since the January 2022 budget report include:

- Updated forecast for pay cost inflation to reflect the outturn budget position 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 2021/22; and
- Updated assumptions on continuation of the additional Government grants awarded in the 2022/23 settlement.

The draft budget report later this year will set out the detailed actions required to deliver a balanced budget for 2023/24 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 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 and the approach outlined in the Commercial Strategy Part 2 adopted in December 2021.

- 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 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 remains considerable uncertainty in financial and economic forecasts. In April 2022 the Office for National Statistics (ONS) reported:

- *UK general government gross debt was £2,382.8 billion at the end of 2021, equivalent to 102.8% of gross domestic product (GDP); this was 34.5 percentage points lower than the average debt of the G7 member states.*
- *UK general government deficit (or net borrowing) was £187.4 billion in 2021, equivalent to 8.1% of GDP; this was 0.3 percentage points lower than the average deficit of the G7 member states.*
- *The general government gross debt and deficit figures published here (for 1997 onwards) are fully consistent with those published in our Public sector finances, UK: February 2022 statistical bulletin, published on 22 March 2022.*

*Source: ONS: Quarterly estimates of UK government debt and deficit.*

In May 2022 the Office for Budget Responsibility (OBR) reported:

- *The budget deficit continued to fall in May, with year-to-date borrowing of £35.9 billion down £6.4 billion on last year. But it was £6.4 billion above our most recent forecast profile. This overshoot reflects both lower receipts and higher spending – with debt interest spending in the year to date a fifth higher than forecast thanks to the jump in RPI inflation. With the Bank of England now expecting CPI inflation to reach 11 per cent later this year, debt interest can be expected to continue to overshoot our forecast.*
- *Public sector net borrowing (PSNB) was £14.0 billion in May and £35.9 billion in the first two months of 2022-23. The latter is down £6.4 billion (15.2 per cent) on last year but £6.4 billion (21.7 per cent) above our March 2022 forecast profile.*
- *Central government accrued receipts (excluding PSNB-neutral transfers related to quantitative easing) were £66.6 billion in May, up £5.7 billion (9.4 per cent) on last year but £1.6 billion (2.4 per cent) below our March forecast. The year-to-date receipts shortfall is £4.0 billion (2.9 per cent).*
- *Central government spending (excluding PSNB-neutral local authority grants) in May was £69.0 billion, £0.1 billion (0.2 per cent) higher than last year and £3.1 billion (4.7 per cent) above forecast. Year-to-date spending is £5.9 billion (4.2 per cent) above forecast, reflecting upside surprises in inflation-linked debt interest payments and in spending on goods and services.*
- *Net debt in May stood at 95.8 per cent of GDP. This is up 0.5 per cent of GDP on a year earlier, but is 0.1 per cent of GDP below our March forecast.*
- *Revisions: Borrowing in April 2022 was revised up by £3.3 billion thanks to both downward revisions to receipts and upward revisions to debt interest costs and spending on subsidies, partially offset by lower investment spending*

*Source: Office for Budget Responsibility, Commentary on Public Sector Finance, May 2022.*

**Interest Rates**

*Following an increase in Bank Rate from 0.1% to 0.25% in December 2021, the Bank of England's Monetary Policy Committee (MPC) has raised Bank Rate by 0.25% increments at each of its subsequent meetings. The MPC voted by a 6-3 majority to increase Bank Rate by 0.25% to 1.25% at its June meeting, pushing borrowing costs to their highest in 13 years as it tries to temper soaring inflation. Three policymakers voted for a bigger 50bps increase and the central bank reiterated its commitment to bring inflation back to the 2% target and 'act forcefully' if necessary.*

| **Table 1: FORECAST INTEREST RATES** | **September 2022 %** | **December 2022 %** | **March 2023 %** | **June 2023 %** |
|---|---|---|---|---|
| Forecast Bank Rate | 1.75 | 2.25 | 2.75 | 2.75 |

Source: *Link Asset Management June 2022*

**Inflation**

*The consumer price inflation (CPI) rate in the United Kingdom increased to 9% in April year on year, the highest level since 1982, prompted by rising prices for electricity, gas and other fuels, motor fuels and second-hand cars. It compares with a rate of 7% in March and forecasts of 9.1%. The biggest upward pressure came from cost of housing and utilities. On a monthly basis, prices rose 2.5% following a rise of 1.1% in February. The MPC now expects inflation to be over 9% during the next few months* *and to rise to slightly above 11% in October. In its May Monetary Policy Report, the MPC projected CPI to fall back to a little over the 2% target in two years' time.*

| **Table 2: FORECAST INFLATION (CPI)** | **2022/23 %** | **2023/24 %** | **2024/25 %** | **2025/26 %** | **2026/27 £%** |
|---|---|---|---|---|---|
| Forecast CPI | 7.5 | 4.2 | 2.5 | 2.6 | 2.5 |

Source: *Link Asset Management June 2021*

**Economic Growth**
*In the UK the weaker economic outlook triggered by the surge in CPI inflation to a 30-year high of 7% in March (soon to be 9% in April) has yet to put a dent in businesses' own expectations for their selling prices.*

*The Bank of England's Decision Maker Panel survey found that in April businesses thought their sales revenues over the next year would increase by slightly less than they did in March. But despite that, they thought they would be able to raise their selling prices at a faster pace.*

*The Bank of England will probably continue to raise interest rates until weaker economic activity starts to reduce businesses' expectations for their own selling prices. Some analysts think that will happen later than most expect, forecasting that the Bank of England will raise interest rates…to 3.00% next year.*

- *Output and activity indicators suggest the economy slowed during Q1 and the risk of recession has risen.*
- *Household indicators show a big fall in consumer confidence and the prospect of a large decline in real incomes is weighing on consumer spending. But so far consumer spending doesn't seem to be collapsing.*
- *External indicators imply that the war in Ukraine and resulting sanctions may have contributed to UK imports declining in March. Subdued domestic demand will restrain imports this year.*
- *Labour market indicators reveal some signs of cooling jobs growth, although the restrictions on the supply of workers mean the unemployment rate fell further in March and wage growth accelerated.*
- *Inflation indictors show that CPI inflation rose to a 30-year high of 7.0% in March and will likely hit 10.0% in October.*
- *Financial market indicators show the lower pond has helped to cushion the falls in the FTSE 100. Higher bond yields have weighed more heavily on the more domestically-focused FTSE 250.*

*In the May Monetary Policy Committee (MPC) Report, the Bank of England revised its growth forecasts downwards for the foreseeable future.*

- *GDP growth was maintained for Q2 2022 at 3.2%, however, consequent growth was revised down to 0% year on year for Q2 2023 from 1.2% year on year.*
- *Growth is set to slow sharply over the coming months according to the MPC's projections, reflecting the significant adverse impact of higher global commodity and tradable goods prices on UK demand and the decline in households' real incomes.*

*Source: Link Asset Management May 2022*

**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 performance on income collection remains consistently strong;
- Increased demand for services to assist residents falling into hardship;
- Reduced demand for some services, eg. car parks;
- Suppliers and contractors being at risk of liquidation, potentially affecting delivery of services;
- Cost inflation pressures greater than previously-assumed; and
- Impacts on the Council's supply chain eg. price increases, impacts on operational delivery of capital schemes, supplier workforce impacts.

**Potential impacts of inflation for budget-setting**

- Increased expectation from staff and the representatives during annual pay negotiations and impacts of inflation-linked increases in the National Living Wage;
- Existing suppliers demanding significant increases to reflect their operating costs;
- Energy and fuel cost pressures;
- Cost of new building contracts higher than estimated;
- Suppliers and contractors being at risk of liquidation, potentially affecting delivery of services and increased business rate debt write-offs;
- Requirement to increase Council fees and charges that are linked to CPI;
- Higher than budgeted interest on balances but also increased cost of borrowing;
- Review of the Council tax referendum limit by Government and/or other measures introduced to mitigate the impacts of council tax for households;
- Review of the NNDT Multiplier used by Government to set annual business rate increases; and
- Revision of some of Government's Spending Review21 baseline assumptions.

**Local Government Funding**

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

This means that 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 expected at that time to go ahead in 2022/23
- July 2018 – new simplified Business Rates Reset first suggested
- December 2018 – no figures beyond 2021/22 were available; indications that 'Negative Revenue Support Grant' would result in significant funding reductions for councils like Reigate & Banstead
- December 2018 – new consultations on Fair Funding Review, Business Rates Retention and confirmation of a full Reset of Business Rates growth
- Spending Round19 – one-year settlement for 2020/21 only
- Spending Review20 (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. Covered one year only; based on Spending Review20 (SR20) funding levels. There remained a commitment from the Government to return to multi-year settlements at some point but that would depend on whether COVID-19 continued to have significant impacts on local government finances during 2021/22.
- The 2022/23 Provisional Local Government Finance Settlement, published in December 2021, was for one year only and was based on Spending Review 2021 (SR21) funding levels that were announced in November. Once again, the emphasis was on providing stability by rolling forward key elements of 2021/22 funding alongside extra cash for priority areas, such as social care. The approach was designed to maximise the scope for manoeuvre in implementing finance reform in later years by keeping open options for years 2 and 3 of the SR21 period. The main points are set out below:
    - **Council Tax** – the council tax referendum limit would be 2% for lower tier authorities; it was confirmed that districts would be allowed to apply increases of the higher of the referendum limit or £5.
    - **Business Rates (NNDR) Retention –** the business rates multiplier was once again frozen 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) remained at 2020/21 levels. However, the Under-Indexing Multiplier Grant was been increased to ensure that local authorities' shares of NNDR income was not impacted (although the indexing basis is now RPI instead of CPI).

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

- **Lower Tier Services Grant** – the un-ringfenced lower tier services grant of £111m was retained. The purpose is to ensure that no authority has a total Core Spending Power less than in 2021/22. Distribution was based on 2013/14 Settlement Funding Assessment formulae.

- **Services Grant** – new un-ringfenced grant introduced for all tiers.

- **New Homes Bonus** - 2022/23 allocations were announced and paid with the legacy payments due from 2019/20. As previously announced, there were no legacy payments for the new 2022/23 in-year allocations. The baseline ('deadweight') of 0.4% was maintained.

- **Rough Sleepers and Troubled Families Programmes** - no announcements were made**.**

- **Homelessness Prevention** – £315.8 million Homelessness Prevention Grant for 2022/23 was announced on 21 December; this included £5.8 million to fund new burdens following implementation of changes in the Domestic Abuse Act.

- **COVID-19 Funding** – as expected no further allocations were announced.

- **Local Government Funding Reform** – the only announcement regarding funding reform was as follows:

  *"Government is committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources. The data used to assess this has not been updated in a number of years, dating from 2013-14 to a large degree, and even as far back as 2000.*

  *Over the coming months, we will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes".*

- **June 2022** – the Secretary of State for Levelling Up, Housing & Communities indicated that the outcome of the Fair Funding Review would be announced 'during the 2022 calendar year' along with a two-year funding settlement for 2023/24 and 2024/25.

There was no commitment to provide significant additional funding for the local government sector despite awareness of the growing budget pressures but there was a commitment to reduce the number of individual and bid-based funding streams.  No information was provided at that time about what the new funding approach will be, whether New Homes Bonus will continue and whether it will include a business rates reset, however there was a suggestion that the Government will be looking at options regarding business rate growth retention.

The Secretary of State also confirmed that further devolution deals will be offered to all parts of England that want them by 2030. These will be under a new 'coherent' framework, offering counties and districts a chance to agree a deal, and suggests that these will not necessarily require an elected mayor.

This announcement included the creation of a new Office for Local Government which is intended to '*shine a light on how local authorities are performing and delivering'* covering key services and progress towards net zero.

The proposal for a two-year settlement suggests that there will be 'rollover' settlements in both 2023/24 and 2024/25; that is, financial settlements that are broadly similar to the 2022/23 settlement.  The Fair Funding Review, business rates baseline reset, and other funding reforms now look set to be pushed back to 2025/26.  It also suggests that the 2021 Census might not be reflected in funding allocations until 2025/26.

Pushing these major changes back to 2025/26 means that they can be aligned with the next spending review period (the current spending review runs to 2024/25), and they will follow the next General Election (no later than January 2025). 2025/26 is therefore likely to be very significant financial year, incorporating a new spending review, the 2021 Census, and funding reforms.

A consultation paper is expected to be published before the end of July 2022.  This is expected to cover the principles that will be applied in the two-year settlement, and any changes in funding in 2023/24.  These latter changes are likely to be limited, and probably confined to Lower Tier Services Grant, the Services Grant, and the New Homes Bonus returned surplus.

**Service & Financial Planning: Government Funding Assumptions**
For the purposes of preparing this MTFP and the draft 2023/24 budget the following has been assumed:

- No changes to total local government funding as a result of the two-year roll-over settlement;
- The most far-reaching funding changes will be delayed until at least 2025/26;

- 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 £0.240m and £0.250m in each of the two subsequent years (£1.230m 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;
- A 'roll-over' settlement for 2023/24 means that the Settlement Funding Assessment (SFA) and grants are unlikely to change, and there will be no additional funding allocated for local government next year.
- A further New Homes Bonus (NHB) award is more likely than not – this will be confirmed in the provisional settlement announcement in December.
- It is assumed that the Lower Tier Services Grant and Services Grant will continue for another year – also to be confirmed in the Provisional Settlement.
- 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
- The business rates baseline reset will be delayed until 2025/26.

## 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.

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 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 and Part 2 was approved in December 2021.

The definitions and principles that the Strategy 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 such activity will be approached, and future investment focused.

Part 1 sets out three guiding principles for our commercial activity:

- **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 explains that the main elements of our commercial approach will be:

- A project pipeline to establish new income streams from asset activity while also delivering broader corporate objectives.
- Ensuring that existing income streams we already rely on from our assets are maintained and where possible increased; and that we repurpose, redevelop or dispose of those assets that cost us money.
- Investing in new assets to secure income or deliver savings whilst also delivering corporate priorities.
- Continuing to sell or trade services where we already do this; and looking to introduce new trading activity where this aligns with our local government remit and areas of expertise.
- Taking a more commercial approach to fees and charges.

- The Commercial Strategy 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.

## 5. Budget-Setting Priorities 2023/24

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 this Council's 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.

**Revenue Budget Outturn 2021/22**
The 2021/22 Original Revenue Budget approved by Council in February 2021 was £17.395 million.

At 31 March 2022 the full year provisional outturn for Services and Central Budgets was £18.030 million against a management budget of £18.523 million, resulting in an overall net underspend of (£0.493 million) (2.7%).

The net effect of COVID income losses was £1.034 million; including this in the outturn results in an overall net overspend of £0.541 million (2.9%) which was funded by calling on the reserve that was set aside for COVID-19 income losses during the year. All other COVID-19 expenditure during the year was funded through Government grant

Service Budgets
The 2021/22 Original Budget for Services approved by Council in February 2021 was £16.240 million. At 31 March 2022 the full year outturn was £16.485 million against a management budget of £17.368 million resulting in an underspend of £0.883 million (5.1%).

| Table 3: REVENUE BUDGET MONITORING AT 31.3.22 | Original Budget £m | In-Year Adjustments £m | Management Budget £m | Year-end Outturn £m | Year End Variance £m |
|---|---|---|---|---|---|
| Service Budgets | 16.240 | 1.127 | 17.368 | 16.485 | (0.883) |
| Central Budgets | 1.155 | 0.000 | 1.155 | 1.545 | 0.390 |
| **Sub-Total** | **17.395** | **1.127** | **18.523** | **18.030** | **(0.493)** |
| COVID-19 Income Losses | 0.000 | 0.000 | 0.000 | 1.388 | 1.388 |
| COVID-19 Sales, Fees & Charges Grant | 0.000 | 0.000 | 0.000 | (0.354) | (0.354) |
| **Sub-Total** | **17.395** | **1.127** | **18.523** | **19.064** | **0.541** |
| COVID-19 Pandemic – unplanned expenditure | | | | | 1.249 |
| COVID-19 Pandemic – Government funding | | | | | (1.249) |
| **Total Revenue Budget Outturn 2021/22 inclusive of COVID-19 Pandemic Expenditure and Funding** | | | | | **0.541** |
| **Transfers from Reserves:** | | | | | |
| Contribution from COVID-19 Pandemic Reserve | | | | | (0.541) |
| **Net Outturn Position:** | | | | | **-** |

The key variances leading to the underspend are:

Organisation:

- £0.240m underspend in Electoral Services driven by lower election costs and associated temporary staff and promotional expenditure.
- £0.212m underspend in Land Charges driven to higher revenue due increased transaction volumes during the stamp duty holiday.

Place:

- £0.326m underspend in Planning Policy driven by vacancies in the team.
- £0.265m underspend in Refuse & Recycling driven by higher garden waste income.
- £0.142m underspend in Fleet driven by lower fuel consumption compared to budget.
- £0.287m overspend in Development Services driven by higher consultancy costs.

People:

- £0.417m overspend in Revenues, Benefits & Fraud, mainly driven by cuts to DWP subsidy grant.

Senior Management Team

- £0.324m underspend pending the team restructure.

The service & financial planning process for 2023/24 will include an assessment of whether any Service budgets require realignment to reflect historic outturn trends.

<u>COVID-19 Expenditure and Funding</u>
Additional expenditure of £1.249 million that was incurred during 2021/22 in delivery of ongoing activity relating to the pandemic was funded in full through calling on the Government grants that had been allocated to support the response.

In addition £0.497 million of unspent grants were carried forward for use in 2022/23.

Service Income was £1.388 million lower than the approved budget during the year as a result of COVID-19, primarily due to £1.030 million lower Car Parking revenue. These losses were partially funded by a £0.354 million Sales, Fees & Charges grant from Government.

Further details are provided at Appendix 8.

<u>Central Budgets</u>
The 2021/22 Original Budget for Central Budgets approved by Council in January 2021 was £1.155 million.

At 31 March 2022 the outturn was £1.545 million against a management budget of £1.155 million resulting in an overspend of £0.390 million (33.7%).

This overspend was mainly as a consequence of £0.344 million of employer pension contributions paid to Surrey Pension Fund at the close of the year. These had not been notified when the Original Budget was approved in February 2021.

**Revenue Budget 2022/23**
The Revenue Budget for 2022/23 was approved in February 2022. In summary it comprises:

| **Table 4: BUDGET SUMMARY 2022/23** | **Budget 2022/23 £m** |
|---|---|
| 1. Net Cost of Services | 17.025 |
| 2. Central Budgets | 2.955 |
| **NET EXPENDITURE 2022/23** | **19.980** |
| 3. Council Tax | 15.222 |
| 4. National Non-Domestic Rates (NNDR) | 1.710 |
| 5. Other Un-ringfenced Grants | 1.271 |
| 6. Grants Transferred To Reserves | 0.000 |

| Table 4: BUDGET SUMMARY 2022/23 | Budget 2022/23 £m |
|---|---|
| 7. Call on Earmarked Reserves in 2022/23 | 1.565 |
| 8. Use of funds from the General Fund Balance to support the 2022/23 Revenue Budget[1] | 0.212 |
| 9. **NET SOURCES OF INCOME 2022/23** | **19.980** |

NOTE 1: The actual sum to be drawn from Reserves to support the budget will depend on the budget outturn position for 2022/23. Over recent years the budget outturn has been an underspend position with no requirement to call on Reserves.

