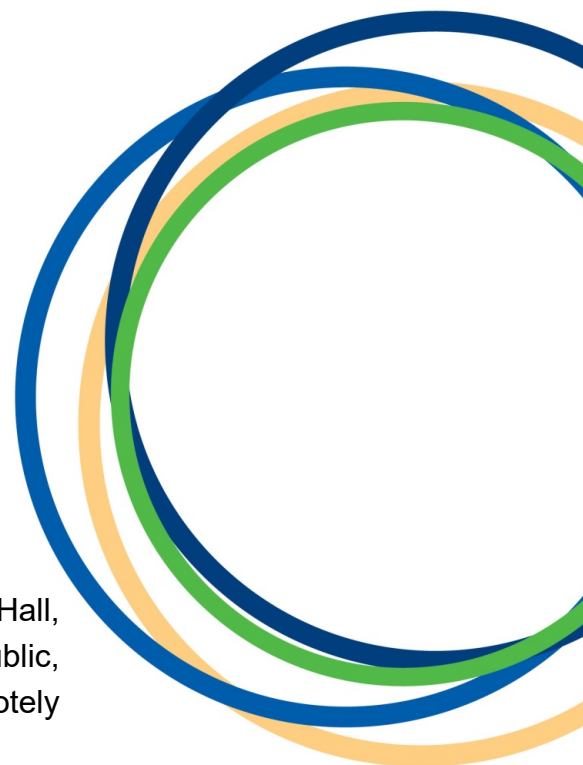


# Agenda

## Executive



**Thursday, 15 September 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:

#### M. A. Brunt (Leader)

T. Schofield

T. Archer

R. H. Ashford

R. Biggs

N. J. Bramhall

E. Humphreys

V. H. Lewanski

C. M. Neame

K. Sachdeva

**Mari Roberts-Wood**  
Managing Director

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Published 07 September 2022

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

**1. Apologies for absence**

To receive any apologies for absence.

**2. Minutes** (Pages 5 - 8)

To approve the Minutes of the meeting of the Executive held on 21 July 2022.

**3. Declarations of interest**

To receive any declarations of interest.

**4. The Purchase of Temporary & Emergency Accommodation** (Pages 9 - 18)

The Executive Member for Housing & Support.

**5. Environmental Sustainability Strategy: Annual Report** (Pages 19 - 46)

The Executive Member for Corporate Policy & Resources.

**6. Local Plan - Local Development Scheme** (Pages 47 - 68)

The Executive Member for Place Delivery & Planning Policy.

**7. Quarter 1 2022/23 performance report** (Pages 69 - 102)

The Executive Member for Corporate Policy & Resources.

**8. Risk Management - Quarter 1 2022/23** (Pages 103 - 126)

The Executive Member for Corporate Policy & Resources.

**9. Treasury Management Strategy Outturn 2021/22** (Pages 127 - 148)

The Executive Member for Finance & Governance.

**10. Partner and Shareholder Actions EXEMPT** (Pages 149 - 178)

The Executive Member for Investment & Companies.

**11. Statements**

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

## **12. Exempt business**

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

- (i) it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act and paragraph 5 of Part 1 of Schedule 12A of the Act; and
- (ii) the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

## **13. Any other urgent business**

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

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



### **Our meetings**

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



### **Streaming of meetings**

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



### **Accessibility**

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



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

Minutes of a meeting of the **Executive** held at the **New Council Chamber - Town Hall, Reigate** on **Thursday, 21 July 2022 at 7.30 pm.**

**Present:** Councillors T. Schofield (Deputy Leader), T. Archer, R. H. Ashford, R. Biggs, N. J. Bramhall, E. Humphreys, V. H. Lewanski and C. M. Neame

**Attended remotely:** Councillor K. Sachdeva

Visiting Members: Councillor M. Blacker, J. Essex, N. Harrison (Chair of O&S) and S. Sinden

### **14 Apologies for absence**

Apologies for absence were received from the Leader, Councillor Mark Brunt.

Councillor Sachdeva attended remotely so could not vote.

### **15 Minutes**

The Minutes of the meeting on 21 July 2022 were approved.

### **16 Declarations of interest**

There were no Declarations of Interest.

### **17 Medium Term Financial Plan 2023/24 to 2027/28**

Councillor Schofield, Deputy Leader and Executive Member for Finance and Governance, gave an update on the Medium Term Financial Plan (MTFP) The report to Executive set out the detailed initial assessment of the key information that will be used for budget setting in 2023/24 onwards. This included a five-year forecast for the budget gap if action was not taken to reduce costs or increase income.

A Financial Sustainability Programme to deliver cost reduction and income generation initiatives over the coming years was underway. Detailed budget proposals for the coming year were due to be considered by Executive in November.

Members of the Overview and Scrutiny Committee had considered the report on the Medium Term Financial Plan and the options for addressing the forecast revenue budget challenges in 2023/24 onwards at its meeting on 14 July 2022.

There were no questions from Executive Members.

Councillor Harrison, Chair of Overview and Scrutiny Committee, gave an overview of the Committee's observations to Executive. The draft Minute from Overview and Scrutiny Committee (14 July) and written responses to questions raised at that

# Agenda Item 2

**Executive, Thursday, 21st July, 2022**

meeting was published [as an Addendum to the published agenda pack](#) on the Executive meeting web page.

Councillor Harrison noted that the figures were provisional. He referred to the report which indicated that the draft budget gap was predicted to be around £2m next year and he referenced the current use of reserves. A key factor was recouping income losses incurred during the COVID-19 pandemic, including predicted loss of car parking income of around £1.1m. Rising inflation rates (at 9.1% as at July 2022), set out in the Medium Term Financial Plan report, were raised. It was noted that MTFP forecasts do not include provision for general price inflation.

Councillor Harrison noted assumptions on 2023/24 forecast increase to salaries and set out in a written answer to O&S questions - with an allocation to fund contractual pay increases and an allowance for an annual pay award. The Local Council Tax Support Scheme Review and policy changes was also under review.

Deputy Leader and Executive Member, Councillor Schofield, said that inflation rates affected a number of services and purchasing areas. Business cases for budget growth and specific contract price increases will be considered when the draft budget for 2023/24 is prepared in the autumn. This included assumptions about setting Council Tax rates for 2023/24 and the following years.

Visiting Member, Councillor Essex, raised questions about the environmental sustainability plan and the need to invest to deliver on the Council's commitments in next year and future budgets. Two main areas were managing carbon reduction in the Council's buildings as well as efficiencies in the fleet budget and transport costs. Councillor Schofield explained that investment in fleet replacement is planned on a rolling replacement basis and the fleet manager is working with the environmental sustainability team to investigate alternative-fuelled vehicles.

Frank Etheridge, Strategic Head of Neighbourhood Services, confirmed that a trial of an electric single-bodied Refuse Collection Vehicle was due to take place in July to assess if it met service requirements but there had been a delay in delivery of the trial vehicle.

Councillor Schofield confirmed that the draft budget in November to Executive will include further information about environmental sustainability projects and future planned work in this area.

Visiting Members also asked about government grants as these continued to reduce, such as the Council's share of Business Rates, or were uncertain regarding whether they will continue for another year, such as the New Homes Bonus.

Councillor Schofield confirmed that the future of Business Rates was still under review by Government, and this may be confirmed in December when the Provisional Local Government Settlement was due to be published.

## **RESOLVED:**

### **That the Executive:**

- 1. Adopt the Medium-Term Financial Plan as the framework for the budget elements of Service and Financial Planning for 2023/24 onwards.**

## 18 Capital Investment Strategy 2023/24 to 2027/28

Executive Members considered the Capital Investment Strategy 2023/24 to 2027/28 report and supporting documents.

Councillor Schofield, Deputy Leader and Portfolio Holder for Finance and Governance, introduced the Capital Investment Strategy 2023/24 report and supporting documents. The Strategy ensures decisions on capital investment take account of stewardship, value for money, prudence, sustainability and affordability. The report included information about the assets owned by the Council and how they are used and perform, as well as the approach taken when considering new asset investments.

This was supported by the work carried out by the finance and property teams in the past year to further develop the Council's approach to capital and commercial investment, overseen by the Commercial Ventures Executive Sub-Committee and officer boards. The Deputy Leader explained that proposals for any new capital investment during the coming year will be reported as part of the Service & Financial Planning process.

The observations from Overview and Scrutiny Committee which met the previous week (14 July) were set out in a draft minute and written answers to Advance Questions from Committee Members published as an [Addendum to the Executive agenda pack](#).

Overview and Scrutiny Committee Chair, Councillor Harrison, highlighted the commercial investment position, the limited potential to generate profit from trading services, the links to the financial sustainability programme and reduced powers for local authorities to make investments solely for profit. The Committee had considered and asked questions on the forecast return on investment at Marketfield Way, Redhill (now known as The Rise) and noted the opportunities for income from housing development.

Councillor Harrison highlighted O&S Members' discussion on future rental income, valuation bases and the requirement for investment in Council-owned offices, including Beech House, Reigate, which is currently vacant. Officers confirmed that the budget to refurbish the offices was potentially up to £3m.

There were no further questions from Visiting Members.

There were no questions from Executive Members.

### **RESOLVED:**

#### **That the Executive:**

- 1. Adopt the Capital Investment Strategy as the framework for the Capital Programme elements of Service and Financial Planning for 2023/24 onwards.**

# Agenda Item 2

Executive, Thursday, 21st July, 2022

## 19 Statements

There was a Statement from Councillor Ashford, Executive Member for Community Partnerships, on financial sustainability in this service area.

Councillor Ashford updated Executive on the financial sustainability planning in his portfolio area which includes working with voluntary sector organisations that the Council funds to commission services from them. Councillor Ashford and the Head of Paid Service had met with representatives from those voluntary organisations in July. Over coming weeks officers (and Members represented on those voluntary sector boards) were consulting on grant funding over the 2023/24 period. The Council was looking at how it can support charities in additional areas such as in-kind support and fundraising support.

This was an ongoing discussion with local voluntary organisations which included: Citizens Advice Reigate and Banstead, Community Debt Advice, Voluntary Action Reigate and Banstead, East Surrey Domestic Abuse Service, I Chose Freedom (new name for Reigate and Banstead Women's Aid), Stripey Stork, MHA Communities East Surrey, Age Concern Banstead and Age Concern Merstham, Redhill and Reigate. This consultation process was taking place in advance of Service & Financial Planning in the autumn.