Service Budgets

Service budgets are summarised in the table below:

| Table 5: SERVICE BUDGETS | Budget 2022/23 £m |
|---|---|
| **ORGANISATION** | |
| Communications / Customer Service | 1.086 |
| Finance | 1.327 |
| ICT | 1.767 |
| Legal & Governance | 2.243 |
| Organisational Development & HR | 0.786 |
| Corporate Policy, Projects & Performance (inc environmental sustainability) | 0.432 |
| Property / Commercial | (1.232) |
| | |
| **PLACE** | |
| Economic Prosperity | 0.274 |
| Neighbourhood Operations | 4.997 |
| Place Delivery | 0.355 |
| Planning | 0.653 |
| | |
| **PEOPLE** | |
| Community Development | 1.197 |
| Housing | 0.999 |
| Revenues, Benefits & Fraud | 0.718 |
| Wellbeing & Intervention | 0.484 |
| | |
| SENIOR MANAGEMENT TEAM | 0.939 |
| **TOTAL** | **17.025** |

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 6: CENTRAL BUDGETS** | Budget 2022/23 £m |
|---|---|
| Insurance | 0.465 |
| Treasury Management | 0.689 |
| Employer Pension Costs[1] | 0.350 |
| External Audit Fees | 0.053 |
| Budget for Staff Salary Increases[2] | 1.050 |
| Preceptor Grants | 0.038 |
| Apprenticeship Levy[3] | 0.075 |
| Central Recruitment Expenses | 0.040 |
| Visa Sponsorship Budget | 0.005 |
| Central Training Budget | 0.082 |
| Internal Audit Fees | 0.059 |
| Central Salary Contingencies | 0.049 |
| **TOTAL** | **2.955** |

NOTES:
1. Compensated Added Years Pension Contributions
2. To be transferred from Central to Service budgets in April 2022 to reflect allocation of the pay increase across services
3. To be confirmed when final salary costs are confirmed

## 7. Revenue Budget Funding 2022/23

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

| **Table 7: REVENUE BUDGET FUNDING** | Budget 2022/23 £m |
|---|---|
| 1. Council Tax | 15.222 |
| 2. National Non-Domestic Rates (NNDR) | 1.710 |
| 3. Other Un-ringfenced Grants | |
| • Lower Tier Services Grant | 0.107 |
| • Services Grant | 0.164 |
| • New Homes Bonus Grant | 1.000 |

| Table 7: REVENUE BUDGET FUNDING | Budget 2022/23 £m |
|---|---|
| 4. Call on Earmarked Reserves in 2022/23: | |
| • Government Funding Risks Reserve (*Housing Benefit subsidy reduction)* | 0.115 |
| • Pension Reserve | 0.350 |
| • COVID-19 Risks Reserve | 1.100 |
| 5. Use of funds from the General Fund Balance to support the 2022/23 Revenue Budget[1] | 0.212 |
| **NET SOURCES OF INCOME 2022/23** | **19.980** |

NOTE 1: The actual sum to be drawn from Reserves to support the budget will depend on the budget outturn position for 2022/23.

Factors taken into account include:

| | |
|---|---|
| Retained Business Rates Income and Negative RSG Grant | • Includes continued funding for 'negative RSG', as confirmed in the November 2021 Spending Review and December Provisional Settlement. |
| Council Tax | • The 2022/23 increase is based on a £5.00 Band D equivalent increase and the forecast tax base |
| New Homes Bonus | • Includes updated forecasts for New Homes Bonus based on the December 2021 Provisional Settlement announcement, comprising £0.325 million for 'legacy' payments from previous years' allocations plus a £1.169 million allocation for 2022/23. £0.495 million was transferred to the COVID-19 Risks Reserve to help fund forecast parking income losses. The remaining grant is used to help fund the annual budget. |
| Contributions (To)/From Reserves | • Includes the net contribution of £0.212 million that will be required from the General Fund Balance to address the forecast remaining Revenue Budget gap in 2022/23.<br>• Also includes calls on other earmarked Reserves for specific purposes as detailed in the table. |

## 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 2022/23**
The referendum cap was confirmed with the Provisional Local Government Funding Settlement Announcement in December 2021, 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 £237.46 to £242.46, an increase of 10 pence per week.

The total income from council tax for this council therefore increased from £14.365 million to £15.222m.

As reported to Council in December 2021, the impacts of the forecast increase in the taxbase and collection performance for 2022/23 was 716.7 Band D equivalent properties, an increase of 2.6% compared to 2021/22.

**COVID-19 Impacts**
As forecast, overall collection rates were slightly lower than target in 2021/22 due to ongoing challenges caused by the pandemic; recovery action through the courts was still recovering following court closures in 2020/21 and Revenues team capacity was reduced due to the competing demands of processing business grants and the Household Support Fund for Government. Nevertheless recovery performance in comparison to other councils remained strong.

**Council Tax Policy**
No new changes to council tax policy were introduced in 2022/23.

As part of budget-setting for 2023/24 onwards consideration will be given to new opportunities to levy additional council tax premiums to encourage owners to bring properties back into use:

- Empty and unfurnished properties - removal of the 28 day council tax discount from 2023/24 onwards
- Empty and furnished second homes – charge 200% council after the first 12 months from 2023/24 onwards
- Long-term empty properties – commence charging the 100% premium after 12 months - instead of the current 24 months - from 2024/25 onwards

**Council Tax Precepts 2022/23**

| Table 8: ANALYSIS OF DRAFT COUNCIL TAX BY PRECEPTOR | | |
|---|---|---|
| **Authority** | **£000** | **% share** |
| Surrey County Council | 95,932.92 | 74.48% |
| Surrey Police & Crime Commissioner | 17,684.86 | 13.73% |
| Reigate & Banstead Borough Council | 14,705.53 | 11.42% |
| Horley Town Council | 437.52 | 0.34% |
| Salfords & Sidlow Parish Council | 42.92 | 0.03% |
| | **128,803.75** | **100.00%** |

| Table 9: ANALYSIS OF DRAFT COUNCIL TAX CHANGES BY PRECEPTOR | | | | |
|---|---|---|---|---|
| | | | **Increase** | |
| **Authority** | **2022/23** | **2021/22** | **£** | **%** |
| Surrey County Council | 1,595.42 | 1,549.10 | 46.32 | 2.99% |
| Surrey Police & Crime Commissioner | 295.57 | 285.57 | 10.00 | 3.50% |
| Reigate & Banstead Borough Council | 242.46 | 237.46 | 5.00 | 2.11% |
| Horley Town Council | 42.42 | 41.51 | 0.91 | 2.20% |
| Salfords & Sidlow Parish Council | 30.37 | 29.72 | 0.65 | 2.20% |
| | **2,206.25** | **2,143.36** | **62.89** | **2.93%** |

**Local Council Tax Support Scheme**
The Council funds around 10% of council tax for eligible claimants. This reduction in income is taken into account when the taxbase is calculated as part of budget-setting. No general Government funding is provided; the costs reduce the amount of council tax retained by the preceptors.

The Local Scheme applies to working age households; pensioner claims are assessed and funded through a national scheme. It covers claims from three main categories of claimants:

| **Table 10: LOCAL COUNCIL TAX SUPPORT SCHEME (June 2022)**<br><br>**Category** | **Number of Claims** | **Annual Cost £m** |
|---|---|---|
| Vulnerable | 1,875 | 2.923 |
| Working Age – employed | 601 | 0.552 |
| Working Age – not employed | 1,178 | 1.512 |
| **Annual Cost to Preceptors** | | **£4.987m** |

The Vulnerable group is mainly made up of households with a disability benefit in payment. The two Working Age groups have to pay at least 10% of their Council Tax, and there are a few other restrictions in place

The Scheme is scheduled for review during 2022/23. Any changes proposed would be subject to consultation and would need to take into account the impacts on recovery performance if support is reduced.

**Council Tax Collection Performance 2021/22**
This Council's collection performance for council tax in 2021/22 was 98.17% (98.65% in 2020/21).

**Council Tax Options 2023/24**
Each 1% increase in Council Tax generates £0.152 million additional income for this borough. A £5 increase in 2023/24 would yield £0.510 million additional income

**Council Tax Forecasts**
For MTFP modelling purposes, the Council Tax income forecast at June 2022 is set out below:

| **Table 11: COUNCIL TAX FORECAST** | **2022/23 £m** | **2023/24 £m** | **2024/25 £m** | **2025/26 £m** | **2026/27 £m** | **2027/28 £m** |
|---|---|---|---|---|---|---|
| Forecast Resources | 14.832 | 15.373 | 15.940 | 16.330 | 16.650 | 16.983 |
| Annual Increase in Income | - | 0.541 | 0.567 | 0.390 | 0.320 | 0.333 |
| Cumulative Increase in Income | | 0.541 | 1.108 | 1.498 | 1.818 | 2.151 |
| Band D | £237.46 | £242.46 | £247.46 | £252.46 | £257.48 | £262.60 |
| Band D Increase | - | £5.00 | £5.00 | £5.00 | £5.00 | £5.00 |
| Taxbase Increase | 1.15% | 1.45% | 0.78% | 0.41% | 0.50% | 0.50% |
| % Increase | | 2.11% | 2.06% | 2.02% | 1.98% | 1.94% |

## 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 been 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 following consideration by the Government's Valuation Office Agency.

**Business Rates Collection Performance 2021/22**
Collection performance for business rates in 2021/22 was 99.8% (99.94% in 2020/21).

**Business Rates Forecast at June 2022**

| Table 12 : NNDR FORECAST | 2022/23 £m | 2023/24 £m | 2024/25 £m | 2025/26 £m | 2026/27 £m | 2027/28 £m |
|---|---|---|---|---|---|---|
| Forecast NNDR Resources | 1.700 | 2.960 | 3.160 | 3.660 | 4.160 | 4.660 |
| Less 'Negative RSG Grant' | - | - | - | (0.740) | (0.980) | (1.230) |
| **Net Forecast** | 1.700 | 2.960 | 3.160 | 2.920 | 3.180 | 3.430 |
| Annual Increase / (Reduction) | - | 1.260 | 0.200 | (0.240) | 0.260 | 0.250 |
| Cumulative Increase / (Reduction) | - | 1.260 | 1.460 | 1.220 | 1.480 | 1.730 |

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.

## 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 four years (for the 2017/18 award) and to one year from 2020/21 onwards. A new 'baseline' of +0.4% ('deadweight') 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.

## 11. Revenue Reserves

The Council holds Reserves to provide protection against financial risks. The 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.

The Reserves Policy is set out at Appendix 4.1 with details of forecast revenue reserve balances held at 31 March 2022 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 2023/24 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 2022 budget report that a working balance of £3.0 million is considered the minimum level required. This represents just over 15% of the net budget for 2022/23. This minimum level will be reviewed again as part of 2023/24 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 generally increased over recent years.

| Table 13: USEABLE REVENUE RESERVES | 2014/15 £m | 2015/16 £m | 2016/17 £m | 2017/18 £m | 2019/20 £m | 2020/21 £m | 2021/22 £m | 2022/23 £m |
|---|---|---|---|---|---|---|---|---|
| General Fund Balance | 6.717 | 8.737 | 5.912 | 12.547 | 12.547 | 8.949 | 3.000 | 3.000 |
| Earmarked Reserves | 10.963 | 13.485 | 19.075 | 21.703 | 25.042 | 32.646 | 38.738 | 42.596 |
| **Total Reserves** | **17.680** | **22.222** | **24.987** | **34.250** | **37.589** | **41.595** | **41.738** | **45.596** |

| Table 13: USEABLE REVENUE RESERVES | 2014/15 £m | 2015/16 £m | 2016/17 £m | 2017/18 £m | 2019/20 £m | 2020/21 £m | 2021/22 £m | 2022/23 £m |
|---|---|---|---|---|---|---|---|---|
| Reserves as a % of the Net Revenue Budget | 135.01% | 169.70% | 190.81% | 261.55% | 287.05% | 255.26% | 240.00% | 230.28% |

**COVID 19 Risks Reserve**
The 2022/23 Reserves include funds to help mitigate the impacts of income losses.

**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 Financial Sustainability Programme.

## 12. Medium Term Financial Plan Forecast 2023/24 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 in 2023/24 onwards.

They include:

- Making budget provision for future pay and pensions increases at a time of escalating inflation;
- 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 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.

**Financial Sustainability Programme**
Reliance on one-off measures such as the use of reserves to balance the budget is not without risks and will not be sustainable over the long-term. Going forward, solutions that reduce costs or increase income on a permanent basis will have to be identified for 2023/24 onwards.

In agreeing the budget for 2022/23, the Executive also agreed to commence a programme of work to ensure the future Financial Sustainability of the authority. The outcomes of initial work on this programme will be reflected as part of the 2023/24 budget setting process, with the programme continuing into future years to inform ongoing financial planning. It focuses on
four key areas:

| | |
|---|---|
| Income Generation | • Pursuing opportunities to generate new income streams.<br>• Optimising fees and charges.<br>• Implementation of the Commercial Strategy. |
| Use of Assets | • Making effective use of existing assets, including the repurposing and sale of surplus properties. |
| Prioritisation of Resources | • Reviewing in-year budget monitoring forecasts to identify new opportunities for savings and efficiencies.<br>• Reviewing the level of service provided and focussing resources on priority services.<br>• Managing pay costs and making effective use of staff resources. |
| Achieving Value for Money | • Actively pursuing options to share with other councils to realise efficiency savings.<br>• Identification of invest to save opportunities – including investment in technology and assets to reduce operational costs. |

Further details are provided in the separate Annex 2.

**Revenue Budget-Setting Assumptions 2023/24**
The following assumptions will be used during service & financial planning over coming months when preparing the draft Budget estimates for 2023/24:

| | |
|---|---|
| Council Tax | • To increase by the referendum limit – assumed to be £5 for this report<br>• Plus an increase to reflect forecast growth in the taxbase<br>• 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 until 2025/26 |
| Retained Business Rates Income | • Reset of Business Rates will not take place until 2025/26 |
| 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.<br>• This provides the option for pay rises but the specific rate of increase will be subject to established consultation processes. |

| | |
|---|---|
| Employer Pension Costs | • The March 2019 actuarial valuation of the Surrey Pension Fund 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.<br>• 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.<br>• 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.<br>• As part of budget-setting 2020/21 the approved approach for the next three years was:<br>o To maintain the primary employer contribution rate at 15% of salaries.<br>o 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 2020/21. This represented a saving of £0.397m compared to payment in three annual instalments from 2020/21 to 2022/23.<br>o To aim to rebuild the Pensions Reserve ready for the next revaluation in 2022<br>• There also a requirement to fund £340k per annum contribution for historic 'compensated added years' that were granted to retirees prior to 2015<br>• The next actuarial review will be at 31 March 2022 and any implications will be built into budgets for 2023/24 onwards. |
| Price Inflation | • Previously the general assumption has been that services should first seek to cover price inflation from their existing budgets, unless tied contractually to significant cost increases that warrant additional funding.<br>• Significant increases would be subject to approval of budget growth through the service & financial planning process.<br>• The current escalating rate of inflation means that it is likely that more bids for inflationary budget growth will have to be considered. |

## Forecast Budget Gap

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

| **Table 14: MEDIUM TERM REVENUE BUDGET FORECAST** | Approved Budget 2022/23<br><br>£m | Forecast Budget 2023/24<br><br>£m | Forecast Budget 2024/25<br><br>£m | Forecast Budget 2023/34<br><br>£m | Forecast Budget 2026/27<br><br>£m | Forecast Budget 2027/28<br><br>£m |
|---|---|---|---|---|---|---|
| **FORECAST GAP** | Balanced | 2.116 | 2.709 | 3.809 | 4.829 | 5.446 |

| **Table 14: MEDIUM TERM REVENUE BUDGET FORECAST** | Approved Budget 2022/23<br><br>£m | Forecast Budget 2023/24<br><br>£m | Forecast Budget 2024/25<br><br>£m | Forecast Budget 2023/34<br><br>£m | Forecast Budget 2026/27<br><br>£m | Forecast Budget 2027/28<br><br>£m |
|---|---|---|---|---|---|---|
| Annual Increase in Gap | Balanced | 2.116 | 0.593 | 1.100 | 1.020 | 0.617 |
| Gap as % of 2022/23 budget requirement | n/a | 10.6% | 13.6% | 19.1% | 24.2% | 27.3% |

The key factors that will influence the forecast gap include:

Service Expenditure

- No significant budget pressures have been identified to date but this will be subject to further review as part of the service & financial planning process.
- Delivery of Financial Sustainability Programme initiatives.
- While an estimate for the 2023/24 pay award has been included in the MTFP 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 35.8% of gross direct expenditure in the 2022/23 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 next three years net borrowing costs are forecast to increase from 3.8% of the net Revenue Budget to 4.4%.

Council Tax

- Council tax setting assumptions are based on a £5 increase and forecast movements in the taxbase.

NNDR

- Removal of Negative RSG Grant and the Business Rates reset are now forecast to take place in 2025/26; they have the effect of negating the benefit of forecast business rates growth over the MTFP period.

Use of Reserves & Grants

- Funding for the 2022/23 budget includes drawing £0.212m from the General Fund Reserve. If equivalent savings, efficiencies or new sources of income are not identified for 2023/24 this requirement to call on Reserves will continue to increase and further reduce available balances.
- The 2022/23 budget also depends on drawing £0.115m from the Government Funding Risks Reserve (Housing Benefit subsidy reduction), £0.350m from the Pension Reserve (for additional charges from Surrey Pension Fund) and up to £1.1m from the COVID Risks Reserve depending on the rate of recovery of car parking income. The ongoing requirement for this funding will have to be assessed as part of service & financial planning over coming months.
- Government grant funding that is being used to help fund the net budget requirement in 2022/23 include: Lower Tier Services Grant (£0.107m), Services Grant (£0.164m) and New Homes Bonus (£1.000m).

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 will be reported to Executive in July 2022 and will set 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.

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 the 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 the 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 2022/23 to 2026/27**
The Council forecasts its Capital Programme over a 5-year period and the latest position is set out in the table below as reported to Executive in January 2022 plus unspent balances brought forward from 2021/22.

| **Table 15: CAPITAL PROGRAMME 2022/23 to 2026/27 by SERVICE** | **2021/22** | **2022/23** | **2023/24** | **2024/25** | **2025/26** | **2026/27** | |
|---|---|---|---|---|---|---|---|
| | **BFWD £m** | **Projected £m** | **Projected £m** | **Projected £m** | **Projected £m** | **Projected £m** | **TOTAL £m** |
| **ORGANISATION SERVICES:** | | | | | | | |
| Property Services | 5.223 | 1.636 | 1.352 | 1.246 | 0.028 | 1.536 | 11.022 |
| IT Services | 0.224 | 0.200 | 0.260 | 0.250 | 0.200 | 0.200 | 1.334 |
| Organisational Development | 0.452 | 0.250 | 0.250 | 0.250 | - | - | 1.202 |
| **PEOPLE SERVICES:** | | | | | | | |

| Table 15: CAPITAL PROGRAMME 2022/23 to 2026/27 by SERVICE | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | |
|---|---|---|---|---|---|---|---|
| | BFWD £m | Projected £m | Projected £m | Projected £m | Projected £m | Projected £m | TOTAL £m |
| Housing | 20.519 | 11.325 | 1.325 | 1.325 | 1.325 | 1.362 | 37.181 |
| Wellbeing & Intervention | 0.172 | 0.100 | 0.100 | 0.100 | 0.100 | 0.100 | 0.672 |
| Community Development | 0.075 | 0.030 | - | - | - | - | 0.105 |
| **PLACE SERVICES:** | | | | | | | |
| Neighbourhood Operations | 0.659 | 1.542 | 0.774 | 0.891 | 0.929 | 0.913 | 5.708 |
| Place Delivery | 9.410 | 15.100 | - | - | - | - | 24.510 |
| Economic Prosperity | - | 0.100 | 0.100 | 0.100 | - | - | 0.300 |
| **CORPORATE:** | | | | | | | |
| Commercial Investment Strategy[1] | - | - | - | - | - | - | - |
| **TOTAL APPROVED CAPITAL PROGRAMME** | **36.983** | **30.283** | **4.161** | **4.162** | **2.581** | **4.110** | **82.280** |

Note 1: £62.991m was allocated for investment in Commercial projects in previous years. This has not been carried forward to 2022/23; instead sums will be allocated as new business cases are approved.

£36.983 million of resources allocated for previously-approved schemes have been brought forward from previous years, principally due slippage in the original forecast delivery date. These include:

| | |
|---|---|
| Place Services | Marketfield Way - £6.986m<br>Merstham Recreation Ground - £1.419m<br>Horley Public Realm Improvements - £0.575m<br>Preston Regeneration - £0.348m |
| Rolling Programmes | Beech House, London Road. Reigate - £3.000m<br>Priory Park Maintenance - £0.213m<br>Car Parks Capital Works - £0.358m<br>Crown House - £0.210m<br>Harlequin Property Maintenance - £0.206m<br>Operational Buildings - £0.260m<br>Pavilions Programme - £0.168m<br>Tenanted Properties - £0.100m |
| Housing Development | Housing Delivery Programme - £20.000m<br>Cromwell Road Development - £0.150m<br>Lee Street Bungalows - £0.327k |

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

| Table 16: CAPITAL GROWTH 2022/23 | |
|---|---|
| **Service Area** | **Approved Capital Growth** |
| **ORGANISATION** | |
| IT Services | • Investment in IT networks |
| Property Services | • Existing asset maintenance rolling programme |
| **PEOPLE SERVICES** | |
| Housing | • Existing asset maintenance rolling programme |
| **PLACE SERVICES** | |
| Neighbourhood Services | • Continued investment in play area improvement, Air Quality Management equipment, parks & countryside, infrastructure & fencing and flood prevention. |
| Grant-funded schemes | • Growth of £1.3m to support the continued rolling budget for Disabled Facilities Grants, Home Improvement Agency services and Handy Person Scheme |
| Vehicles & Plant | • Continuation of the rolling investment programme |

This results in a forecast borrowing requirement of £19.367 million over the period.

**Capital Programme Funding**
Sources of funding for the 2022/23 to 2026/27 Capital Programme are summarised below:

| Table 17: CAPITAL PROGRAMME FUNDING 2022/23 to 2026/27 | 2021/22 BFWD £m | 2022/23 Projected £M | 2023/24 Projected £M | 2024/25 Projected £M | 2025/26 Projected £M | 2026/27 Projected £M | TOTAL |
|---|---|---|---|---|---|---|---|
| **TOTAL CAPITAL EXPENDITURE 2022/23 to 2026/27** | **36.983** | **30.283** | **4.161** | **4.162** | **2.581** | **4.110** | **82.280** |
| | | | | | | | |
| **FUNDED BY:** | | | | | | | |
| Capital Reserves | - | - | - | - | - | - | **-** |
| Capital Receipts | | 28.938 | 2.816 | 2.817 | 1.236 | 0.017 | **35.824** |
| Capital Grants & Contributions | 0.327 | 1.345 | 1.345 | 1.345 | 1.345 | 1.382 | **7.089** |
| Earmarked Reserves – Housing Delivery Strategy | 20.000 | - | - | - | - | - | **20.000** |
| Prudential Borrowing | 16.656 | - | - | - | - | 2.711 | **19.367** |
| **TOTAL CAPITAL FUNDING 2022/23 to 2026/27** | **36.983** | **30.283** | **4.161** | **4.162** | **2.581** | **4.110** | **82.280** |

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.<br>• The primary source of capital receipts over the duration of this Capital programme relates to delivery of major schemes including Marketfield Way redevelopment and the Pitwood Park housing development. These capital receipts have been factored into forecast funding plans.<br>• Other sources include funds that continue to be received following the housing stock transfer and other housing developments over the past 20 years. |
| Flexible Use of Capital Receipts | • Following approval of the updated IT Strategy in March 2022, a proportion of available capital receipts may have to be allocated for investment in projects to support delivery of the Strategy over the next five years. This funding approach would be delivered through the Government's scheme for use of capital receipts to fund transformation initiatives. |
| Capital Grants & Contributions | • Forecasts of the future grant funding allocation for Disabled Facilities works have been updated to reflect forecast allocations.<br>• They include the Council's share of Section 106 and CIL funding. A review of options for making use of Section 106 funding is currently underway as part of the Financial Sustainability Programme. |
| 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).<br>• Loans are managed through the approved Treasury Management Strategy and policies.<br>• 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. The MRP Policy is reviewed each year when preparing the Treasury Management Strategy.<br>• 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 no longer permitted. |
| Revenue Budget Contributions | • There is no expectation that significant capital expenditure will be funded from the revenue budget in 2023/24. |

**Revenue Budget Impact of Capital Spending**

As explained above, with the exception of earmarked Section 106 funds and some earmarked Housing capital receipts, 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 2022/23 onwards net of interest on forecast balances and company loan repayments. Details are set out in the Treasury Management Strategy for 2022/23 that was approved in April 2021.

The costs of operating and maintaining new assets must also be factored into future revenue budget forecasts as they come into use.

**Capital Programme – Policy on Capitalisation of Salaries.**
Costs incurred as a result of staff spending time on capital projects can be capitalised, provided that time can be linked to bringing a specific, separately identifiable asset into working condition, or substantially enhancing the working life of an existing asset.

## 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 the Capital Programme. Capital investment plans provide a guide to borrowing need, essentially for longer-term cash flow planning purposes, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. To date there has been no requirement to take on long-term borrowing because reserve balances remain healthy and are being used to cover short-term financing requirements.

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 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.

The Council's 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. They are reviewed to assess the expected credit loss (impairment) each year when preparing the annual statement of accounts.

**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.

A strengthened Prudential Code was then published at the end of 2021. This revised Code includes clarification and examples of what is and is not classified as prudent borrowing activity.

Other key changes for implementation in 2023/24 onwards 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

At the same time CIPFA also revised 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 effects of the Covid-19 pandemic, coupled with current adverse macroeconomic conditions and the wider local government funding context, have created conditions of unprecedented financial uncertainty and challenge for the Council. The Council is therefore increasingly reliant on generating additional income and identifying savings and efficiencies from existing budgets. If not mitigated, these financial challenges risk an adverse impact on the Council's ability to deliver its Corporate Plan objectives.*

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 18: BUDGET RISKS**<br><br>**Perceived Risk** | **Impact** | **Likelihood** | **Preventative Action** |
|---|---|---|---|
| Failure to remain up to date with changes in relevant legislation, regulations and guidance | High | Low | Ensure that all relevant information is taken into account when producing MTFP and budget forecasts. |
| Changes in legislation affecting the scope of services and the cost of carrying them out | Medium | Medium | Maintain regular contact with Heads of Service regarding developments that have potential financial implications. |
| Local Government Financial Settlement worse than forecast | High | Medium | Model a range of MTFP and budget scenarios and strategies. |
| Outdated MTFP assumptions<br><br>Significant variations due to economic factors | High | Low | Regularly review and update assumptions. |
| Inaccurate budget assumptions | High | Medium | Regularly review and update assumptions. |

| Table 18: BUDGET RISKS<br><br>Perceived Risk | Impact | Likelihood | Preventative Action |
|---|---|---|---|
| Unexpected financial events | High | Medium | Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified.<br>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.<br>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.<br>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.<br>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.<br>Regular reviews of key financial risks.<br>Maintain regular contact with Heads of Service regarding developments that have potential financial implications. |
| COVID-19 risks | Medium | Low | Legacy impacts of the pandemic include ongoing cost pressures and income reductions.<br>Income budgets were reviewed and re-set in 2022/23 where necessary to reflect the post-pandemic position. |
| Commercial Risks | High | High | 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 will have to be written off (if not covered by sale of company assets). These risks are already reflected in the annual statement of accounts where the expected credit loss is calculated and balances are impaired. |
| Inflation Risks | High | High | Budget setting for 2023/24 will have to take into account the actual and forecast impacts of price inflation on |

| Table 18: BUDGET RISKS<br><br>Perceived Risk | Impact | Likelihood | Preventative Action |
|---|---|---|---|
| | | | pay, supplies & services, energy & fuel and contract costs. |

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

| Table 19: SENSITIVITY | Change | Estimated Annual Impact £000 |
|---|---|---|
| Council Tax/Taxbase | | (152) |
| Business Rates Income | +/- 1% | (18) |
| Staff Costs | | 249 |
| Non-Pay Costs | | 125 |
| Fees & Charges | | (162) |

**Budget Uncertainties & Risks**
While the approved budget for 2022/23 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;
- The impacts of 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 businesses in the Borough will have an impact on retained Business Rates income.
- The escalating rate of inflation is an emerging concern.

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 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 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’ now 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 future economic downturns may impact on the value of Fund investments and liabilities.

Financial Sustainability Programme Delivery:

- The Council has ambitious plans to take action to address the forecast budget gap through delivery of a wide range of projects and initiatives that are intended to will reduce expenditure, avoid new costs and increase income receipts. It is therefore important that this Programme is seen to be a key corporate priority and measures are put in place to ensure its delivery. Further details are provided at Annex 2.

COVID-19 Pandemic

- The ongoing financial risks and uncertainties arising from the pandemic, as set out in this MTFP.

**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.

Initiation of the Financial Sustainability Programme at the start of 2022/23 included establishing appropriate programme governance and reporting arrangements. Further details are provided at Annex 2.

## 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 2023/24

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.<br><br>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:<br>• Ensure capital expenditure contributes to the achievement of the Council's organisational strategy<br>• Set a Capital Programme which is affordable and sustainable<br>• Maximise the use of assets<br>• Provide a clear framework for decision making and prioritisation relating to capital expenditure and funding<br>• 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 2023/24 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 2022/23 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 20: 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.*<br><br>Areas for Development:<br>• 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. |
| **D** | The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016). |
| **E** | The financial management style of the authority supports financial sustainability. |
| **Section 3: Long to medium-term financial management** | |
| **F** | The authority has carried out a credible and transparent financial resilience assessment.<br><br>Areas for Development:<br>• Annual MTFP review and reporting, including financial risks assessment<br>• Implementation of the Financial Sustainability Programme |

<table>
<tr><th colspan="2">Table 20: CIPFA FINANCIAL MANAGEMENT STANDARDS</th></tr>
<tr><th>FM Standard Reference</th><th></th></tr>
<tr><td>G</td><td>The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.<br><br><u>Areas for Development:</u><ul><li>Annual MTFP review and reporting, including financial risks assessment</li><li>Implementation of the Financial Sustainability Programme</li></ul></td></tr>
<tr><td>H</td><td>The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.</td></tr>
<tr><td colspan="2">Section 4: The annual budget</td></tr>
<tr><td>I</td><td>The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.<br><br><u>Areas for Development:</u><ul><li>Annual MTFP review and reporting, including financial risks assessment</li><li>Implementation of the Financial Sustainability Programme</li></ul></td></tr>
<tr><td>J</td><td>The authority complies with its statutory obligations in respect of the budget setting process.</td></tr>
<tr><td>K</td><td>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.</td></tr>
<tr><td colspan="2">Section 5: Stakeholder engagement and business plans</td></tr>
<tr><td>L</td><td>The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.</td></tr>
<tr><td>M</td><td>The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.<br><br><u>Areas for Development:</u><ul><li>Continued development of the Council’s business case model and toolkit to ensure it reflects good practice relating to preparation of the financial case</li></ul></td></tr>
<tr><td colspan="2">Section 6: Monitoring financial performance</td></tr>
<tr><td>N</td><td>The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.<br><br><u>Areas for Development:</u><ul><li>Implementation of internal audit recommendations relating to contract management</li></ul></td></tr>
</table>

| Table 20: CIPFA FINANCIAL MANAGEMENT STANDARDS | |
|---|---|
| **FM Standard Reference** | |
| **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.<br><br><u>Areas for Development:</u><br>• 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 2022/23 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 on 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 21: CIPFA RESILIENCE INDEX INDICATORS** | **This Council's Relative Risk Compared to Similar Councils** | **This Council's Prospects over the Medium Term** |
|---|---|---|
| Reserves Sustainability – increase in reserves over recent years | *Medium risk compared to the average* | Planned use of previously un-allocated reserves (for example for investment in Housing) means that this position will be harder to maintain |
| Level of Reserves – compared to the annual revenue budget | *Lower risk than the average* | |
| Changes in reserves over recent years | *Lower risk than the average* | |
| Interest payable compared to recent budget | *Lower risk than the average* | Planned growth in the Capital Programme and associated borrowing means that this position will not be maintained. |
| Gross external debt | *Lower risk than the average* | |
| Fees & Charges - as % of service budgets | *Higher risk than the average* | Implementation of the new Fees & Charges Policy and planned review should improve the Council's position against this indicator if it results in new and/or increased sources of income. |
| Ratio of Council tax contribution to revenue budget | *Lower risk than the average* | Risk may increase if budget increases without the ability to levy a proportionate increase in council tax. |
| Funding growth - compared to Government baseline | *Increasing risk* | This risk is expected to increase as Government funding reduces and the ingoing impacts of the |

| Table 21: CIPFA RESILIENCE INDEX INDICATORS | This Council's Relative Risk Compared to Similar Councils | This Council's Prospects over the Medium Term |
|---|---|---|
| | | COVID-19 pandemic on income budgets are confirmed. |

## 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 2023/24.

# APPENDICES

**APPENDIX 1**

# REVENUE BUDGET 2022/23

| **REVENUE BUDGET 2022/23** | **Approved Budget 2022/23 £m** |
|---|---|
| ORGANISATION | |
| Communications / Customer Service | 1.086 |
| Finance | 1.327 |
| ICT | 1.767 |
| Legal & Governance | 2.243 |
| Organisational Development & HR | 0.786 |
| Corporate Policy, Projects & Performance (inc Environmental Sustainability) | 0.432 |
| Property / Commercial | (1.232) |
| | |
| PLACE | |
| Economic Prosperity | 0.274 |
| Neighbourhood Operations | 4.997 |
| Place Delivery | 0.355 |
| Planning | 0.653 |
| | |
| PEOPLE | |
| Community Development | 1.197 |
| Housing | 0.999 |
| Revenues, Benefits & Fraud | 0.718 |
| Wellbeing & Intervention | 0.484 |
| | |
| SENIOR MANAGEMENT TEAM | 0.939 |
| | |
| **SERVICE BUDGETS TOTAL** | **17.025** |
| | |
| Central Budgets | 2.955 |
| | |
| **NET EXPENDITURE 2022/23** | **19.980** |
| | |
| Council Tax | 15.222 |
| National Non-Domestic Rates | 1.710 |
| | |
| Other Un-ringfenced Grants | |
| Lower Tier Services Grant | 0.107 |
| Services Grant | 0.164 |
| New Homes Bonus Grant | 1.000 |
| | |
| Call on Earmarked Reserves in 2022/23 | |

| REVENUE BUDGET 2022/23 | Approved Budget 2022/23 £m |
|---|---|
| Government Funding Risks Reserve | 0.115 |
| Pension Reserve | 0.350 |
| COVID-19 Risks Reserve | 1.100 |
| | |
| Use of funds from the General Fund Balance to support the 2022/23 revenue Budget | 0.212 |
| | |
| **NET SOURCES OF INCOME 2022/23** | **19.980** |
| Budget Gap | Nil |

NOTE: The actual sum to be drawn from Reserves to support the budget will depend on the budget outturn position for 2022/23.

**APPENDIX 2**

# MEDIUM TERM REVENUE BUDGET FORECAST 2023/24 to 2027/28

| MEDIUM TERM REVENUE BUDGET FORECAST | Approved Budget 2021/22 £m | Cumulative Impact 2023/24 £m | Cumulative Impact 2024/25 £m | Cumulative Impact 2025/26 £m | Cumulative Impact 2026/27 £m | Cumulative Impact 2027/28 £m |
|---|---|---|---|---|---|---|
| **2022/23 Budget Requirement** | **19.800** | | | | | |
| Service Budgets - Pay | | 1.250 | 2.250 | 3.250 | 4.250 | 5.250 |
| Service Budgets – net service growth / savings 2023/24 | | TBC through service & financial planning 2023/24 | | | | |
| New Sources of Income – Fees & Charges / Commercial | | (0.100) | (0.250) | (0.400) | (0.500) | (0.500) |
| Central Budgets - Pensions | | 0.340 | 0.340 | 0.340 | 0.340 | 0.340 |
| Central Budgets - Treasury Management – net borrowing costs | | 0.150 | 0.400 | 0.600 | 0.800 | 0.800 |
| | | | | | | |
| **Council Tax** | | | | | | |
| £5 per Band D equivalent plus impact of forecast taxbase | | (0.541) | (1.108) | (1.498) | (1.181) | (2.151) |
| | | | | | | |
| **Business Rates** | | (1.260) | (0.200) | (0.500) | (0.500) | (0.500) |
| **Negative RSG Grant** | | | | 0.740 | 0.980 | 1.230 |
| **Government Grants** | | | | | | |
| Lower Tier Services Grant | | TBC in the December Provisional Settlement Announcement | | | | |
| Services Grant | | | | | | |
| New Homes Bonus | | 0.600 | 0.600 | 0.600 | 0.600 | 0.600 |
| | | | | | | |
| **Call on Reserves 2022/23** | | | | | | |
| Reversal of one-off call on Earmarked Reserves and General Fund Balance Contribution in 2022/23 | | 1.677 | 0.677 | 0.677 | 0.677 | 0.677 |
| | | | | | | |
| **Forecast Gap at July 2022 Compared to 2022/23 Budget** | - | **2.116** | **2.709** | **3.809** | **4.829** | **5.446** |
| Annual Increase in Gap | | 2.116 | 0.593 | 1.100 | 1.020 | 0.617 |
| Gap as % of 2022/23 budget requirement | | 10.6% | 13.6% | 19.1% | 24.2% | 27.3% |