## 20 Exempt business

There were no Exempt reports or items of business.

## 21 Any other urgent business

There was no other urgent business.

The meeting finished at 7.48 pm





<b>Signed off by</b>	Managing Director
<b>Author</b>	Richard Robinson, Head of Housing
<b>Telephone</b>	Tel: 01737 276367
<b>Email</b>	Richard.Robinson@reigate-banstead.gov.uk
<b>To</b>	Executive
<b>Date</b>	Thursday, 15 September 2022
<b>Executive Member</b>	Portfolio Holder for Housing and Support

<b>Key Decision Required</b>	Y
<b>Wards Affected</b>	(All Wards);

<b>Subject</b>	The Purchase of Temporary & Emergency Accommodation
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<b>Recommendations</b>	
(i)	<b>Approval of investing up to £4.000m from Housing Capital Receipt Reserves to:</b>
	<ul style="list-style-type: none"> <li>a) purchase and refurbish a property that will be designated as emergency accommodation for homeless single people; and</li> <li>b) purchase and refurbish additional properties for use as temporary accommodation for homeless families</li> </ul>
(ii)	<b>The Head of Housing be authorised, in consultation with the:</b>
	<ul style="list-style-type: none"> <li>• Chief Finance Officer</li> <li>• Strategic Head of Legal &amp; Governance</li> <li>• Executive Member for Housing &amp; Support</li> <li>• Deputy Leader and Executive Member for Finance &amp; Governance</li> <li>• Executive Member for Investment &amp; Companies</li> </ul> <ul style="list-style-type: none"> <li>a) To purchase a property that will be designated as emergency accommodation for homeless single people</li> <li>b) To purchase a number of properties within the agreed budget envelope that will be designated for use as temporary accommodation for homeless families</li> </ul>

# Agenda Item 4

- c) To obtain any necessary surveys, planning consents, quotes and tenders as required to carry out refurbishment work
- d) To appoint and enter into any contracts as required, with consultants, suppliers and builders
- e) To apply to Homes England for any funding that could increase this budget envelope

## Reasons for Recommendations

Housing Services' business plan identifies that, as a part of the corporate priority to become a financially self-sufficient local authority, net emergency accommodation expenditure should be managed within the approved budget. With an increase in the number and length of stay of homeless applicants in emergency accommodation, this report recommends two proposals to help achieve this at a time of increasing demand, not least due to the increasing cost of living crisis. These proposals also offer homeless applicants a better-quality service by keeping them local to their support networks and employment.

## Executive Summary

Expenditure on nightly-paid emergency accommodation for homeless households is increasing. The early forecast for 2022/23 at 30 June is £0.615m compared to an approved budget of £0.429m. This is a result of a combination of factors including the cost-of-living increase, lack of affordable homes in the private rented market and a reduction in available social rented properties.

The Council has successfully addressed this situation in the past by purchasing and managing its own temporary and emergency accommodation. This report proposes a further programme of purchasing homes for use as emergency and temporary accommodation. This will not necessarily reduce current costs unless homelessness stabilises or falls but it will help us manage further increases.

This proposal supports the Council's five-year plan within the 'People' objective of 'securing the delivery of homes that can be afforded by local people'.

## Executive has authority to approve the above recommendations

## Statutory Powers

1. Section 120(1) Local Government Act 1972 provides the power to acquire, any land inside or outside its area for the purposes of any of its statutory duties.
2. In accordance with homeless legislation, Part VII Housing Act 1996 as amended, the Council is required to provide households with emergency accommodation whilst their homeless application is investigated and until they are housed if their application is accepted.
3. The Homeless Suitability of Accommodation (England) Order 2003 states that B&B accommodation is not to be regarded as suitable for applicants with children, except where there is no other accommodation available, therefore a maximum limit of six weeks is applied to its use. The Council runs the risk of being fined if this is breached and this would also present a reputational risk for the Council.

## Background

4. Executive Members will be aware that the Housing Service currently operates the Massetts Road emergency accommodation scheme for families and seven units of self-contained temporary accommodation in the borough for homeless households. This report proposes building on this experience to provide more local accommodation which will be managed by the Housing Service.
5. The Council can own up to 199 homes before the requirement to operate a Housing Revenue Account is triggered. Following the addition of Wheatley Court, the current number is 41, significantly below 199 and the Council is still some way off this trigger.