**APPENDIX 3**

# CAPITAL PROGRAMME 2022/23 to 2026/27

| CAPITAL PROGRAMME 2022 to 2027 - DETAILS | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2021/22 Bfwd** | **2022/23** | **2023/24** | **2024/25** | **2025/26** | **2026/27** | **Total** |
| | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| **ORGANISATION SERVICES** | | | | | | | |
| **PROPERTY SERVICES** | | | | | | | |
| **Rolling Property Maintenance Programmes** | | | | | | | |
| Forum House, Brighton Road Redhill | 0.170 | 0.100 | 0.150 | 0.150 | - | 0.100 | **0.670** |
| Beech House, London Road, Reigate | 3.000 | - | - | - | - | - | **3.000** |
| Unit 61E Albert Road North | 0.062 | 0.200 | 0.012 | 0.012 | - | 0.075 | **0.360** |
| Regent House, 1-3 Queensway Redhill | 0.075 | 0.100 | 0.090 | 0.090 | - | 0.090 | **0.445** |
| Linden House, 51B High Street Reigate | 0.028 | 0.029 | 0.012 | 0.012 | - | 0.015 | **0.095** |
| Units 1-5 Redhill Distribution Centre Salfords | 0.057 | 0.058 | 0.017 | 0.017 | - | 0.025 | **0.174** |
| Crown House | 0.210 | 0.075 | 0.075 | 0.075 | - | 0.075 | **0.510** |
| Tenanted Properties | 0.100 | 0.100 | 0.100 | 0.100 | - | 0.100 | **0.500** |
| Tenanted Property Assets | 0.060 | 0.076 | 0.076 | 0.076 | - | 0.076 | **0.364** |
| Operational Buildings | 0.260 | 0.110 | 0.095 | 0.080 | - | 0.080 | **0.625** |
| Priory Park | 0.213 | 0.010 | 0.010 | 0.030 | - | 0.050 | **0.313** |
| Public Conveniences | 0.017 | 0.004 | 0.004 | 0.020 | - | 0.095 | **0.140** |
| Infra-structure (walls) | 0.026 | 0.060 | 0.010 | 0.060 | - | 0.020 | **0.176** |

| CAPITAL PROGRAMME 2022 to 2027 - DETAILS | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2021/22 Bfwd** | **2022/23** | **2023/24** | **2024/25** | **2025/26** | **2026/27** | **Total** |
| | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| Allotments | 0.030 | 0.012 | 0.012 | 0.022 | - | 0.012 | **0.088** |
| Cemeteries & Chapel | 0.060 | 0.020 | 0.020 | 0.040 | - | 0.020 | **0.160** |
| Pavilion Replacement – Woodmansterne | 0.020 | - | - | - | - | - | 0.020 |
| Leisure Centre Maintenance | 0.017 | 0.210 | 0.190 | 0.030 | - | 0.175 | **0.622** |
| Existing Pavilions Programme | 0.168 | 0.050 | 0.050 | 0.050 | - | 0.150 | **0.468** |
| Car Parks Capital Works Programme | 0.358 | 0.190 | 0.195 | 0.170 | - | 0.075 | **0.988** |
| Earlswood Depot/Park Farm Depot | 0.052 | 0.020 | 0.020 | 0.020 | - | 0.050 | **0.162** |
| Day Centres Programme | 0.034 | 0.075 | 0.067 | 0.065 | - | 0.125 | **0.366** |
| Harlequin Property Maintenance | 0.206 | 0.110 | 0.120 | 0.100 | - | 0.100 | **0.636** |
| Building Maintenance - Capitalised Staff Costs | 0.000 | 0.028 | 0.028 | 0.28 | 0.028 | 0.028 | **0.140** |
| **Total** | **5.223** | **1.636** | **1.352** | **1.246** | **28** | **1.536** | **11.022** |
| **IT SERVICES** | | | | | | | |
| **Rolling Investment Programmes:** | | | | | | | |
| ICT Replacement Programme | 0.224 | 0.200 | 0.200 | 0.250 | 0.200 | 0.200 | **1.274** |
| Replacement Photocopiers/ Printers | - | - | 0.060 | - | - | - | **0.060** |
| **Total** | **0.224** | **0.200** | **0.260** | **0.250** | **0.200** | **0.200** | **1.334** |
| **ORGANISATIONAL DEVELOPMENT** | | | | | | | |
| Workplace Facilities: Estate/Asset Development | 0.452 | 0.250 | 0.250 | 0.250 | - | - | **1.202** |

| CAPITAL PROGRAMME 2022 to 2027 - DETAILS | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2021/22 Bfwd** | **2022/23** | **2023/24** | **2024/25** | **2025/26** | **2026/27** | **Total** |
| | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| **Total** | **0.452** | **0.250** | **0.250** | **0.250** | **-** | **-** | **1.202** |
| **Environmental Strategy Delivery** | | | | | | | |
| Environmental Strategy Delivery | 0.250 | - | - | - | - | - | **0.250** |
| **PEOPLE SERVICES** | | | | | | | |
| **HOUSING** | | | | | | | |
| **Grant-Funded Schemes** | | | | | | | |
| Disabled Facilities Grant | - | 1.134 | 1.134 | 1.134 | 1.134 | 1.134 | **5.670** |
| Home Improvement Agency (Part Grant Funded) | - | 0.120 | 0.120 | 0.120 | 0.120 | 0.120 | **0.600** |
| Handy Person Scheme (Housing Assistance Programme) | - | 0.050 | 0.050 | 0.050 | 0.050 | 0.050 | **0.250** |
| Massetts Road – Property Rolling Programme | - | 0.021 | 0.021 | 0.021 | 0.021 | 0.021 | **0.105** |
| Housing Temp/Emergency Repairs | - | - | - | - | - | - | **0.037** |
| Lee Street Bungalows | 0.327 | - | - | - | - | - | **0.327** |
| **Housing Delivery Strategy** | | | | | | | |
| Housing Delivery | 20.000 | 10.000 | - | - | - | - | **30.000** |
| Cromwell Road Development | 0.150 | - | - | - | - | - | **0.150** |
| Pitwood Park Development, Tadworth | 0.043 | - | - | - | - | - | **0.043** |
| **Total** | **20.519** | **11.325** | **1.325** | **1.325** | **1.325** | **1.362** | **37.181** |
| **WELLBEING & INTERVENTION** | | | | | | | |

| CAPITAL PROGRAMME 2022 to 2027 - DETAILS | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2021/22 Bfwd** | **2022/23** | **2023/24** | **2024/25** | **2025/26** | **2026/27** | **Total** |
| | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| Harlequin - Service Development | 0.172 | 0.100 | 0.100 | 0.100 | 0.100 | 0.100 | **0.672** |
| **Total** | **0.172** | **0.100** | **0.100** | **0.100** | **0.100** | **0.100** | **0.672** |
| **COMMUNITY DEVELOPMENT** | | | | | | | |
| **Rolling Maintenance Programmes** | | | | | | | |
| CCTV | 0.075 | 0.030 | - | - | - | - | **0.105** |
| **PLACE SERVICES** | | | | | | | |
| **NEIGHBOURHOOD OPERATIONS** | | | | | | | |
| **Rolling Maintenance/Investment programmes** | | | | | | | |
| Vehicle Wash Bay Replacement | 0.350 | - | - | - | - | - | **0.350** |
| Vehicles & Plant | 0.182 | 1.056 | 0.448 | 0.565 | 0.578 | 0.562 | **3.391** |
| Play Areas Improvement | - | 0.230 | 0.230 | 0.230 | 0.230 | 0.230 | **1.150** |
| Air Quality Monitoring Equipment | - | 0.040 | 0.040 | 0.040 | 0.065 | 0.065 | **0.250** |
| Parks & Countryside – Infrastructure & Fencing | - | 0.045 | 0.045 | 0.045 | 0.045 | 0.045 | **0.225** |
| Workshop Refurbishment | - | - | 0.160 | - | - | - | **0.160** |
| Contribution to Surrey Transit Site | 0.127 | 0.160 | - | - | - | - | **0.127** |
| Land Flood Prevention | - | 0.011 | 0.011 | 0.011 | 0.011 | 0.011 | **0.053** |
| **Total** | **0.659** | **1.542** | **0.774** | **0.891** | **0.929** | **0.913** | **5.708** |
| **PLACE DELIVERY** | | | | | | | |
| Marketfield Way Redevelopment | 6.986 | 15,100 | - | - | - | - | **22.086** |

| CAPITAL PROGRAMME 2022 to 2027 - DETAILS | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2021/22 Bfwd** | **2022/23** | **2023/24** | **2024/25** | **2025/26** | **2026/27** | **Total** |
| | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| Horley Public Realm Improvements - Phase 4 | 0.575 | - | - | - | - | - | **0.575** |
| Merstham Recreation Ground | 1.419 | - | - | - | - | - | **1.419** |
| Redhill Public Realm Improvements | 0.030 | | | | | | **0.030** |
| Pay on Exit Car Parking, Horley | 0.052 | - | - | - | - | - | **0.052** |
| Preston – Parking Improvements | 0.348 | - | - | - | - | - | **0.348** |
| **Total** | **9.410** | **15,100** | **-** | **-** | **-** | **-** | **24.510** |
| | | | | | | | |
| Economic Prosperity - Vibrant towns & villages | - | 100 | 100 | 100 | - | - | **0.300** |
| **TOTAL APPROVED CAPITAL PROGRAMME** | **36.983** | **30,283** | **4,161** | **4,162** | **2,581** | **4,110** | **82.280** |

**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 2022**

**APPENDIX 4.2**

# REVENUE RESERVE BALANCES AT 31 MARCH 2022

| | Balance at 31.3.22 £m | Purpose |
|---|---|---|
| General Fund Balance | **£3.000m** | Acts as a buffer against unpredicted budget pressures.<br>The minimum level required is £2.6m |

| Earmarked Revenue Reserves | Balance at 31.3.22 £m | Purpose |
|---|---|---|
| Housing Delivery Strategy Reserve | 19.079 | Established 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 | 3.569 | Earmarked for the purpose of mitigating the planned reduction in Government funding pending delivery of new sustainable income streams. |
| Commercial Risks & Volatility Reserve | 3.195 | Earmarked for the purpose of mitigating the impacts of delays in delivery of new sustainable commercial income streams. |
| Capital Schemes Feasibility Studies Reserve | 1.746 | 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. |
| Homelessness Prevention | 1.017 | Established to account separately for the funding set aside for homelessness prevention. |
| Revenue Grants Reserve | 0.755 | Established as part of budget-setting for 2022/23 to carry-forward unspent grants from the previous year for future use. |
| IT Strategy Reserve | 0.700 | Established as part of budget-setting for 2022/23 to help implementation of the new IT Strategy (subject to approval of the Strategy in March 2022). |
| 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. |
| Economic Development Initiatives Reserve | 0.657 | Established to fund initiatives to raise awareness amongst local people of quality local employment opportunities. |
| Insurance Reserve | 0.500 | Provides cover against uninsured losses. |

| Earmarked Revenue Reserves | Balance at 31.3.22 £m | Purpose |
|---|---|---|
| Pension Reserve | 0.492 | Established to set aside funds in anticipation of the next Pension Fund Revaluation. |
| Corporate Plan Delivery Fund (CPDF) | 0.327 | Provides time-limited funding to deliver key priorities, Corporate Plan objectives and invest–to–save initiatives, including investment in new technology. |
| Feasibility Studies (Infrastructure Initiatives) Reserve | 0.250 | Established 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. |
| Family Support Programme | 0.239 | Established to carry-forward unused funding for use in future years. |
| Environmental Sustainability Reserve | 0.170 | Established to fund Investment in delivery of the Environmental Sustainability Strategy. |
| Revenues & Benefits – Recovery Proceeds Reserve | 0.115 | Established as part of budget-setting for 2022/23 to hold sums recovered during the year for future use. |
| Contaminated Land Investigation Works Reserve | 0.100 | Established as part of budget-setting for 2022/23 to fund costs that were previously capitalised where capitalisation is no longer an option |
| Brexit Funding Reserve | 0.052 | Established to carry-forward unused funding for use in future years. |
| Business Engagement Funding Reserve | 0.036 | Established to carry-forward unused funding for use in future years. |
| Housing Repossession Prevention Reserve | 0.030 | Established as part of budget-setting for 2022/23 to fund costs that were previously capitalised where capitalisation is no longer an option |
| **Total Earmarked Revenue Reserves:** | **£33.719m** | |

| COVID-19 Revenue Reserves | Balance at 31.3.22 £m | Purpose |
|---|---|---|
| COVID-19 – NNDR Section 31 Grant Reserve | 7.077 | Established as part of year-end 2021/22 to carry-forward unspent funding from the previous year for use in 2022/23. |
| COVID-19 Impacts - Funding Reserve | 1.459 | 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 | 0.341 | Established at the end of 2020/21 to carry-forward unused COVID-19 funding for use in future years. |
| **Total COVID-19 Reserves:** | **8.877m** | |

| | |
|---|---|
| **Total Reserves** | **£45.596m** |

Note: balances as reported in July 2022 (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 the 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.<br><br>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.<br><br>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.<br><br>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).<br><br>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:<br>• providing a public good<br>• encouraging service take up<br>• the user group's ability to pay.<br><br>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 2022**

**APPENDIX 6**

# EXTRACT: STRATEGIC RISK REGISTER
# STRATEGIC FINANCIAL RISKS

| | | | |
|---|---|---|---|
| **SR2** | **Financial Sustainability** | | **RED** |
| Description | The effects of the Covid-19 pandemic, coupled with current adverse macroeconomic conditions and the wider local government funding context, have created conditions of unprecedented financial uncertainty and challenge for the Council. The Council is therefore increasingly reliant on generating additional income and identifying savings and efficiencies from existing budgets. If not mitigated, these financial challenges risk an adverse impact on the Council's ability to deliver its Corporate Plan objectives. | | |
| Owner | Portfolioholder | Finance & Governance | |
| | Officers | Interim Head of Finance | |
| Controls | The Council will continue to ensure that strong financial management arrangements are in place and will continue investment in skills and expertise to support the delivery of the Council's financial and commercial objectives while managing risks. In terms of specific controls:<br><br>Medium-Term Financial Plan (MTFP) – sets out the forecast budget challenges over the coming five years and forms the basis for service and financial planning, while the Capital Investment Strategy provides 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.<br><br>Creation and implementation of the Council's Financial Sustainability Programme which will address the identified MTFP budget pressures.<br><br>Commercial Strategy – which sets out the commercial activity the council will consider, provide a framework on option evaluation, and provide the basis on which commercial decision making will be made.<br><br>Annual Revenue Budget – sets out funding allocations for the current year and confirms officer accountability for ensuring that expenditure and income are managed within limits approved by Members. In-year budget monitoring reports confirm compliance with these limits and report any action required to manage budget variances.<br><br>Treasury Management Strategy – helps ensure that investments achieve target returns within approved security and liquidity limits and that borrowing to fund the Capital Programme is affordable.<br><br>Internal audit - to review the approach taken to secure financial sustainability. | | |
| Mitigating actions/progress | In addressing its significant financial challenges, the Council has established a Financial Sustainability Programme. The programme will take the form of a series of ambitious initiatives that reduce costs and/or increase income, enabling the Council to set a balanced budget without drawing on reserves. Key to this will be looking at delivering services differently to realise savings, as well as embedding lasting cultural change across the organisation.<br><br>Accordingly, the programme is premised on the following:<br><br>1. **Projects** – new ideas and opportunities for generating income and/or making savings. | | |

<table>
<tr><td colspan="2"></td><td colspan="3">

2. **Service and financial planning** (2023/24 onwards) – for all budget areas, reviewing the services delivered and the associated budgetary requirements. Ensuring that there is a clear justification for all services delivered and that budgets are set accordingly. Opportunities for delivering services in a different way to unlock savings will also be explored. SR2 Financial sustainability RED

3. **Fees and charges** – carrying out a fundamental review to ensure the full application of the fees and charges policy across the Council.

An updated MTFP will be reported to the Overview and Scrutiny Committee and Executive in July 2022.
</td></tr>
<tr><td rowspan="2">Score</td><td>Likelihood</td><td>More than likely</td><td rowspan="2">Direction of Travel</td><td rowspan="2">-</td></tr>
<tr><td>Impact</td><td>Significant</td></tr>
<tr><td colspan="2">Status</td><td colspan="3">Treat</td></tr>
<tr><td colspan="2">Last Update</td><td colspan="3">April 2022</td></tr>
</table>

APPENDIX 7

# SERVICE & FINANCIAL PLANNING TIMETABLE 2023/24

| Date | Event | Purpose |
|---|---|---|
| June/July 2022 | Management Team away day | Consider service position and initial forecasts |
| | Executive away day | Discuss budget setting priorities and 'direction of travel' |
| 14 July 2022 | Overview & Scrutiny | Medium Term Financial Plan Update<br>Capital Strategy Update |
| 21 July 2022 | Executive | |
| September/October 2022 | Management Team away day | Consider draft Budget proposals |
| | Executive away day | Agree draft Budget proposals |
| 17 November 2022 | Executive | Agree draft Budget |
| November 2022 to January 2023 | Consultation on draft budget | Consultation in line with constitution to gather feedback |
| 29 November 2022<br>8 December 2022 | Budget Scrutiny Panel<br>Overview and Scrutiny | Review of draft Budget |
| 15 December 2022 | Executive | Receive Scrutiny Panel Feedback |
| 26 January 2023 | Executive | Final Budget and Council Tax proposals |
| 9 February 2023 | Full Council | Approve Budget and Council Tax |

**APPENDIX 8**

# COVID-19 PANDEMIC – FINANCIAL IMPLICATIONS

**Expenditure Analysis 2021/22**
DLUHC COVID-19 Return at 31 March 2022

| DLUHC Category | £m | Type(s) of Expenditure |
|---|---|---|
| Housing / Rough Sleeping | 0.094 | Temporary accommodation for rough sleepers & increased B&B placements |
| Cultural & Related | 0.017 | Refunds of venue hire & tickets paid in advance; Harlequin-based casual staff costs |
| Environmental & Regulatory | 0.061 | Overtime costs relating to Drivers, Loaders & Street Cleansing Operatives. |
| | 0.035 | Additional Grounds Maintenance & Food Safety costs. |
| Finance & Corporate | 0.160 | Financial Management, admin & postage costs |
| | 0.091 | ICT licences, hardware & support costs related to remote working |
| | 0.091 | Temporary staff/support in respect of additional Revenues & Benefits admin & debt recovery activities |
| Shielding | 0.332 | Food parcels, Foodbank support, staff/travel costs (all related to welfare response) |
| PPE | 0.014 | Vehicle sanitisation & PPE for staff & volunteers (masks, gloves, respirators, sanitiser, wipes) |
| Compliance & Re-opening | 0.159 | Additional costs incurred on Data & Insight, Comms & Customer Contact Teams plus costs related to the reopening of local High Streets. |
| Elections | 0.040 | Implementation of Covid regulations at the May '21 local elections (signage, social distancing etc). |
| **Total** | **1.094** | |

**Sales Fees & Charges Compensation Analysis 2021/22**
DLUHC COVID-19 Return at 31 March 2022

| DLUHC Category | Gross Losses (a) £m | DLUHC 'Deductible' (b) £m | 25% Losses Not Reimbursed (a+b)*25% £m | Final Compensation (d) £m | Type(s) of Income |
|---|---|---|---|---|---|
| Off-Street Parking | 0.349 | (0.039) | (0.078) | 0.232 | Reduction in carpark use, cancelled season tickets etc |
| On-Street Parking | 0.023 | (0.003) | (0.005) | 0.015 | Reduction in on-street parking, season tickets etc |
| Recreation & Sport | 0.057 | (0.006) | (0.013) | 0.038 | Waived management fee from leisure contractor; lost income from football & cricket pitch fees etc |
| Harlequin | 0.075 | (0.008) | (0.017) | 0.050 | Lost income from ticket sales, room hire, concessions, catering etc |
| Planning | 0.023 | (0.003) | (0.005) | 0.015 | Reduced fee income from planning applications |
| Regulatory Licencing | 0.004 | (0.000) | (0.001) | 0.003 | Includes reduced fees for private hire taxi licences |
| **Total** | **0.531** | **(0.060)** | **(0.118)** | **0.354** | |
| | | | | 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%. DLUHC 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 £0.354m (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 above does not include compensation for income losses that DLUHC 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 rent recovery performance has returned to pre-pandemic levels.

# 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.

**Core Spending Power**
This is the Government's measure of the resources available to local authorities to fund service delivery. It sets out the funds that have been made available to local authorities through the Local Government Finance Settlement.

**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%.

**Lower Tier Services Grant**
Lower Tier Services Grant was introduced in the local government finance settlement 2021 to 2022 for local authorities with responsibility for lower tier services.

**Management Budget**
The revenue budget that forms the basis for budget monitoring during the year, comprising the Original Budget plus any approves in-year adjustments.

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

**National Non-Domestic Rates (NNDR)**
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 ('the deadweight') is excluded to 'sharpen the incentive'.

**Original Budget**
The Revenue Budget that is approved by Council in February.

**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.

**Services Grant**
Introduced as part of the local government finance settlement in 2022/23 to provide funding to all tiers of local government in recognition of the vital services delivered at every level of local government.

**Settlement Funding Assessment (SFA)**
A local authority's share of the local government spending control total (business rates and Revenue Support grant) 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. Subsequent spending reviews have been for one year only.

**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.

**ANNEX 2**

# FINANCIAL SUSTAINABILITY PROGRAMME

Overview at July 2022

## Background and Context

The need for a concerted focus on the financial sustainability of the Council was identified as part of the 2022/23 budget setting process, as reported to the Executive in November 2021 and January 2022.

**Financial Pressures and the Forecast Funding Gap**

In January 2022, the Council's Medium Term Financial Programme forecasted indicated a budget gap of £2.116 million in 2023/24, rising to £5.446 million by 2027/28. The key factors that influence the forecast gap are summarised in the covering report, and include:

- Service expenditure
- Central budgets
- Council tax and non-domestic (business) rates; and
- Future use of reserves

More details about the likely scale of impact of the above is set out in the updated Medium Term Financial Plan (July 2022) which is now provided for members' consideration at Annex 1.

**Using Reserves**

Although the Council has established ring-fenced reserves to manage the financial risks it is facing (and these put it in a relatively secure financial position compared to many authorities) the use of reserves to address the forecast funding gap represents a short term tactic. Ongoing reliance on one-off measures such as the use of reserves is not without risk and will not be sustainable in the longer term. The Council therefore needs to reduce its costs and / or increase its income on a permanent basis to guarantee its financial sustainability for future years. More information about the Council's reserves position can be found in the January 2022 budget papers.

**Commercial Activity**

The Council has also for several years now been pursuing a commercial approach, with the publication of Part 1 of its Commercial Strategy in November 2020 and Part 2 in December 2021. However, its ability to generate income from 'purely commercial' activity is now highly constrained, with restrictions meaning that borrowing to invest solely for financial return is not allowed, and new limitations to the types of capital spending where borrowing is permitted. These are underpinned by new Government controls on access to Public Works Loans Board (PWLB) borrowing and proposed changes to Minimum Revenue Provision accounting along with revised CIPFA Codes of Practice on Prudential Borrowing and Treasury Management that have been introduced over the past 18 months. The implications for this authority are explained in Part 1 of this MTFP report.

**Companies**
The establishment of arms-length trading companies reflects a further potential tool available to the Council to generate income. However, experience to date in this area has demonstrated that establishing and then growing such companies can be extremely time consuming and resource intensive. The Commercial Strategy Part 2 therefore confirms that the Council will take an incremental, long-term approach will be taken to growing trading activities, and that the focus will be in areas where we already have experience. This means that trading activity does not provide the short to medium term solution to addressing the Council's funding gap.

**Financial Sustainability Programme**
Taking into account the forecast funding gap, the parameters within which the Council can operate, and building on experience to date, the Executive therefore agreed in November 2021 to pursue a Financial Sustainability Programme, focusing on four key areas:

- **Income generation** (that is, pursuing opportunities to generate new income streams, optimising fees and charges and implementing the commercial strategy)
- **Use of assets** (making effective use of existing assets, including the repurposing and sale of surplus properties)
- **Prioritisation of resources** (reviewing in year budget forecasts to identify new opportunities for savings and efficiencies, reviewing the level of service provided and focusing resources on priority services, and managing pay costs and making effective use of staff resources)
- **Achieving value for money** (including pursuing options to share with other Councils to realise efficiency savings and identifying invest to save opportunities, including investment in technology to reduce operational costs)

**Financial Sustainability Programme**
The Financial Sustainability Programme comprises the projects and activities that are being deployed to address represents a key component to mitigate against the Financial Sustainability risk identified on the Council's Strategic Risk Register.

## Approach

**Programme Scope and Objectives**
The Council's Financial Sustainability focus is not a single plan, or project, but rather will encompass many different activities and projects. As such, it is being managed as a programme in line with the corporate Project and Programme Management Framework.

The main components of the programme are:

- **Service and financial planning:** reviewing all budget areas to ensure that there is a clear justification for the services being delivered and that budgets are set accordingly

- **Standalone projects and activities:** Scoping and where appropriate progressing new ideas and opportunities for generating income or introducing efficiencies

- **Fees and charges:** A comprehensive review to ensure that the Fees & Charges Policy is consistently applied across the Council.

The programme objectives are that it will:

- Act as a catalyst for - and foster an ongoing legacy of – cultural, behavioural and procedural changes to embed financial efficiency and acumen

- Identify and deliver on opportunities for increasing income and/or achieving cashable savings

- Maintain the provision of services at a level that is viable within the available budget envelope, recognising that this may involve delivering services differently.

In developing how we approach the programme; the following options were considered:

- **Option 1: Do nothing.**
  This option has not been selected as it is not a long term solution. Eventually the Council's reserves will deplete and the time window available to make manged change will have been lost. Difficult decisions need to be made – this option would merely delay those decisions.

- **Option 2: Seek to close the budget gap as soon as possible.**
  This option has not been selected as it would require the application of blunt measures 'across the board'. This could have negative and destabilising impacts on service delivery and reduce operational capacity to deliver core responsibilities. The short timescales associated with this option would hinder the ability of the organisation to fully consider the options available and the implications of different options. There may also be significant costs associated with this option which could detract from any benefits gained.

- **Option 3: Seek to close the budget gap in a planned and controlled manner over a longer term.**
  This is the recommended option as it allows the Council to explore and evaluate options to close the budget gap in a way that maintains organisational stability and capacity. Given the longer term timescales involved, it will also enable the Council to pursue means to increase income to complement savings made.

**Programme Governance**
The Council's Corporate Governance Group, comprised of key senior and statutory officers, has overall operational responsibility for the Financial Sustainability Programme (FSP). To enable regular oversight of the programme and its progress, a Steering Group has been comprised (effectively a sub-group of Corporate Governance Group members), supported by officers from within the Projects & Performance Team.

Within the programme:

- Service and financial planning activities are being managed in the usual way (although with a more in-depth approach being taken): this means via a series of Management Team Awaydays, Executive Awaydays, and collaborative working between senior officers and Executive Members. This will culminate in the usual draft budget report to Executive and Budget Scrutiny process.

- Standalone projects and activities are being managed within their respective service areas. In the case of projects, these will be managed and reported in the usual way, using the Council's Project Management Framework, reporting to its officer Governance Boards, and with dashboards provided to Members.

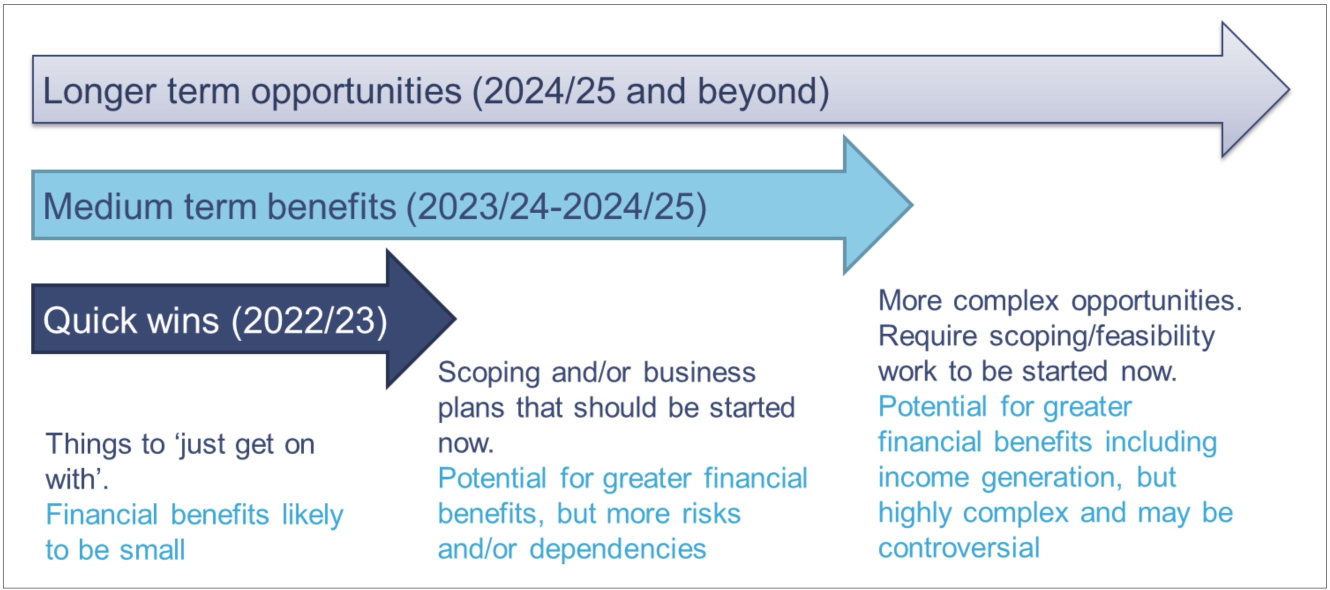
- The Fees & Charges review is being overseen by officers within the Finance and Corporate Policy teams, working with budget holders across the Council. In some instances, a substantive review of an existing charge, or the introduction of a new charge, may warrant a project-based approach. While authority for agreeing fees and charges is delegated to relevant Heads of Services, it is intended that outcomes from the review will be included within the draft budget in November 2022.

Programme progress is being reported to the Corporate Governance Group on a monthly basis. Monthly updates are also being provided to Executive Members via the informal Leader's Meeting, with the Leader and Deputy leader receiving more frequent briefings.

It should be recognised that delivering the Financial Sustainability Programme will not be straightforward or easy. It will require considerable input from senior and middle managers across the organisation and this represents a key risk for the programme. The Corporate Governance Group will regularly review organisational capacity and the prioritisation of workload to ensure this risk is managed and as necessary mitigated.

## Progress to Date

The chosen approach to the Financial Sustainability Programme (option 3 above) means that the work will run across multiple financial years, and comprise assessment and implementation of changes over the short, medium and longer term, as illustrated below:




As set out in the 'Reporting' section below, regular updates will be provided to the Overview & Scrutiny Committee and Executive on programme progress. However, in terms of the process being followed, the following progress has been made at the time of writing (July 2022)

**Programme Set Up**

- ✓ FSP Steering Group established (February)
- ✓ Initial programme brief agreed by Corporate Governance Group (April)
- ✓ Programme plan and register in development (May)
- ✓ Programme support officer appointed (June)

**Service & Financial Planning**

- ✓ Initial review of budgets and services undertaken by Heads of Service (April/May)
- ✓ Peer challenge at Management Team Awayday (May)
- ✓ Discussion of budget and service options and prioritisation at Executive Awayday (June)

The key milestone for this element will be the November 2022 draft budget report to Executive.

**Standalone Projects and Activities**

- ✓ Identification and prioritisation of opportunities by Management Team (March/April)
- ✓ Project and activity scoping and development of (outline) business cases (ongoing)

Key milestones will be identified on a project by project basis.

**Fees & Charges**

- ✓ 2022/23 increases implemented for some charges (April 2022)
- ✓ Collation of fees and charges register and identification of higher value areas for priority review (May 2022)
- ✓ Budget holders progressing review (ongoing)

The key milestone for this element will be the November 2022 draft budget report to Executive.

**Vacancy Control Mechanisms**
From June 2022, a new vacancy control mechanism has been introduced to ensure that there is a robust business case for any recruitment undertaken to newly vacant posts. This may deliver some in-year savings.

**Third Party Funding Opportunities**
Services across the Council will continue to pursue third party funding opportunities where these can provide alternative sources of funding for future service activities. For example, the Council has already been successful in securing £0.5m of funding from health partners; work is currently underway to develop an investment plan to secure £1m of UK Shared Prosperity Funding.

## Reporting Progress

To ensure transparency and allow for appropriate scrutiny, the Council will regularly report the progress it is making in relation to its Financial Sustainability Programme.

- Monthly updates will be provided to Executive Members via portfolio holder briefings and the informal Leader’s Meeting.

- Quarterly reports will be provided to the Overview & Scrutiny Committee and Executive as part of the usual budget and performance monitoring arrangements. Updates on constituent projects will be reported via the project dashboards provided for Members.

- Proposed changes to future service provision and associated budgets will be presented in draft form to the Executive in November 2022, following which public consultation and consultation with the Overview & Scrutiny Committee (via its Budget Scrutiny Panel) will take place.

- A Communications Plan has been developed which will inform other strands of communications activity, including with staff, councillors and the public.

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

| | |
|---|---|
| **SIGNED OFF BY** | Interim Head of Finance |
| **AUTHOR** | Pat Main, Interim Head of Finance and Assets |
| **TELEPHONE** | Tel: 01737 276063 |
| **EMAIL** | pat.main@reigate-banstead.gov.uk |
| **TO** | Overview & Scrutiny<br>Executive |
| **DATE** | Thursday, 14 July 2022<br>Thursday, 21 July 2022 |
| **EXECUTIVE MEMBER** | Councillor Tony Schofield, Portfolio Holder for Finance & Governance |

| | |
|---|---|
| **KEY DECISION REQUIRED** | Y |
| **WARDS AFFECTED** | (All Wards); |

| | |
|---|---|
| **SUBJECT:** | **CAPITAL INVESTMENT STRATEGY 2023/24** |

**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 2023/24 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 2023/24.

**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 2022/23 was approved by Executive 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 the past year in anticipation of service and financial planning for 2023/24.

**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 2022/23 that was approved by Council in April 2022.

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, IT 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;

- How capital investment plans and the effective use of assets will support delivery of the Financial Sustainability Plan; 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 Department for Levelling Up, Housing & Communities (DLUHC) Investment Guidance, DLUHC 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 2023/24 Budget.

**LEGAL IMPLICATIONS**

10. It is a legal requirement that the Council sets a balanced budget which it can deliver.

**FINANCIAL IMPLICATIONS**

11. The financial impacts of the Capital Investment Strategy will be reflected in the Council's 2023/24 Budget proposals. There are no additional direct financial implications that arise from this report.

12. The Chief Finance Officer confirmed in the 2022/23 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 2023/24 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.

**ANNEXES**

1. Capital Investment Strategy 2023/24

**Background Papers**

- Corporate Plan and subsidiary strategies, *available at* *www.reigate-banstead.gov.uk/rbbc2025*
- Budget 2022/23 & Capital Programme 2022/23 to 2026/27, *report to Executive, 27 January 2022*
- Treasury Management Strategy 2022/23, *report to Council, 7 April 2022*
- Medium Term Financial Plan 2023/24 to 2027/28, *report to Executive 21 July 2022*

**ANNEX 1**

# CAPITAL INVESTMENT STRATEGY
## 2023/24 to 2027/28
## JULY 2022

**INDEX**



**APPENDICES**

# 1. Introduction

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

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

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

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

This Capital Strategy ('the Strategy') therefore builds upon the Council's Commercial Strategy Parts 1 and 2 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 Capital assets at 31 March 2022 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**<br>**Description** | **Valuation 2021/22 Accounts £m** |
|---|---|
| Property Plant & Equipment | 142.745 |
| Investment Property | 50.380 |
| Assets Under Construction | 60.781 |
| Vehicles | 8.562 |

Source: Valuation for 2021/22 Statement of Accounts

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

| **Table 2: SIGNIFICANT ASSETS AT MARCH 2022**<br>**Asset Name** | **Statement of Accounts Classification** | **Asset Use** | **Valuation 2021/22 Accounts £m** |
|---|---|---|---|
| Land & Premises, Marketfield Way, Redhill[1] | Property, Plant & Equipment | Under Construction | 27.312 |
| Donyngs Sports Centre | Property Plant & Equipment | Leisure | 20.799 |
| Tadworth Centre | Property Plant & Equipment | Leisure | 19.641 |
| Units 1-5 Redhill Distribution Centre, Salbrook Road, Salfords | Investment Property | Commercial: Industrial | 16.855 |
| Horley Sports Centre | Property Plant & Equipment | Leisure | 13.472 |
| Regent House, Queensway, Redhill | Investment Property | Commercial; Office | 12.433 |
| Banstead Sports Centre | Property, Plant & Equipment | Leisure | 12.955 |
| Cromwell Road Development | Property Plant & Equipment | Residential | 8.796 |
| Warwick Quadrant, Redhill | Property Plant & Equipment | Commercial : supermarket / library / theatre | 7.059 |
| Harlequin Theatre, Redhill | Property Plant & Equipment | Cultural | 6.945 |
| Town Hall Middle Block, Reigate | Property Plant & Equipment | Operational | 5.723 |
| Forum House, Brighton Road, Redhill | Investment Property | Commercial: offices | 5.242 |
| Earlswood Depot | Property Plant & Equipment | Operational | 4.919 |

| Table 2: SIGNIFICANT ASSETS AT MARCH 2022<br><br>Asset Name | Statement of Accounts Classification | Asset Use | Valuation 2021/22 Accounts £m |
|---|---|---|---|
| Linden House, High Street, Reigate | Property Plant & Equipment | Commercial: retail / gym | 4.697 |
| Travelodge, Redhill | Property Plant & Equipment | Commercial: Hotel | 4.491 |
| Beech House, London Road, Reigate | Investment Property | Commercial: offices | 3.911 |
| Town Hall Main Building, Reigate | Property Plant & Equipment | Operational | 3.250 |
| 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, Reigate | Property Plant & Equipment - Surplus | Open Space | 2.896 |
| 61E Albert Road North, Reigate | Property Plant & Equipment | Commercial: industrial / warehousing | 1.901 |
| Crown House, Redhill[2] | n/a | Commercial: offices | 1.860 |
| Agricultural Land (Various) | Property, Plant & Equipment | Agricultural | 1.576 |
| Gloucester Road Car Park, Redhill | Property Plant & Equipment | Car Park | 1.329 |
| Bancroft Road Multi Storey Car Park, Reigate | Property Plant & Equipment | Car Park | 1.295 |
| 1-4 Quarrydene Parade/1-10 Hearthstone, Merstham | Property Plant & Equipment | Commercial: restaurant / library / retail | 1.056 |
| 55-57, 59, 61 & 63 Victoria Road, Horley | Investment Property | Commercial / Other | 1.041 |
| Former Scouts site, Thornton Close, Horley | Property Plant & Equipment - Surplus | Open Space | 0.894 |
| Bell Street Car Park, Reigate | Property Plant & Equipment | Car Park | 0.868 |
| 64, Massetts Road, Horley | Property, Plant & Equipment | Residential | 0.748 |

Source: Valuation for 2021/22 Statement of Accounts
Note 1: Historic valuation – redevelopment in progress
Note 2: Asset held by Greensand Holdings Limited

**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 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

Section 123 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**<br><br>**Asset Name** | **Asset Type** | **Price Paid £m/Year** | **Valuation 2021/22 Accounts £m** | **Budgeted Rent £m** | **Gross Budgeted Yield[1]** |
|---|---|---|---|---|---|
| Crown House, Redhill[2] | Offices | £2.15m (2017) | 1.860 | 0.177 | 9.5% |
| 1-4 Quarrydene Parade/Hearthstone, Merstham | Retail / residential | £0.017m for larger site including this property (1950) | 1.056 | 0.084 | 7.9% |
| Linden House , 51b High Street, Reigate | Retail / gym | £4.7m (2014) | 4.697 | 0.333 | 7.1% |
| Regent House, Queensway, Redhill | Offices | £15.35m (2018) | 12.433 | 0.881 | 7.1% |
| Travelodge, Redhill | Hotel | £5.0m (2017) | 4.491 | 0.317 | 7.0% |
| 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) | 1.041 | 0.070 | 6.7% |

| Table 3: COUNCIL ASSETS: GROSS RETURNS<br><br>Asset Name | Asset Type | Price Paid £m/Year | Valuation 2021/22 Accounts £m | Budgeted Rent £m | Gross Budgeted Yield[1] |
|---|---|---|---|---|---|
| Forum House, Brighton Road, Redhill | Offices | £5.53m (2017) | 5.242 | 0.330 | 6.3% |
| Units 1-5 Redhill Distribution Centre, Salfords | Industrial / warehousing | £15m (2018) | 16.855 | 0.833 | 4.9% |
| Unit 61E, Albert Road North | Industrial / warehousing | £0.950m (2018) | 1.901 | 0.089 | 4.7% |
| Warwick Quadrant, Redhill | Retail / library / theatre | £2.4m for half-share of freehold (2005) | 7.059 | 0.305 | 4.3% |
| 1,3,4,6,14-16 and 20 Reading Arch Road, Redhill | Industrial | £0.045m for larger site including these properties (1972) plus asset subsequent purchases | 2.992 | 0.115 | 3.8% |
| Beech House, Reigate[3] | Offices | £6m (2017) | 3.911 | - | - |

NOTES
1. Gross yields are a straight Income/Valuation calculation based on the annual budgeted rent and the latest gross asset valuation
2. Asset held by Greensand Holdings Limited
3. Premises were void at the time of setting the 2022/23 budget

Community Assets

These include community centres, parks/open spaces and pavilions. Some are let to community groups such as scout groups 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 condition survey was carried out in 2017/18 and forms the basis of the rolling capital programme for property maintenance that was approved in February 2022. 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 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 and 2021/22. Further investment is planned through the approved Capital Programme:

| Table 4: VEHICLES & PLANT Description | 2021/22 BFWD £m | 2022/23 £m | 2023/24 £m | 2024/25 £m | 2025/26 £m | 2026/27 £m | Total £m |
|---|---|---|---|---|---|---|---|
| Vehicles & Plant | 0.182 | 1.056 | 0.448 | 0.565 | 0.578 | 0.562 | **3.391** |

**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 2022, the Council had no long-term external borrowing.

The Treasury Management Strategy for 2022/23 was approved in April 2022 and includes authority to borrow up to £83.5 million (Authorised Limit) to fund delivery of the approved Capital Programme 2022/23 to 2026/27. 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 Commercial Strategy Parts 1 and 2. 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.