## Key Information

### Rising demand in accommodation for homeless households

6. Reliance on the use of Emergency Accommodation (EA) and the need for Temporary Accommodation (TA) significantly increased during the pandemic. Demand dropped slightly for a short period but has now seen a steady increase which shows no sign of slowing. All Surrey authorities have reported increased use of EA. This has created a shortage of suitable EA for all applicants, and we are using hotels such as Travelodge for families with children and individuals that require self-contained units. The use of accommodation with no cooking facilities for households with children is illegal after an initial six-week period and the Council can be fined and face sanctions.
7. The higher demand for EA has increased spend. With scarce availability in the borough the Housing team is having to book self-contained accommodation that is much further away from the household's local schools, jobs and support networks. Regular bookings are being made in London, Kent and East & West Sussex. To reduce these impacts on households, we aim to move them to local provision as soon as possible but that is challenging.
8. The Housing Service continues to make every effort to prevent homelessness wherever possible however, in some circumstances it cannot be prevented. We have a duty to accommodate homeless households that contain a potentially vulnerable person ('vulnerable' within the definition of the Housing Act 1996 as amended) and use EA during the 56-day Relief period (a period of the statutory homeless application process).
9. Applicants remain in EA during the Relief period and in many cases longer, whilst their homeless application is investigated at the 'main duty' decision stage. Throughout their time in EA, Housing Services continue to try to secure other options for the household. In cases where the Council owe the applicant the main housing duty and no alternative accommodation has been secured, the household remains in EA pending a vacancy in more suitable TA.

### Expenditure on homeless emergency accommodation

10. The table below demonstrates the increase in the cost of EA over the last four years.

# Agenda Item 4

Note: the two (untypical) pandemic years saw extra spend and grant funding – also fewer families were accommodated due to the ban on evictions. This period also saw an increase in single homelessness

Financial Year	Spend £000	Budget £000	Rent Income £000	Rent Income Budget £000	Grant £000	Net Cost £000	Plus: Covid Spending £000	Covid Rent Income £000	Net Covid Spending £000
18/19	398	429	126	107	Nil	272			
19/20	432	429	178	107	Nil	254			
20/21	363	429	161	150	Nil	202	179	58	121
21/22	502	429	221	150	114	167	75	19	56
Qtr 1 2022/23	203	107	70	37.5	Nil	133			

Note: Grant allocations will lower the overspend later in 2022/23, grant to be confirmed later in year

11. In 2021/22 net expenditure increased, despite receiving extra grant funding.
12. The cost of placing a household into EA depends on the size of the household, the availability of units and whether self-contained is required. The Council pays on average between £45 per night (£315 per week) and £90 per night (£630 per week), for most of these placements. We can only charge the applicant a proportion of this cost. For borough single person placements this is £139.61 per week, most of which is usually covered by Housing Benefit, but charges vary by location and family size. Generally, the larger the household the higher the net cost to the Council. The increased expenditure reflects the increasing demand from families that require larger self-contained units.
13. The table below shows the demographics of households accommodated in EA on a typical night in June for each of the five yearly periods. This confirms the increased demand from single occupants during the pandemic, returning to an increase in families subsequently. However, there continues to be a higher demand from singles for EA than pre-pandemic levels. This can be expected to be the 'new normal' as vulnerable single applicants are finding it harder to source and secure accommodation.

	Total households in B&B	Of which are single people	Of which have children
14 June 2018	18	8	10
14 June 2019	23	10	13
14 June 2020	45	38	7
14 June 2021	32	17	15
14 June 2022	41	18	23

## Proposal 1: Delivering a scheme for single homeless people (EA)

14. The purchase of a property, most likely in the Redhill or Horley areas is proposed. The location reflects the point that 78% of homeless applicants in 2021-22 that made an application, came from south of the M25. Redhill and Horley are also closer to the services accessed by applicants and to the Council's other properties, making management easier and more cost effective. The most challenging aspect of this project will be to purchase an appropriate property in the right location to support the successful management of the scheme.

15. The property would be expected to accommodate up to four individuals in a shared facility house of multiple occupation and service users will occupy it on a licence agreement. It will be part of the service users' licence conditions to accept and engage with the support offered by the Council and external agencies.
16. The level of refurbishment required, and costs will be dependent on the property acquired and the extent of any remodelling necessary.
17. Based on four rooms and a rent collection rate of 80%, at around £150 rent per week the Council can expect a gross income of £0.025m per year. The collection rate may be higher, and the team will endeavour work closely with this client group to raise collection levels. Void periods have not been considered as our experience at Massetts Road, shows voids can usually be turned around in a day or two.
18. It is expected that the costs of running the property per year will be in the region of £0.030m based on operating Massetts Road, excluding salary assumptions for staff managing the property. Managing the scheme will be absorbed within the current establishment and revenue budget. A vacancy in the Housing team will allow redirection of resources to increase the number of staff hours available to manage this scheme and the new proposed TA as well as to build some resilience into overall TA & EA management capacity.
19. In comparison, the cheapest nightly paid EA currently costs the Council £315 per week and we charge rent of £139.61. This leaves a £175.39 net cost to the Council per week. We expected that EA nightly charges will increase going forward due to the rising cost of energy.
20. If we assume an unmet £0.005m net revenue cost per year to operate the new accommodation, based on the current cost of EA to the Council, this £0.005m is equivalent to just 29 weeks of the current cheapest EA net cost for the placement of one person.
21. The proposed scheme would therefore accommodate four homeless applicants for the net cost of accommodating one applicant for 29 weeks, with the added benefits of offering good quality accommodation in an area where they can access local support and services.

### **Proposal 2: Delivering additional self-contained family accommodation (TA)**

22. It is proposed that a number of properties are acquired to be used for TA to house families. This will help ease the burden of expensive nightly-paid EA and help households retain their important local support networks.
23. These homes will be within existing estates, mainly in the south of the borough. Analysis of applicants on the Housing Register confirms that 83% of applicants from the borough reside south of the M25.
24. This proposal will focus on the purchase of 2-bedroom houses to reflect the needs of families presenting themselves as homeless, with the potential to include larger houses if suitable properties are identified.