**Service & Financial Planning**
The annual service & financial planning process is the focus for budget setting and financial planning each year. It provides a structured framework for the identification of financial opportunities and risks and approval of plans to address them. It includes consideration of capital investment plans over a rolling five-year programme.

**Financial Sustainability Programme**
Reliance on one-off measures such as the use of reserves to balance the budget is not without risks and will not be sustainable over the long-term. Going forward, solutions that reduce costs or increase income on a permanent basis will have to be identified for 2023/24 onwards.

A Financial Sustainability Programme has therefore been developed, focussing on four key areas:

| | |
|---|---|
| Income Generation | • Pursuing opportunities to generate new income streams.<br>• Optimising fees and charges.<br>• Implementation of the Commercial Strategy. |
| Use of Assets | • Making effective use of existing assets, including the repurposing and sale of surplus properties. |
| Prioritisation of Resources | • Reviewing in-year budget monitoring forecasts to identify new opportunities for savings and efficiencies.<br>• Reviewing the level of service provided and focussing resources on priority services.<br>• Managing pay costs and making effective use of staff resources. |
| Achieving Value for Money | • Actively pursuing options to share with other councils to realise efficiency savings.<br>• Identification of invest to save opportunities – including investment in technology and assets to reduce operational costs. |

Further details are provided in the separate Medium Term Financial Strategy report.

**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 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, and Part 2 was approved by the Executive in December 2021.

The definitions and principles that are included in the Strategy, 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 through the budget process will be focused.

Part 1 of the Commercial Strategy confirms the Council's 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 builds on Part 1 by explaining the Council's overall proposed commercial approach, as follows:
- Developing project pipeline to establish new income streams from asset activity while also delivering broader corporate objectives
- Ensuring that existing income streams that we already rely on from our assets are maintained and where possible increased, and that we repurpose, redevelop or dispose of those assets that cost us money

- Investing in new assets to secure income or deliver savings whilst also delivering corporate priorities
- Continuing to sell or trade services where we already do this and look to introduce new trading activity where this aligns with our local government remit and areas of expertise; and
- Taking a more commercial approach to fees and charges

Part 2 also explains how the Council will ensure robust and transparent commercial decisions and the overall approach that the Council will take to funding its commercial activity. This Capital Investment Strategy builds on this latter point.

An annual report into the Council's Commercial Strategy progress will be published each year.

**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 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 2023/24 to 2027/28**
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 as part of the annual Services & Financial Planning process. 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.

<u>MRP Policy Consultation 2021</u>

In November 2021 Government issued a consultation on changes to how the Minimum Revenue Provision (MRP) calculation will be applied in 2023/24 onwards. The consultation covers two main areas:

Some authorities

- use capital receipts in lieu of all or part of the revenue charge for the MRP; and
- Some authorities exclude investment assets from the MRP determination.

The Government's view is that both practices should not be permitted.

If implemented the implications for this authority relate to the investment in Greensand Holdings Limited where MRP is not currently provided because the lending to the company is secured on the company's property assets. The authority does however make an assessment in its annual accounts of the risks of non-payment and reduces (impairs) the asset value of the loans.

In June 2022 the Government indicated that its proposals would be revised in response to consultation responses. These revisions include 'additional flexibilities' whereby the MRP charged on capital loans for service purposes will be limited to covering the expected credit loss on the loan. The revised proposals also permit capital receipts to be used instead of a revenue charge for MRP on capital loans, including those made for commercial purposes, in the year of receipt.

The final changes are likely to be announced later in 2022 and are expected to apply for the 2023/24 financial year onwards.

**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, and work of the supporting officer groups, 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 reporting on the Commercial Strategy. It will assess how the Capital Strategy has been implemented over the previous financial year - and how capital expenditure and capital financing has contributed to the provision of council services. It will also summarise how associated risks has been managed, identifying any key issues to be considered over both the medium and the longer term.

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

**The 2022/23 to 2026/27 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 2026/27 were approved by Council in February 2022 and are included in detail at Appendix 7. They are summarised in the table below:

| Table 5: CAPITAL PROGRAMME 2022/23 to 2026/27 by SERVICE | 2021/22[1] BFWD £m | 2022/23 Projected £m | 2023/24 Projected £m | 2024/25 Projected £m | 2025/26 Projected £m | 2026/27 Projected £m | TOTAL £m |
|---|---|---|---|---|---|---|---|
| **ORGANISATION SERVICES** | | | | | | | |
| Property Services | 5.223 | 1.636 | 1.352 | 1.246 | 0.028 | 1.536 | **11.022** |
| IT Services | 0.474 | 0.200 | 0.260 | 0.250 | 0.200 | 0.200 | **1.584** |
| Organisational Development | 0.452 | 0.250 | 0.250 | 0.250 | - | - | **1.202** |
| **PEOPLE SERVICES** | | | | | | | |
| Housing | 20.519 | 11.325 | 1.325 | 1.325 | 1.325 | 1.362 | **37.181** |
| Wellbeing & Intervention | 0.172 | 0.100 | 0.100 | 0.100 | 0.100 | 0.100 | **0.672** |
| Community Partnerships | 0.075 | 0.030 | - | - | - | - | **0.105** |
| **PLACE SERVICES** | | | | | | | |
| Neighbourhood Operations | 0.659 | 1.542 | 0.774 | 0.891 | 0.929 | 0.913 | **5.706** |
| Place Delivery | 9.410 | 15.100 | - | - | - | - | **24.510** |
| Economic Prosperity | - | 0.100 | 0.100 | 0.100 | - | - | **0.300** |
| **TOTAL CAPITAL EXPENDITURE** | **36.983** | **30.283** | **4.161** | **4.162** | **2.581** | **4.110** | **82.280** |

Note 1: £62.991 million was allocated for investment in Commercial projects in previous years. This has not been carried forward to 2022/23; instead, sums will be allocated as new business cases are approved.

| Table 6: CAPITAL PROGRAMME 2022/23 to 2026/27 by INVESTMENT TYPE | 2021/22 BFWD £m | 2022/23 Projected £m | 2023/24 Projected £m | 2024/25 Projected £m | 2025/26 Projected £m | 2026/27 Projected £m | TOTAL £m |
|---|---|---|---|---|---|---|---|
| Regeneration Schemes | 9.410 | 15.100 | 0.000 | 0.000 | 0.000 | 0.000 | 24.510 |
| Commercial Assets | 0.210 | 0.075 | 0.075 | 0.075 | 0.000 | 0.075 | 0.510 |
| Housing Delivery | 20.519 | 10.191 | 0.191 | 0.191 | 0.191 | 0.228 | 31.511 |
| Vehicles & Plant | 0.532 | 1.056 | 0.448 | 0.565 | 0.578 | 0.562 | 3.741 |

| Table 6: CAPITAL PROGRAMME 2022/23 to 2026/27 by INVESTMENT TYPE | 2021/22 BFWD £m | 2022/23 Projected £m | 2023/24 Projected £m | 2024/25 Projected £m | 2025/26 Projected £m | 2026/27 Projected £m | TOTAL £m |
|---|---|---|---|---|---|---|---|
| Disabled Facilities | 0.000 | 1.134 | 1.134 | 1.134 | 1.134 | 1.134 | 5.670 |
| Operational Assets | 0.764 | 0.408 | 0.393 | 0.378 | 0.028 | 0.158 | 2.129 |
| Community Assets | 1.006 | 0.792 | 0.744 | 0.838 | 0.375 | 1.023 | 4.778 |
| ICT Assets | 0.224 | 0.200 | 0.260 | 0.250 | 0.200 | 0.200 | 1.334 |
| Car Parks | 0.358 | 0.190 | 0.195 | 0.170 | - | 0.075 | 0.988 |
| Tenanted Properties | 3.492 | 0.586 | 0.380 | 0.380 | - | 0.405 | 5.244 |
| Economic Prosperity Projects | - | 0.100 | 0.100 | 0.100 | - | - | 0.300 |
| Leisure Centres | 0.017 | 0.210 | 0.190 | 0.030 | - | 0.175 | 0.622 |
| Other | 0.452 | 0.241 | 0.051 | 0.051 | 0.076 | 0.076 | 0.944 |
| **TOTAL CAPITAL EXPENDITURE** | **36.983** | **30.283** | **4.161** | **4.162** | **2.581** | **4.110** | **82.280** |

£36.983 million of resources allocated for previously-approved schemes have been brought forward from previous years, principally due slippage in the original forecast delivery date. These include:

| | |
|---|---|
| Place Services | Marketfield Way - £6.986m<br>Merstham Recreation Ground - £1.419m<br>Horley Public Realm Improvements - £0.575m<br>Preston Regeneration - £0.348m |
| Rolling Programmes | Beech House, London Road. Reigate - £3.000m<br>Priory Park Maintenance - £0.213m<br>Car Parks Capital Works - £0.358m<br>Crown House - £0.210m<br>Harlequin Property Maintenance - £0.206m<br>Operational Buildings - £0.260m<br>Pavilions Programme - £0.168m<br>Tenanted Properties - £0.100m |
| Housing Development | Housing Delivery Programme - £20.000m<br>Cromwell Road Development - £0.150m<br>Lee Street Bungalows - £0.327k |

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

| Table 7: CAPITAL GROWTH 2022/23 | |
|---|---|
| **Service Area** | **Approved Capital Growth** |
| **ORGANISATION** | |
| IT Services | • Investment in IT networks |
| Property Services | • Existing asset maintenance rolling programme |

| Table 7: CAPITAL GROWTH 2022/23 | |
|---|---|
| **Service Area** | **Approved Capital Growth** |
| **PEOPLE SERVICES** | |
| Housing | • Existing asset maintenance rolling programme |
| **PLACE SERVICES** | |
| Neighbourhood Services | • Continued investment in play area improvement, Air Quality Management equipment, parks & countryside, infrastructure & fencing and flood prevention. |
| Grant-funded schemes | • Growth of £1.3 million to support the continued rolling budget for Disabled Facilities Grants, Home Improvement Agency services and Handy Person Scheme |
| Vehicles & Plant | • Continuation of the rolling investment programme |

This results in a forecast borrowing requirement of £19.367 million over the period. Further details of capital financing and borrowing are set out in section 5.

| Table 8: CAPITAL PROGRAMME FUNDING 2022/23 to 2026/27 | 2021/22 BFWD £m | 2022/23 Projected £M | 2023/24 Projected £M | 2024/25 Projected £M | 2025/26 Projected £M | 2026/27 Projected £M | TOTAL |
|---|---|---|---|---|---|---|---|
| **TOTAL CAPITAL EXPENDITURE 2022/23 to 2026/27** | **36.983** | **30.283** | **4.161** | **4.162** | **2.581** | **4.110** | **82.280** |
| **FUNDED BY:** | | | | | | | |
| Capital Reserves | - | - | - | - | - | - | **-** |
| Capital Receipts | | 28.938 | 2.816 | 2.817 | 1.236 | 0.017 | **35.824** |
| Capital Grants & Contributions | 0.327 | 1.345 | 1.345 | 1.345 | 1.345 | 1.382 | **7.089** |
| Earmarked Reserves – Housing Delivery Strategy | 20.000 | - | - | - | - | - | **20.000** |
| Prudential Borrowing | 16.656 | - | - | - | - | 2.711 | **19.367** |
| **TOTAL CAPITAL FUNDING 2022/23 to 2026/27** | **36.983** | **30.283** | **4.161** | **4.162** | **2.581** | **4.110** | **82.280** |

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.<br>• The primary source of capital receipts over the duration of this Capital programme relates to delivery of major schemes including Marketfield Way redevelopment and the Pitwood Park housing development. These capital receipts have been factored into forecast funding plans.<br>• Other sources include funds that continue to be received following the housing stock transfer and other housing developments over the past 20 years. |
| Flexible Use of Capital Receipts | • Following approval of the updated IT Strategy in March 2022, a proportion of available capital receipts may have to be allocated for investment in projects to support delivery of the Strategy over the next five years. This funding approach would be delivered through the Government's scheme for use of capital receipts to fund transformation initiatives. |
| Capital Grants & Contributions | • Forecasts of the future grant funding allocation for Disabled Facilities works have been updated to reflect forecast allocations.<br>• They include the Council's share of Section 106 and CIL funding. A review of options for making use of Section 106 funding is currently underway as part of the Financial Sustainability Programme. |
| 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).<br>• Loans are managed through the approved Treasury Management Strategy and policies.<br>• 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. The MRP Policy is reviewed each year when preparing the Treasury Management Strategy.<br>• 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 no longer permitted. |
| Revenue Budget Contributions | • There is no expectation that significant capital expenditure will be funded from the revenue budget in 2023/24. |

**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** | **2022/23 Estimate £m** | **2023/24 Estimate £m** | **2024/25 Estimate £m** |
|---|---|---|---|
| Grants/Contributions | 1.247 | 1.247 | 1.247 |
| Capital Receipts | 26.778 | - | - |
| Revenue | - | - | - |
| Reserves | - | - | - |
| **External Funding** | **28.025** | **1.247** | **1.247** |
| Net Borrowing Need - General Fund (Core) | 6.028 | 2.914 | 2.915 |
| Net Borrowing Need - General Fund (Regeneration) | - | - | - |
| **Net Financing Need for the Year** | **6.028** | **2.914** | **2.915** |

| **Table 10: MOVEMENT IN CAPITAL FINANCING REQUIREMENT** | **2020/21 Actual £m** | **2021/22 Estimate £m** | **2022/23 Estimate £m** | **2023/24 Estimate £m** | **2024/25 Estimate £m** |
|---|---|---|---|---|---|
| Closing CFR | 50.326 | 62.874 | 68.236 | 70.412 | 72.549 |
| Movement in CFR | 19.221 | 12.548 | 5.362 | 2.176 | 2.137 |
| **Movement in CFR represented by:** | | | | | |
| Net financing need for the year (Table 9) | 19.515 | 13.062 | 6.028 | 2.914 | 2.915 |
| Less MRP/VRP and other financing movements | (0.294) | (0.514) | (0.666) | (0.738) | (0.778) |
| **Movement in CFR** | **19.221** | **12.548** | **5.362** | **2.176** | **2.137** |

Source: Treasury Management Strategy 2022/23

## 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** | **2020/21 Actual £m** | **2021/22 Estimate £m** | **2022/23 Estimate £m** | **2023/24 Estimate £m** | **2024/25 Estimate £m** |
|---|---|---|---|---|---|
| **External Debt** | | | | | |
| Debt at 1 April | 14.000 | 9.000 | 37.000 | 44.000 | 49.000 |
| Expected change in Debt | (5.000) | 28.000 | 7.000 | 5.000 | 2.000 |
| Other long-term liabilities (OLTL) | - | - | - | - | - |
| Expected change in OLTL | - | - | - | - | - |
| **Actual Gross Debt at 31 March** | **9.000** | **37.000** | **44.000** | **49.000** | **51.000** |
| CFR | 50.326 | 62.874 | 68.236 | 70.412 | 72.549 |
| **Under / (over) Borrowing** | **41.326** | **25.874** | **24.236** | **21.412** | **21.549** |

Source: Treasury Management Strategy 2022/23

The above table confirms that the Council is forecast (based on its current Capital Programme and Treasury Management Strategy) to borrow up to £51.0 million by 2024/25. This is within the Operational Limit of £73.500 million and the Authorised Borrowing limit of £83.500 million in the approved Treasury Management Strategy.

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

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

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

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

| Table 12: RATIO OF FINANCING COSTS TO NET REVENUE BUDGET | 2019/20 Actual % | 2020/21 Estimate % | 2022/23 Estimate % | 2023/24 Estimate % | 2024/25 Estimate % |
|---|---|---|---|---|---|
| Gross cost of borrowing as % of net budget requirement | 2.4% | 7.9% | 8.9% | 9.1% | 9.2% |
| Net cost of borrowing including investment income as % of net budget requirement | -3.5% | 0.9% | 3.8% | 4.2% | 4.4% |

Source: Treasury Management Strategy 2022/23

The estimates of financing costs include current commitments and the proposals in the 2022/23 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, but with a new restriction on the use of capital receipts to fund discretionary redundancy payments and a new requirement to submit plans for use of the discretion in advance of each financial year.

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.

The main requirements of the revised Prudential Code relating to service and commercial investments are:

- The risks associated with service and commercial investments should be proportionate to their financial capacity – losses to be absorbed in budgets or reserves without unmanageable detriment to local services;
- An authority must not borrow to invest for the primary purpose of commercial return. It is not prudent for local authorities to make any investment or spending decision that will increase the Capital Financing Requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority (where any commercial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose);
- An annual review is to be conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt;
- A new Prudential Indicator is being introduced for the net income from commercial and service investments as a proportion of the net revenue stream; and
- A new requirement for Investment Management Practices which set out how the Council will manage risks associated with non-treasury investments, (similar to the current Treasury Management Practices).

**Treasury Management Code**
CIPFA published revised Prudential and Treasury Management Codes in December 2021. The formal reporting requirements of the revised Codes will be implemented in 2023/24.

When implemented the revised Treasury Management Code will require investments and investment income to be attributed to one of three purposes:

(i) Treasury management
- Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

(ii) Service delivery
- Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is '…*either related to the financial viability of the project in question or otherwise incidental to the primary purpose*…'

(iii) Commercial return
- Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a council's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

The authority's Treasury Investment Strategy will be required to include:

- Classification of investments for service or commercial purposes:
- The authority's approach to investments for service or commercial purposes (together referred to as non-treasury investments), including defining the authority's objectives, risk appetite and risk management in respect of these investments, and processes ensuring effective due diligence;
- An assessment of affordability, prudence and proportionality in respect of the authority's overall financial capacity (ie. whether losses could be absorbed in budgets or reserves without unmanageable detriment to local services);
- Details of financial and other risks of undertaking investments for service or commercial purposes and how these are managed;
- Limits on total investments for service purposes and for commercial purposes respectively (consistent with any limits required by other statutory guidance on investments);
- Requirements for independent and expert advice and scrutiny arrangements (while business cases may provide some of this material, the information contained in them will need to be periodically re-evaluated to inform the overall strategy);
- Statement of compliance with paragraph 51 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest primarily for financial return.

The revised Treasury Management code also requires authorities to comply with the following in 2023/24 onwards:

- Adopting a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement; this is to be shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained;
- Long term treasury investments, (including pooled funds), to be classed as commercial investments unless justified by a cash flow business case;
- Some pooled funds (longer term instruments, including those with no fixed maturity date) to be included in the indicator for principal sums maturing in years beyond the initial budget year;
- Amendment to the knowledge and skills register for officers and members involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;
- Quarterly performance reporting to Members (as part of integrated revenue, capital and balance sheet reports), to include prudential indicators; and
- Environmental, social and governance (ESG) issues to be addressed within an authority's treasury management policies and practices.

Local authorities were already at an advanced stage with 2022/23 budget setting, including the preparation of their Treasury Management Strategy Statements, when these changes were announced. Therefore CIPFA acknowledged that they view 2022/23 as a transitional year to embed these new requirements and has stated that there will be a 'soft' introduction of the revised Codes, with local authorities not being expected to have to change their Treasury Management reports for 2022/23; full implementation will be required for 2023/24.

The underlying principles, including that an authority must not borrow to invest primarily for financial return, do however apply with immediate effect, and align with the Government's changes to PWLB borrowing terms in 2020.

**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 approves 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 2022/23 – 2026/27.

## 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 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 post-lockdown 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 while general inflation pressures will result in increased build costs. 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 subject to public consultation and also 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 2023/24 to 2027/28
3. Asset Investment Approach
4. Accounting Policies
5. Property Investment Decisions Checklist
6. Annual Report Template
7. Capital Programme 2022/23 to 2026/27
8. Flexible Use of Capital Receipts Strategy
9. Risk Management
10. Asset Condition Assessment

# COMMERCIAL GOVERNANCE FRAMEWORK 2019

## Background

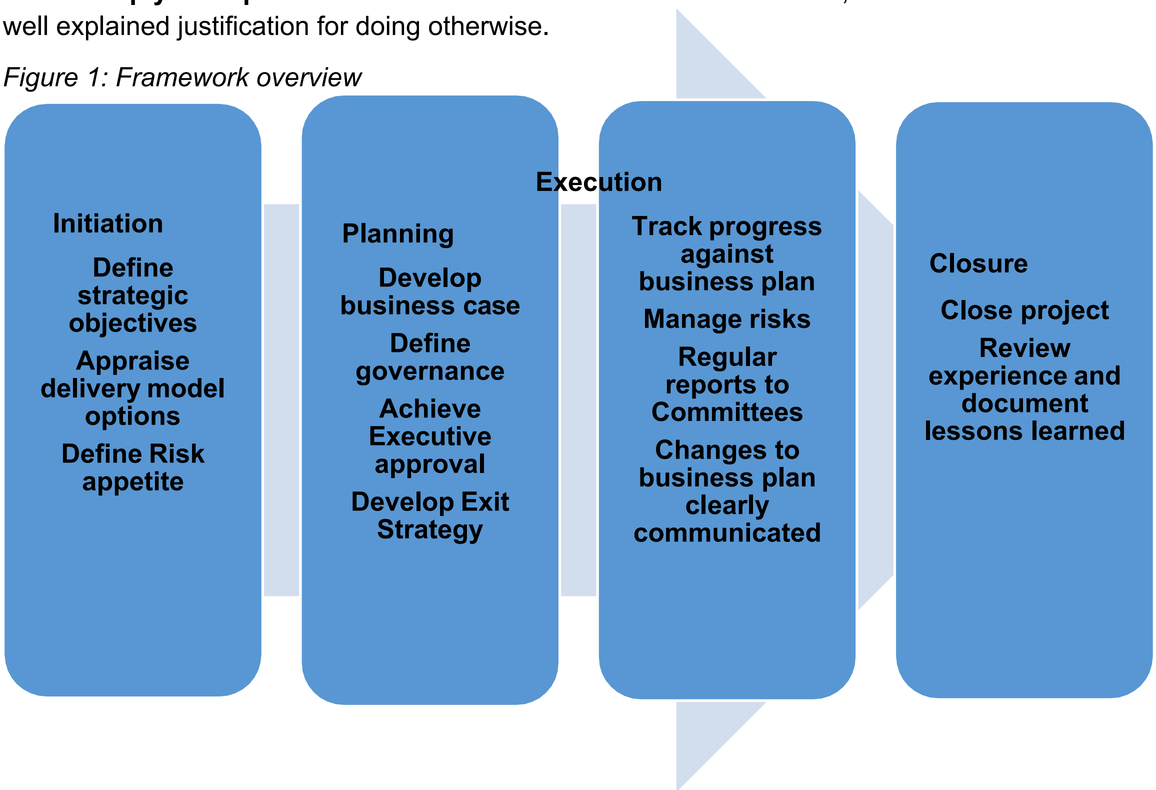
1. This Framework is the distillation of lessons learnt from a review of commercial governance arrangements undertaken by a Member Task Group in 2018-19. The objective of this Framework is to set out a best practice template for the set up and delivery of commercial ventures and companies by the Council 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?<br>i. Structure (limited company, LLP, other).<br>ii. Other shareholders/partners involved.<br>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?:<br>i. Projected income and expenditure, over a reasonable time horizon.<br>ii. A clear view of the amount of financing required from the Council, and other parties, over the same time horizon.<br>iii. A range of scenarios covering both optimistic and pessimistic outcomes, showing the financial impact on the Council in each.<br>iv. Success/outcome measures, translated into KPIs which will be reported regularly to the Executive Sub-Committee.<br>v. Any other requirements on the Council, eg staff time, office space, or use of other Council assets.<br>vi. Potential tax (corporation tax, VAT, other) and other liabilities arising.<br>vii. How any unexpected losses would be absorbed.<br>viii. Market and other research on which the financial forecasts are based.<br>ix. Any Intellectual Property already possessed or expected to be developed as part of the venture, and clarity over its ownership.<br>x. Resolution/shutdown plans/exit strategy in the event of a significant adverse event.<br><br>c. What is the proposed governance model?<br>i. Role of Chairman of the Board (or equivalent).<br>ii. Composition of the Board (or equivalent), including Non-Executive Director(s).<br>iii. The proposed measures for training and evaluation of performance of the Board.<br>iv. Arrangements for reporting back to the Council:<br>i. To officers.<br>ii. To the Commercial Ventures Executive Sub-Committee.<br>iii. To the Overview & Scrutiny Committee.<br>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).<br><br>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?<br><br>i. Identities, skills and experience of key personnel (covering people management, leadership, financial and commercial skillsets).<br><br>ii. Results of due diligence on key personnel.<br><br>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?<br><br>i. Procurement and fraud controls.<br><br>ii. Financial controls (within the Council) to ensure funds advanced are in line with approved limits.<br><br>iii. Financial controls (within the company/venture) including authorisation of expenditure.<br><br>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 2023/24 to 2027/28

| MEDIUM TERM REVENUE BUDGET FORECAST | Approved Budget 2021/22 £m | Cumulative Impact 2023/24 £m | Cumulative Impact 2024/25 £m | Cumulative Impact 2025/26 £m | Cumulative Impact 2026/27 £m | Cumulative Impact 2027/28 £m |
|---|---|---|---|---|---|---|
| **2022/23 Budget Requirement** | **19.800** | | | | | |
| Service Budgets - Pay | | 1.250 | 2.250 | 3.250 | 4.250 | 5.250 |
| Service Budgets – net service growth / savings 2023/24 | | TBC through service & financial planning 2023/24 | | | | |
| New Sources of Income – Fees & Charges / Commercial | | (0.100) | (0.250) | (0.400) | (0.500) | (0.500) |
| Central Budgets - Pensions | | 0.340 | 0.340 | 0.340 | 0.340 | 0.340 |
| Central Budgets - Treasury Management – net borrowing costs | | 0.150 | 0.400 | 0.600 | 0.800 | 0.800 |
| | | | | | | |
| **Council Tax** | | | | | | |
| £5 per Band D equivalent plus impact of forecast taxbase | | (0.541) | (1.108) | (1.498) | (1.181) | (2.151) |
| | | | | | | |
| **Business Rates** | | (1.260) | (0.200) | (0.500) | (0.500) | (0.500) |
| **Negative RSG Grant** | | | | 0.740 | 0.980 | 1.230 |
| **Government Grants** | | | | | | |
| Lower Tier Services Grant | | TBC in the December Provisional Settlement Announcement | | | | |
| Services Grant | | | | | | |
| New Homes Bonus | | 0.600 | 0.600 | 0.600 | 0.600 | 0.600 |
| | | | | | | |
| **Call on Reserves 2022/23** | | | | | | |
| Reversal of one-off call on Earmarked Reserves and General Fund Balance Contribution in 2022/23 | | 1.677 | 0.677 | 0.677 | 0.677 | 0.677 |
| | | | | | | |
| **Forecast Gap at July 2022 Compared to 2022/23 Budget** | **-** | **2.116** | **2.709** | **3.809** | **4.829** | **5.446** |
| Annual Increase in Gap | | 2.116 | 0.593 | 1.100 | 1.020 | 0.617 |
| Gap as % of 2022/23 budget requirement | | 10.6% | 13.6% | 19.1% | 24.2% | 27.3% |

# 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 the current five year period and explains how we will focus our resources and deliver services to those living, working and spending time in Reigate & Banstead. This includes objectives to be a financially self-sustaining Council by maximising income and efficiency opportunities, and to generate additional income to build our financial resilience through responsible and sustainable commercial activities. One way we can do this is by 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 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 the Corporate Governance Group, supported by the Strategic Property Officer Group and the Companies Oversight 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 Strategic Property Officer Group will carry out an initial high-level assessment and desk top valuations of any investment opportunity. Key criteria for the assessment will include:

- The contribution of any opportunity to Corporate Plan objectives
- The type, tenure and location of the asset and current and forecast market conditions
- The impact that pursuing the opportunity will have on the Council's overall portfolio
- Immediate and longer-term capital costs and revenue implications
- Risks associated with the specific opportunity as well as any wider risks for the organisation should it pursue the opportunity; and
- The exit strategy.

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

The Corporate Governance Group 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;
- IT 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 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.

APPENDIX 5

# 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%<br><br>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:<br>• Shops - Class A1 | | |

<table>
<tr><th>Criteria</th><th colspan="6">Measure</th></tr>
<tr><td></td><td colspan="6">• Offices – Class A2/B1<br>• Industrial - Class B2<br>• Distribution & Storage - Class B8<br>• Hotels & Hostels - Class C1<br>• Residential Institutions - Class C2<br>• Dwellings, Houses, Flats & Apartments - Class C3<br>• Non-Residential Institutions - Class D1<br>• Assembly & Leisure - Class D2<br>• Other – not included above</td></tr>
<tr><td>Type</td><td colspan="6">Prime/secondary/tertiary<br>Established office/industrial</td></tr>
<tr><td>Tenure</td><td colspan="6">Freehold or long leasehold(s)</td></tr>
<tr><td>Occupation</td><td colspan="2">Single occupier with good covenant</td><td colspan="2">Multi-let</td><td colspan="2">Vacant</td></tr>
<tr><td>Condition</td><td colspan="3">Good condition; or<br>Price reflects works required</td><td colspan="3">Significant concerns about life, value or potential returns</td></tr>
<tr><td>Environmental</td><td colspan="6">Flood risk, conservation area, etc</td></tr>
<tr><td>Planning</td><td colspan="6">Use conforms to planning consents</td></tr>
<tr><td>Energy Performance</td><td colspan="2">> D</td><td colspan="2">< D with details provided of works required to achieve D</td><td colspan="2">< D</td></tr>
<tr><td>Title</td><td colspan="6">Transfer required</td></tr>
<tr><td>Legal</td><td colspan="6">Any issues identified (including permitted use)<br>Tenant check (company and directors)</td></tr>
<tr><td>Rent</td><td colspan="6">At or above market rent</td></tr>
<tr><td>Income Flow</td><td colspan="6">5+ years to lease renewal/tenant break option</td></tr>
<tr><td>Rent Review</td><td colspan="6">Upward only, preferably at market standard frequency</td></tr>
<tr><td>Repairs</td><td colspan="6">Full repairing and insuring lease (property policies arranged through the Council’s insurers)</td></tr>
<tr><td colspan="7">Corporate Plan Priorities</td></tr>
<tr><td>Strategic significance</td><td colspan="6">Has significant strategic value<br>Supports delivery of key corporate objectives</td></tr>
</table>

**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.*

**APPENDIX 7**

# CAPITAL PROGRAMME 2022/23 to 2026/27

| CAPITAL PROGRAMME 2022 to 2027 - DETAILS | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2021/22 Bfwd** | **2022/23** | **2023/24** | **2024/25** | **2025/26** | **2026/27** | **Total** |
| | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| **ORGANISATION SERVICES** | | | | | | | |
| **PROPERTY SERVICES** | | | | | | | |
| **Rolling Property Maintenance Programmes** | | | | | | | |
| Forum House, Brighton Road Redhill | 0.170 | 0.100 | 0.150 | 0.150 | - | 0.100 | **0.670** |
| Beech House, London Road, Reigate | 3.000 | - | - | - | - | - | **3.000** |
| Unit 61E Albert Road North | 0.062 | 0.200 | 0.012 | 0.012 | - | 0.075 | **0.360** |
| Regent House, 1-3 Queensway Redhill | 0.075 | 0.100 | 0.090 | 0.090 | - | 0.090 | **0.445** |
| Linden House, 51B High Street Reigate | 0.028 | 0.029 | 0.012 | 0.012 | - | 0.015 | **0.095** |
| Units 1-5 Redhill Distribution Centre Salfords | 0.057 | 0.058 | 0.017 | 0.017 | - | 0.025 | **0.174** |
| Crown House | 0.210 | 0.075 | 0.075 | 0.075 | - | 0.075 | **0.510** |
| Tenanted Properties | 0.100 | 0.100 | 0.100 | 0.100 | - | 0.100 | **0.500** |
| Tenanted Property Assets | 0.060 | 0.076 | 0.076 | 0.076 | - | 0.076 | **0.364** |
| Operational Buildings | 0.260 | 0.110 | 0.095 | 0.080 | - | 0.080 | **0.625** |
| Priory Park | 0.213 | 0.010 | 0.010 | 0.030 | - | 0.050 | **0.313** |

| CAPITAL PROGRAMME 2022 to 2027 - DETAILS | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2021/22 Bfwd** | **2022/23** | **2023/24** | **2024/25** | **2025/26** | **2026/27** | **Total** |
| | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| Public Conveniences | 0.017 | 0.004 | 0.004 | 0.020 | - | 0.095 | **0.140** |
| Infra-structure (walls) | 0.026 | 0.060 | 0.010 | 0.060 | - | 0.020 | **0.176** |
| Allotments | 0.030 | 0.012 | 0.012 | 0.022 | - | 0.012 | **0.088** |
| Cemeteries & Chapel | 0.060 | 0.020 | 0.020 | 0.040 | - | 0.020 | **0.160** |
| Pavilion Replacement – Woodmansterne | 0.020 | - | - | - | - | - | 0.020 |
| Leisure Centre Maintenance | 0.017 | 0.210 | 0.190 | 0.030 | - | 0.175 | **0.622** |
| Existing Pavilions Programme | 0.168 | 0.050 | 0.050 | 0.050 | - | 0.150 | **0.468** |
| Car Parks Capital Works Programme | 0.358 | 0.190 | 0.195 | 0.170 | - | 0.075 | **0.988** |
| Earlswood Depot/Park Farm Depot | 0.052 | 0.020 | 0.020 | 0.020 | - | 0.050 | **0.162** |
| Day Centres Programme | 0.034 | 0.075 | 0.067 | 0.065 | - | 0.125 | **0.366** |
| Harlequin Property Maintenance | 0.206 | 0.110 | 0.120 | 0.100 | - | 0.100 | **0.636** |
| Building Maintenance - Capitalised Staff Costs | 0.000 | 0.028 | 0.028 | 0.28 | 0.028 | 0.028 | **0.140** |
| **Total** | **5.223** | **1.636** | **1.352** | **1.246** | **28** | **1.536** | **11.022** |
| **IT SERVICES** | | | | | | | |
| **Rolling Investment Programmes:** | | | | | | | |
| ICT Replacement Programme | 0.224 | 0.200 | 0.200 | 0.250 | 0.200 | 0.200 | **1.274** |
| Replacement Photocopiers/ Printers | - | - | 0.060 | - | - | - | **0.060** |
| **Total** | **0.224** | **0.200** | **0.260** | **0.250** | **0.200** | **0.200** | **1.334** |
| **ORGANISATIONAL DEVELOPMENT** | | | | | | | |

| CAPITAL PROGRAMME 2022 to 2027 - DETAILS | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2021/22 Bfwd** | **2022/23** | **2023/24** | **2024/25** | **2025/26** | **2026/27** | **Total** |
| | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| Workplace Facilities: Estate/Asset Development | 0.452 | 0.250 | 0.250 | 0.250 | - | - | **1.202** |
| **Total** | **0.452** | **0.250** | **0.250** | **0.250** | **-** | **-** | **1.202** |
| **Environmental Strategy Delivery** | | | | | | | |
| Environmental Strategy Delivery | 0.250 | - | - | - | - | - | **0.250** |
| **PEOPLE SERVICES** | | | | | | | |
| **HOUSING** | | | | | | | |
| **Grant-Funded Schemes** | | | | | | | |
| Disabled Facilities Grant | - | 1.134 | 1.134 | 1.134 | 1.134 | 1.134 | **5.670** |
| Home Improvement Agency (Part Grant Funded) | - | 0.120 | 0.120 | 0.120 | 0.120 | 0.120 | **0.600** |
| Handy Person Scheme (Housing Assistance Programme) | - | 0.050 | 0.050 | 0.050 | 0.050 | 0.050 | **0.250** |
| Massetts Road – Property Rolling Programme | - | 0.021 | 0.021 | 0.021 | 0.021 | 0.021 | **0.105** |
| Housing Temp/Emergency Repairs | - | - | - | - | - | - | **0.037** |
| Lee Street Bungalows | 0.327 | - | - | - | - | - | **0.327** |
| **Housing Delivery Strategy** | | | | | | | |
| Housing Delivery | 20.000 | 10.000 | - | - | - | - | **30.000** |
| Cromwell Road Development | 0.150 | - | - | - | - | - | **0.150** |
| Pitwood Park Development, Tadworth | 0.043 | - | - | - | - | - | **0.043** |
| **Total** | **20.519** | **11.325** | **1.325** | **1.325** | **1.325** | **1.362** | **37.181** |