# Agenda Item 4

25. Houses are being targeted, rather than flats, due to the service charges and ground maintenance costs associated with flats, which increase longer-term revenue costs. The average service charges for flats that we currently own are £1,100 per annum.
26. Post-purchase improvements may be needed to ensure that the properties are suitable, energy efficient, compliant with health and safety specifications and in a decent condition.
27. Similar to the revenue implications of the purchase of EA, each TA property allows the Council to remove a household from expensive and less suitable EA, with a consequent saving. The net cost to the Council for a family in EA ranges from £175.39 to £490.39 per week.
28. The current rent including service charge on our two bed TA units are in the region of £120 per week (£520 per month) providing an income of £6,240 pa per unit. This income supports management and maintenance costs.
29. Investment in maintenance is on-going, with some years requiring higher investment costs than others. The existing homes will be subject to survey and subject to a comprehensive long-term programme of investment supported by annual rental income.

## Options

**Option 1 (Recommended Option)** - Proceed with both proposals, provide better quality local emergency and temporary accommodation for both client groups and reduce the reliance on expensive nightly paid private accommodation.

**Option 2** – Proceed with proposal one only, provide better quality local emergency accommodation for the single homeless cohort and rely less on expensive nightly paid emergency accommodation. Do not proceed with proposal two and leave more families in less suitable emergency accommodation often outside the borough and away from their support networks.

**Option 3** - Proceed with proposal two only, provide better quality local temporary accommodation for families and rely less on expensive nightly paid emergency accommodation. Do not proceed with proposal one and leave more single homeless applicants in less suitable emergency accommodation often outside the borough and away from their support networks.

**Option 4** – Proceed with neither proposal, continue to rely on expensive and often out of area emergency and temporary private nightly paid accommodation.

## Legal Implications

30. Both the EA and TA will be offered to homeless applicants in the partial discharge of the Council's homeless duties under the Housing Act 1996 as amended. There is no opportunity for the Right to Buy on both schemes due to the non-secure licence or tenancy to be used and placement under homelessness duties.

31. The purchase of the accommodation also reflects adherence and compliance to the requirements under The Homelessness Act 2002 requiring local housing authorities to take strategic responsibility for tackling and preventing homelessness.

## **Financial Implications**

### **Revenue Budget**

32. Following a rent review and purchase of these units, joint work with the Finance Team will re-baseline the EA & TA budgets to reflect the impacts. Any savings identified (surplus of income compared to costs) will be considered during Service & Financial Planning.
33. The likelihood of this project delivering a net revenue budget saving will be dependent on the rent review, the TA & EA budget review, and the pace of change in homelessness demand. It is important to note that, even if a net saving cannot be delivered, each TA & EA unit helps avoid the cost of an expensive emergency accommodation placement in the private sector therefore mitigating overspend.

### **Capital Programme**

34. It is proposed that a contribution of up to £4.000 million from historic capital receipts that are currently held in the Housing Capital Receipts Reserve will fund these proposals. These are receipts received over many years from various housing schemes which were subject to historical covenants and affordable housing subsidy arrangements.
35. The balance on the Reserve is currently of £4.700m of which £0.500m is already committed for investment in the Raven Chavcroft development. The proposals in this report for the purchase of EA & TA will commit the remaining £4.000m balance on the Reserve.
36. It is likely that a significant element of the investment will be used for the purchase of an EA property, which may need some conversion to provide suitable individual rooms.
37. From initial market research, the value of a property which lends itself to conversion to 4 x rooms (with a preference for providing en-suites/designated bathrooms) is likely to fall within the £0.600m to £0.750m price range, with the additional cost of refurbishment being dependent on the condition and suitability of the property. Current assumptions are that purchase fees and refurbishment costs will be up to £1.000m inclusive of fees.
38. The remaining £3.000m will be earmarked for purchasing street properties for TA. It is anticipated that this will support the purchase of around eight properties. Any balance remaining would be invested in additional TA purchases.
39. If additional grant funding opportunities can be identified, these will be used to assist with purchase and refurbishment costs, with a potential focus on energy improvements to help prevent householder fuel poverty.
40. Fees will include surveys, conveyancing fees and gas & electrical certification fees.
41. The table below sets out initial indicative project costs.

# Agenda Item 4

Indicative Fees	Emergency Accommodation	Temporary Accommodation
Purchase Price	<i>Indicative (based on initial Rightmove Research):</i> - £600k-£750k	<i>Indicative (based on initial Rightmove Research):</i> - 2 bed house Redhill: £335k - 2 bed house Horley: £335k - 2 bed house Merstham: £350k - 2 bed house Tadworth: £380k
Conveyancing Fees	£1,050	£850 per property
Surveyor Fees	£1,325	£925 per property
Property Remodelling	TBC - dependent on property condition	n/a
Property Improvements	TBC - dependent on property condition	TBC - dependent on property condition
Estimated Total Per Property	£602k to £752k + Remodelling & improvement costs	£337k-£382k per property + Improvement costs
<b>Estimated Capital Investment Costs</b>	£1.000m	£3.000m
<b>Estimated Annual Revenue Budget Costs</b>		
Gas Safety Certification	£100 pa	£80 per property pa
Electrical Safety Certification	£350 pa	£160 per property pa
Maintenance, repairs, utilities, council tax, compliance, void works etc	£30k pa	£2,400 per property pa

## Equalities Implications

42. No negative implications have been identified. There are many positive benefits for several groups with a protected characteristic. These proposals have the benefit of being located in the borough where all essential services and support services can be accessed easily.

## Communication Implications

43. No communication implications

## Environmental Sustainability Implications

44. The Properties that are considered for purchase for both TA and EA will be existing buildings therefore little is known at this stage about their energy efficiency properties.
45. Three major considerations will be taken into account:



- i. What additional scope 3 emissions will be added to the council's current carbon footprint through the acquisition of these properties and how can they best be mitigated?
  - ii. What measures will best ensure that the properties are efficiently heated and that costs of doing so are kept to a minimum in light of increasing energy costs and the volatile state of the energy market?
  - iii. Will the buildings be subject to any specific impacts relating to climate change (such as heat waves and flooding) and what adaptive measures can be adopted to reduce or avoid such impacts?
46. The best way to ensure that the above considerations are addressed is to inspect each property after purchase and assess what works, if any, are required to future-proof the buildings both in terms of climate change mitigation and adaptation, keeping in mind the council's aim to be net-zero for scope 3 emissions as soon as possible after our 2030 target for being net zero against scopes 1 and 2.

## **Risk Management Considerations**

- 47. Property prices in this area are high and buying homes, rather than building them, can be expensive however this is a proven approach to securing homes quickly.
- 48. The proposal is to purchase houses for use as TA and avoid leasehold flats; this approach will avoid liability for yearly service charge costs over which we have no control.
- 49. The rising costs of materials will create a challenge when budgeting refurbishment work, this will be mitigated to an extent through a full survey prior to purchase.
- 50. In the event of homelessness decreasing to a level that we have no requirement for this TA & EA the Council has the option to offer the rental of the properties to other local authorities, rent them at social rents to households on the Housing Register or sell them to generate a capital receipt.

## **Other Implications**

- 51. There are no further implications to be considered.

## **Consultation**

- 52. Executive Members have been consulted.

## **Policy Framework**

- 53. Our Vision: This project helps to meet our vision to make the borough a great place to live, work in, do business in and visit.
- 54. People Objective: This project helps us to meet our objective to deliver homes that can be afforded by local people and provides a wider choice of tenure, type and size.
- 55. The Homeless Strategy Action Plan, part of the Council's Homeless & Rough Sleeper Strategy 2022–2027: Action 8, commits to deliver supported accommodation for

## Agenda Item 4

single homeless cohort. Action 11. purchase family sized street properties for temporary accommodation.
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<b>Background Powers</b>
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1. None
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<b>Signed off by</b>	Head of Corporate Policy
<b>Author</b>	Dan Woodard, Sustainability Project Officer
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<b>To</b>	Overview and Scrutiny Committee Executive
<b>Date</b>	Thursday, 8 September 2022 Thursday, 15 September 2022
<b>Executive Member</b>	Portfolio Holder for Corporate Policy and Resources

<b>Key Decision Required</b>	Y
<b>Wards Affected</b>	(All Wards);

<b>Subject</b>	Environmental Sustainability Strategy: Annual Report
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<b>Recommendations</b>
<p><b>That the Overview &amp; Scrutiny Committee:</b></p> <p>(i) <b>Notes the Environmental Sustainability Strategy Annual Progress Report at Annex 1 and makes any observations to the Executive</b></p> <p><b>That the Executive:</b></p> <p>(i) <b>Agrees the Environmental Sustainability Strategy Annual Progress report at Annex 1 for publication on the Council website</b></p>
<b>Reasons for Recommendations</b>
To enable the Council to publish an update on progress towards delivery of its Environmental Sustainability Strategy.
<b>Executive Summary</b>
This report provides a summary of the Council's progress in delivering its Environmental Sustainability Strategy (the ES Strategy) and Action Plan for the year 2021/22.

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Since the ES Strategy was agreed in 2020, positive progress has been made on actions across all themes within the Strategy, and towards overall targets. This includes areas where the Council is able to take direct action (for example in relation to its own activities\_, but also other areas where – although it cannot mandate or force action – it can provide a trusted source of information and advice (for example, to residents and businesses).

This covering report summarises key elements of our progress, challenges and next steps, with more detail about specific activities provided at Annex 1.

The Overview & Scrutiny Committee is invited to make observations to the Executive. It is recommended that the Executive approve the information set out in the report and Annex 1 for publication on the Council website.

**Executive has authority to approve the above recommendations**

## Statutory Powers

1. Under the Local Government Act 2000, the Council has a duty to promote the social, economic and environmental wellbeing of its area. The Council also has related statutory duties around environmental health, waste, and planning.
2. The Climate Change Act 2008 and subsequent amendments sets out much of the UK's policy response to climate change; having left the European Union, the new Environment Act was enacted in November 2021 – this provides the new legal framework relating to environmental protection.