| CAPITAL PROGRAMME 2022 to 2027 - DETAILS | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2021/22 Bfwd** | **2022/23** | **2023/24** | **2024/25** | **2025/26** | **2026/27** | **Total** |
| | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| **WELLBEING & INTERVENTION** | | | | | | | |
| Harlequin - Service Development | 0.172 | 0.100 | 0.100 | 0.100 | 0.100 | 0.100 | **0.672** |
| **Total** | **0.172** | **0.100** | **0.100** | **0.100** | **0.100** | **0.100** | **0.672** |
| **COMMUNITY DEVELOPMENT** | | | | | | | |
| **Rolling Maintenance Programmes** | | | | | | | |
| CCTV | 0.075 | 0.030 | - | - | - | - | **0.105** |
| **PLACE SERVICES** | | | | | | | |
| **NEIGHBOURHOOD OPERATIONS** | | | | | | | |
| **Rolling Maintenance/Investment programmes** | | | | | | | |
| Vehicle Wash Bay Replacement | 0.350 | - | - | - | - | - | **0.350** |
| Vehicles & Plant | 0.182 | 1.056 | 0.448 | 0.565 | 0.578 | 0.562 | **3.391** |
| Play Areas Improvement | - | 0.230 | 0.230 | 0.230 | 0.230 | 0.230 | **1.150** |
| Air Quality Monitoring Equipment | - | 0.040 | 0.040 | 0.040 | 0.065 | 0.065 | **0.250** |
| Parks & Countryside – Infrastructure & Fencing | - | 0.045 | 0.045 | 0.045 | 0.045 | 0.045 | **0.225** |
| Workshop Refurbishment | - | - | 0.160 | - | - | - | **0.160** |
| Contribution to Surrey Transit Site | 0.127 | 0.160 | - | - | - | - | **0.127** |
| Land Flood Prevention | - | 0.011 | 0.011 | 0.011 | 0.011 | 0.011 | **0.053** |
| **Total** | **0.659** | **1.542** | **0.774** | **0.891** | **0.929** | **0.913** | **5.708** |

| CAPITAL PROGRAMME 2022 to 2027 - DETAILS | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2021/22 Bfwd** | **2022/23** | **2023/24** | **2024/25** | **2025/26** | **2026/27** | **Total** |
| | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| **PLACE DELIVERY** | | | | | | | |
| Marketfield Way Redevelopment | 6.986 | 15,100 | - | - | - | - | **22.086** |
| Horley Public Realm Improvements - Phase 4 | 0.575 | - | - | - | - | - | **0.575** |
| Merstham Recreation Ground | 1.419 | - | - | - | - | - | **1.419** |
| Redhill Public Realm Improvements | 0.030 | | | | | | **0.030** |
| Pay on Exit Car Parking, Horley | 0.052 | - | - | - | - | - | **0.052** |
| Preston – Parking Improvements | 0.348 | - | - | - | - | - | **0.348** |
| **Total** | **9.410** | **15,100** | **-** | **-** | **-** | **-** | **24.510** |
| | | | | | | | |
| Economic Prosperity - Vibrant towns & villages | - | 100 | 100 | 100 | - | - | **0.300** |
| **TOTAL APPROVED CAPITAL PROGRAMME** | **36.983** | **30,283** | **4,161** | **4,162** | **2,581** | **4,110** | **82.280** |

**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, but with a new restriction on the use of capital receipts to fund discretionary redundancy payments and a new requirement to submit plans for use of the discretion in advance of each financial year.

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**
The IT Strategy that was approved in March 2022 included options for funding some investment in new technology through calling on capital receipts; however to date no specific projects have been identified that require use of this funding source as the majority of currently-planned investment is categorised as revenue expenditure.

There are therefore 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.

# 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.<br>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.<br>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.<br>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.<br>The market may change (potentially as a result of wider economic issues) which may impact on market rental values.<br>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.<br>The Council also receives advice and market intelligence from its property advisors.<br>The financial assessment includes both interest and repayment of borrowing. | Resale valuations cannot be guaranteed to increase/remain static.<br>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.<br>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.<br><br>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.<br><br>Discussions with tenants have taken place since the start of the pandemic to assess their ability to pay and future requirements. |

| Ref | Risk | Impact | Likelihood | Mitigation | Residual Risk |
|---|---|---|---|---|---|
| CIS9 | Delivery and financial risks due to cost inflation pressures | H | H | Deliverability of approved schemes within approved funding limits will be subject to regular review and reporting as the medium/long term impacts are confirmed. | Project scope and specifications may have to be revised; some planned schemes may have to be paused or cancelled. |

**Key:**

| IMPACT | | | | | | |
|---|---|---|---|---|---|---|
| Grave | 5 | | CIS5 | | | |
| Significant | 4 | | | CIS8 | CIS9 | |
| Moderate | 3 | | CIS6 | CIS1<br>CIS2<br>CIS3<br>CIS4 | | |
| Minor | 2 | | | | | |
| Almost none | 1 | | | | | |
| | | 1 | 2 | 3 | 4 | 5 |
| **LIKELIHOOD** | | Rare | Unlikely | Possible | More Than Likely | Almost Certain |

**APPENDIX 10**

# Asset Condition Assessment

**Programmed Planned and Reactive Maintenance**

Management of the Council's property maintenance programme, condition surveys and project management of small to medium size construction projects is carried out by the Property Services team. This team incorporates Facilities Management, with responsibility for the day to day running of the buildings to support and enable ongoing service delivery. The team is augmented by external consultants when specialist advice or additional resources are required.

Compliance with numerous statutory requirements relating to maintenance and management of properties are dealt with in-house, augmented by external consultants when specialist advice is required. The main legislative areas covered are:

- Disability Discrimination Act;
- Control of Asbestos Regulations;
- Health and Safety at Work Act;
- Environment Protection Act (contaminated land);
- Control of Substances Hazardous to Health Regulations (Legionella);
- The Regulatory Reform (Fire Safety) Orders;
- Gas safety and fixed wire testing;
- Fire risk assessments; and
- Lifts and Lifting Operations Lifting Equipment Regulations (LOLER).

Health and Safety schedules have been checked and updated, with all due inspections and certifications in hand.

A rolling five-year programme of condition surveys, regular inspection of the properties and liaison with service managers determines the revenue and capital budgets required over the medium term.

The objective is to reduce reliance on capital to fund planned and reactive maintenance, through continued aggregation of planned maintenance contracts and efficient re tendering of services that the Council purchases from external contractors.

Budgets for, and the cost of, repairs and maintenance are split between planned maintenance and reactive maintenance in order to monitor and measure the progress of improving the proportion of expenditure on the former at the expense of the latter.

All procurements are undertaken in accordance with the Council's Contract Procedure Rules and making use of the Council's E-Procurement system. This approach ensures both compliance with legislation governing public sector procurement and an open and competitive process for securing the most economically advantageous terms.

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# Reigate and Banstead Borough Council
# Overview and Scrutiny Committee Work Programme

**Published: July 2022**

| Report Author(s) | Lead Member(s) | Officer sign off | Subject | O&S | Executive | Council | Open / Exempt | Key |
|---|---|---|---|---|---|---|---|---|
| **14 July 2022** | | | | | | | | |
| *Pat Main, Interim Head of Finance*<br><br>*David Brown, Finance Manager* | Deputy Leader and Portfolio Holder for Finance and Governance | Interim Head of Finance | **Medium Term Financial Plan 2023/24 to 2027/28**<br><br>To review the Medium Term Financial Plan 2023/24 to 2027/28. | 14 Jul 2022 | 21 Jul 2022 | | Open | |
| *David Brown, Finance Manager, Pat Main, Interim Head of Finance* | Deputy Leader and Portfolio Holder for Finance and Governance | Interim Head of Finance | **Capital Investment Strategy 2023/24 to 2027/28**<br><br>To approve the Capital Investment Strategy 2023/24 to 2027/28. | 14 Jul 2022 | 21 Jul 2022 | | Open | |
| **8 September 2022** | | | | | | | | |
| *David Brown, Finance Manager, Luke Harvey, Project & Performance Team Leader, Pat* | Deputy Leader and Portfolio Holder for Finance and Governance, Portfolio Holder | Head of Corporate Policy, Interim Head of Finance | **Quarter 1 2022/23 performance report**<br><br>To receive an update on performance in Q1 2022/23. | 8 Sep 2022 | 15 Sep 2022 | | Open | |

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Agenda Item 6

| Report Author(s) | Lead Member(s) | Officer sign off | Subject | O&S | Executive | Council | Open / Exempt | Key |
|---|---|---|---|---|---|---|---|---|
| *Main, Interim Head of Finance* | for Corporate Policy and Resources | | | | | | | |
| *Head of Corporate Policy, Dan Woodard, Sustainability Project Officer*<br><br>*Catherine Rose, Head of Corporate Policy* | Portfolio Holder for Corporate Policy and Resources | Head of Corporate Policy | **Environmental Sustainability Strategy: Annual Report**<br><br>To provide members with an update about progress towards delivery of the Council's Environmental Sustainability Strategy | 8 Sep 2022 | 15 Sep 2022 | | Open | KEY |
| Andrew Benson, Head of Planning, Ian Dunsford, Planning Policy Manager | Portfolio Holder for Planning Policy and Place Delivery | Director of Place | **Local Plan - Local Development Scheme**<br><br>To agree initiation and timetable for a new Local Plan. | 8 Sep 2022 | 15 Sep 2022 | 22 Sep 2022 | Open | KEY |
| *Marie Crabtree, Democratic Services Officer* | Leader of the Council | Head of Paid Service | **Leader's Update**<br><br>Six-monthly update from the Leader to Overview and Scrutiny Committee | 8 Sep 2022 | | | Open | |
| **13 October 2022** | | | | | | | | |
| *Marie Crabtree, Democratic Services Officer* | Deputy Leader and Portfolio Holder for Finance and Governance, | Commercial and Investment Director, Director of People, Director of Place, | **Organisation Portfolio Holder Updates**<br><br>Updates from Executive Members in Corporate Policy & | 13 Oct 2022 | | | Open | |

| Report Author(s) | Lead Member(s) | Officer sign off | Subject | O&S | Executive | Council | Open / Exempt | Key |
|---|---|---|---|---|---|---|---|---|
| | Portfolio Holder for Corporate Policy and Resources, Portfolio Holder for Investment and Companies | Interim Head of Finance | Resources, Finance & Governance, Investment & Companies | | | | | |
| *Marie Crabtree, Democratic Services Officer* | Deputy Leader and Portfolio Holder for Finance and Governance | Interim Head of Finance | **Constitution of Budget Scrutiny Panel**<br><br>To establish the Budget Scrutiny Panel to review Service & Financial Plans 2023/24 | 13 Oct 2022 | | | Open | |
| **29 November 2022** | | | | | | | | |
| *Marie Crabtree, Democratic Services Officer* | Councillor Nick Harrison | Interim Head of Finance | **Budget Scrutiny Panel**<br><br>The report and recommendations of the Budget Scrutiny Panel including any observations on the Service and Financial Planning proposals for 2022/23, for consideration by the Executive in line with the Council's budget and policy procedure rules. | 8 Dec 2022 | | | Open | |
| **8 December 2022** | | | | | | | | |
| *Tom Borer, Policy Officer, Catherine Rose, Head of* | Portfolio Holder for Investment and Companies | Head of Corporate Policy | **Commercial Strategy: Progress Update** | 8 Dec 2022 | 15 Dec 2022 | | Part exempt | |

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Agenda Item 6

| Report Author(s) | Lead Member(s) | Officer sign off | Subject | O&S | Executive | Council | Open / Exempt | Key |
|---|---|---|---|---|---|---|---|---|
| *Corporate Policy* | | | To provide members with a progress update about work aligned with the Council's commercial strategy and objectives | | | | | |
| *David Brown, Finance Manager, Luke Harvey, Project & Performance Team Leader, Pat Main, Interim Head of Finance* | Deputy Leader and Portfolio Holder for Finance and Governance, Portfolio Holder for Corporate Policy and Resources | Head of Corporate Policy, Interim Head of Finance | **Quarter 2 2022/23 performance report**<br><br>To receive an update on Q2 2022/23 performance | 8 Dec 2022 | 15 Dec 2022 | | Open | |
| *Marie Crabtree, Democratic Services Officer* | Deputy Leader and Portfolio Holder for Finance and Governance | Interim Head of Finance | **Observations on Budget Proposals - Budget Scrutiny Panel Report**<br><br>Report from the Budget Scrutiny Panel - observations on the Budget Proposals (Service and Financial Planning 2023/24) | 8 Dec 2022 | | | Open | |
| **19 January 2023** | | | | | | | | |
| *Marie Crabtree, Democratic Services Officer* | Leader of the Council | Chief Executive | **Leader's Update (January 2023)**<br><br>Six-monthly update from the Leader to Overview and Scrutiny Committee | 19 Jan 2023 | | | Open | |

Agenda Item 6

| Report Author(s) | Lead Member(s) | Officer sign off | Subject | O&S | Executive | Council | Open / Exempt | Key |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | |
| *Marie Crabtree, Democratic Services Officer* | Portfolio Holder for Community Partnerships, Portfolio Holder for Housing and Support, Portfolio Holder for Leisure and Culture | Director of People, Head of Community Partnerships, Head of Wellbeing and Intervention | **People Portfolio Holders Update**<br><br>Update from Executive Members of Housing & Support, Leisure & Culture, Community Partnerships | 19 Jan 2023 | | | Open | |
| *Marie Crabtree, Democratic Services Officer* | Leader of the Council | Head of Legal and Governance | **Calendar of Meetings 2023/24**<br><br>Calendar of meetings 2023/24 | 19 Jan 2023 | | | Open | |
| **23 February 2023** | | | | | | | | |
| *Marie Crabtree, Democratic Services Officer* | Portfolio Holder for Community Partnerships | Director of People, Head of Community Partnerships | **Annual Community Partnership Scrutiny**<br><br>Annual "crime and disorder" scrutiny - Community Partnership | 23 Feb 2023 | | | Open | |
| **16 March 2023** | | | | | | | | |
| *Marie Crabtree, Democratic Services Officer* | Portfolio Holder for Economic Prosperity, Portfolio Holder for Neighbourhood Services, Portfolio Holder | Director of Place, Head of Economic Prosperity, Head of Neighbourhood Operations, Head of Planning | **Place Portfolio holders Update**<br><br>Update from Executive Members of Planning, Policy & Place Delivery, Neighbourhood Services, Economic Prosperity | 16 Mar 2023 | | | Open | |

| Report Author(s) | Lead Member(s) | Officer sign off | Subject | O&S | Executive | Council | Open / Exempt | Key |
|---|---|---|---|---|---|---|---|---|
| | for Planning Policy and Place Delivery | | | | | | | |
| *Marie Crabtree, Democratic Services Officer* | Councillor Nick Harrison | Head of Legal and Governance | **Overview and Scrutiny Annual Report 2022/23**<br><br>Annual report from the Overview and Scrutiny Committee 2022/23 | 16 Mar 2023 | | | Open | |
| *Marie Crabtree, Democratic Services Officer* | Councillor Nick Harrison | Head of Legal and Governance | **Overview and Scrutiny Annual Work Programme 2023/24**<br><br>Overview and Scrutiny's Forward Work Programme for the year ahead 2023/24 | 16 Mar 2023 | | | Open | |





**Additional Topics for Scrutiny for 2022/2023 – dates yet to be arranged.**

1. Work of the Banstead Commons Conservators, to include the powers and obligations set out in the 1893 Act of Parliament, the performance of the Conservators, and the development and execution of a management plan. Focus of the review to be on the services required and delivered, and not costs arrangements. The aim of the review is to see how improvements can be made to services.

2. Work of the Green Spaces team in regard to the Countryside spaces in the Borough, and delivery of the Green Spaces work programme. For clarity, this excludes the Council's parks, gardens and play areas, work on highways verges and grassed areas, the spaces managed by the Banstead Commons Conservators and matters to do with Planning (Core Strategy and Development Management Plan). The aim of the review is to see how improvements can be made to services.

3. Work of Raven Housing Trust

| Report Author(s) | Lead Member(s) | Officer sign off | Subject | O&S | Executive | Council | Open / Exempt | Key |
|---|---|---|---|---|---|---|---|---|

**Contact:** Democratic Services **Email:** democratic@reigate-banstead.gov.uk **Telephone:** 01737 276812
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**Action tracker - Overview and Scrutiny Committee 2022/23**

| Meeting 2021/22 | Subject and request | Action | Who | Status | Completed |
|---|---|---|---|---|---|
| 16 June 2022 | Item 6 Quarter 4 Performance Report 2021/22 | **Homelessness -** Members asked whether the figures for homelessness could be compared to the previous year in order to predict a final figure for the end of this year. (Taking into account fluctuations) | Request to officers | In progress | *Response emailed to Members on 5 July 2022. Copy of response in Mod.Gov Library, link provided below.* |
| 16 June 2022 | Item 6 Quarter 4 Performance Report 2021/22 | **Affordable Housing and affordable housing completions –** Members asked how many of the affordable housing completions are socially rented and how many are affordable rented. Members also asked whether the KPI was green rated based on over delivering on the number of homes in one particular year, which might cause other problems in the medium to long term. | Request to officers | In progress | *Response emailed to Members on 5 July 2022. Copy of response in Mod.Gov Library, link provided below.* |
| 16 June 2022 | Item 6 Quarter 4 Performance Report 2021/22 | **Street cleansing** – Members enquired why street cleansing had incurred a £6k additional spend on postage. The Head of Finance would investigate and provide a written answer after the meeting. | Request to officers | In progress | *Response emailed to Members on 5 July 2022. Copy of response in Mod.Gov Library, link provided below.* |
| 16 June 2022 | Item 8 Companies Performance Update Spring 2022 | **Greensand** - Point 19 on page 5 states “the loan and accrued interest are impaired in the Council’s accounts to reflect the risk of credit loss.” Members asked for the amount of the loan and accrued interest. | Request to officers | In progress | *Response emailed to Members on 5 July 2022. Copy of response in Mod.Gov Library, link provided below.* |

| | | | | | |
|---|---|---|---|---|---|
| 16 June 2022 | Item 8 Companies Performance Update Spring 2022 | **Horley Business Park -** An update on the progress of Horley Business Park including a timeline was requested by Members. | Request to officers | In progress | *Response emailed to Members on 5 July 2022. Copy of response in Mod.Gov Library, link provided below.* |
| 16 June 2022 | Item 9 Reigate & Banstead 2025 Annual Report 2021/22 | **Clear and Effective Communication** – Members asked whether communication from residents was received via email, phone calls or letters. | Request to officers | In progress | *Response emailed to Members on 5 July 2022. Copy of response in Mod.Gov Library, link provided below.* |

Written answers from 16 June can be found here - https://reigate-bansteadextranet.moderngov.co.uk/documents/s20836/Written%20Answers%20from%20OSC%2016%20June%202022.pdf?$LO$=1