## Background

3. In response to the growing climate challenge, the Government has set increasingly challenging targets to reduce greenhouse gases over the coming years, cumulating in a target for the country to reach net-zero carbon emissions by 2050.
4. Our own corporate plan, Reigate & Banstead 2025, commits the Council to reducing its own environmental impact, and supporting residents and businesses to do the same.
5. Following on from this commitment, in Summer 2020 the Executive agreed a new Environmental Sustainability Strategy (ES Strategy), with an accompanying Action Plan and performance indicators. This trio of documents sets out a range of measures to deliver a greater degree of sustainability within the Council and the Borough, and outlines that the Council itself will aim to achieve carbon neutrality by 2030 (based on scope 1 and 2 emissions<sup>1</sup>).
6. At the county level, Surrey County Council has agreed its own Climate change Strategy and last year developed its first five year Climate Change Delivery Plan. This includes a goal of a 40% reduction in county-level local authority carbon emissions by 2025.
7. While the Council has the most direct control over its own operational emissions, these amount to less than 1% of total emissions in the Borough; it is therefore important that we also support residents and businesses to take steps to tackle

<sup>1</sup> Scope 1 emissions being direct emissions from fuel combustion, ie gas and vehicle fuel; scope 2 emissions being those generated indirectly from purchased electricity

climate change and sustainability issues, and work with partner organisations to make progress. It has to be noted, however, that there remain limits to our powers and sphere of influence, such that achieving national targets will require intervention across all tiers of Government.

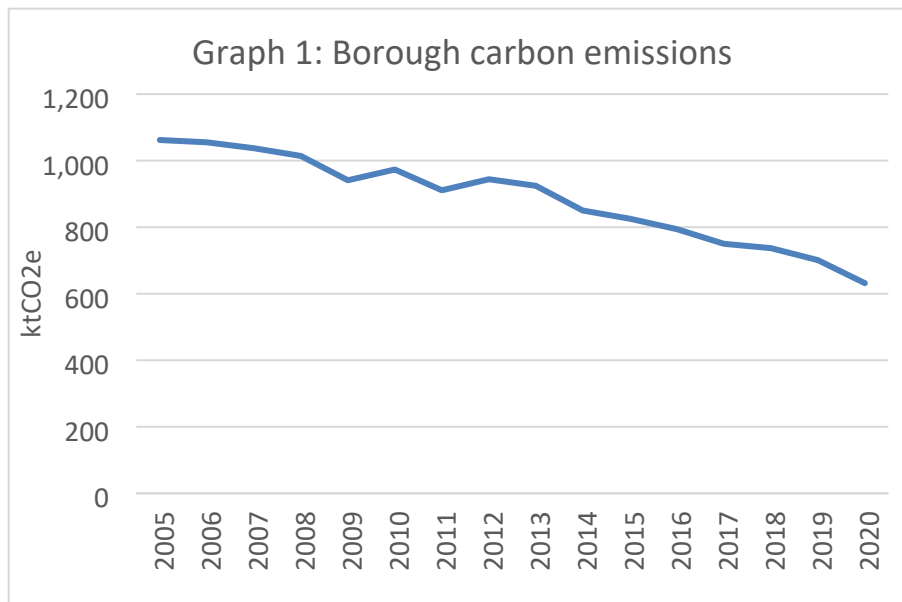
## Key Information

### Annual reporting

8. A progress report is prepared annually to summarise the work that is being undertaken towards delivery of the ES Strategy. Annex 1 provides an update on all relevant strategy actions and indicators for the year 2021/22.
9. Reflecting feedback from the Overview & Scrutiny Committee last year, the rest of this section of the covering report summarises progress on key priority topics, as well as summarising headline carbon emissions data. These priority topics were:
  - The Council's own assets and buildings
  - The Council's vehicle fleet
  - Rolling out electric vehicle charging infrastructure; and
  - Domestic retrofit
10. Annex 1 provides updates on these and the other workstreams that together comprise the ES Strategy.

### Borough Carbon emissions

11. Borough-level carbon emissions continue to decline. Graph 1 below is based on the latest published information from the Department of Business, Energy & Industrial Strategy (BEIS).

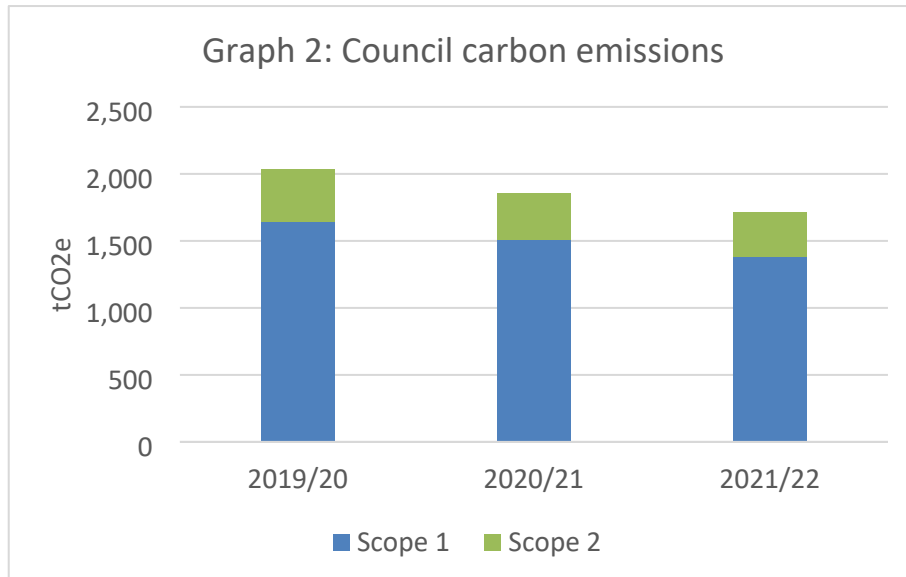


12. Domestic and transport emissions per head of population in Reigate & Banstead remain higher than the national average, although slightly less than the Surrey average.

### Council carbon emissions

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13. The Council's operational (scope 1 and scope 2<sup>2</sup>) carbon emissions are also declining. Graph 2 shows progress since the 2019/20 baseline.



14. In the year 2021/22, the sources of the Council's carbon emissions were as follows:

- Fleet: 55%
- Building heating: 24%
- Electricity: 19%

Transmission and distribution losses account for the remaining 2%.

15. Note that for gas and electricity the data in Graph 1 reflects invoiced kilowatt hours and **does not** take account of the green tariffs and carbon offsetting arrangements that we have in place. As reported last year, in 2021/22 the gas and electricity that the Council purchased continued to be comprised of a combination of renewable energy tariffs (which account for around 1/3 of our energy use) and fossil fuel tariffs (the emissions from which are offset). In practice, this means that - for the energy we use which is not yet purchased as renewable energy (for example, from electricity contracts that have not recently come up for renewal) - our energy management company offsets the carbon emissions at no additional cost to the Council. These offsets are via contributions to specific UN certified emissions-reduction projects. This type of offsetting is an interim measure, and our focus remains to reduce our scope 1 and 2 carbon emissions as much as possible to minimise our reliance on offsetting.

## Council assets and buildings

16. Reducing the overall energy usage and carbon emissions from our operational buildings represents an important component in getting to net-zero by 2030. Consultants have therefore been appointed to undertake building audits and work with our Property Team to identify the measures that need to be put in place, and to better understand the carbon savings, capital costs and potential revenue savings that such measures will generate.

<sup>2</sup> Scope 1 – emissions from direct combustion of fuel (eg diesel, gas); Scope 2 – emissions from the generation of electricity

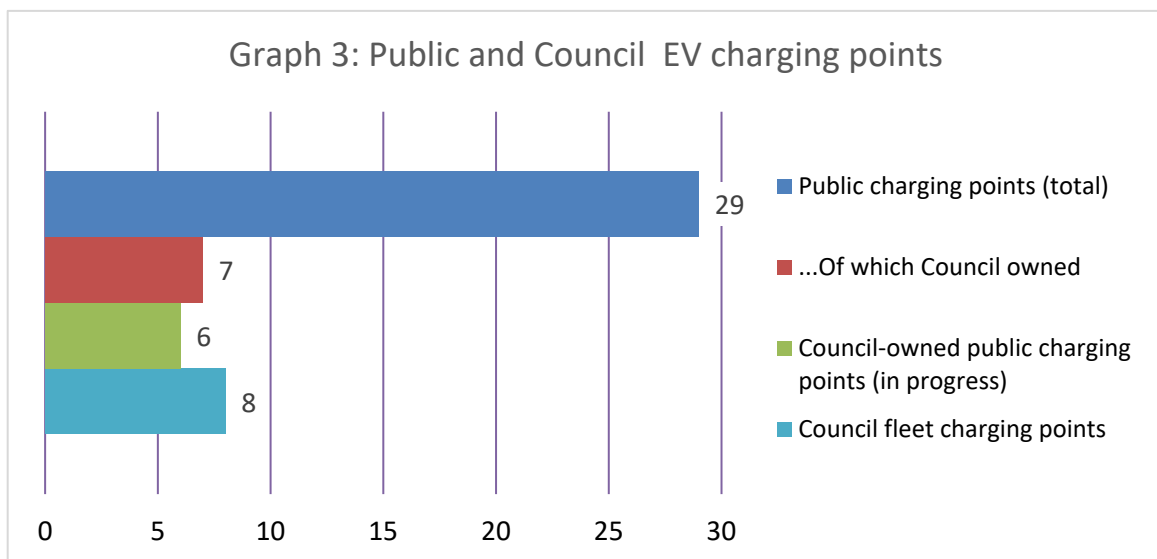
17. This work is still in progress, so outcomes cannot yet be reported, however more information will be provided to members once available.

## The Council's vehicle fleet

18. 10% of the Council's vehicle fleet is comprised of electric or hybrid vehicles (13 vehicles in total). In 2021/22, the planned replacement of some vehicles was deferred which may allow for procurement of low carbon replacement vehicles as technology evolves and prices reduce. A trial of an electric refuse collection vehicle was carried out, however this indicated some reliability concerns. More trials are planned however, unfortunately, it remains the case that for the heavier vehicles in our fleet, low carbon replacement vehicles do not yet offer a viable or cost effective alternative.
19. However, technology is evolving quickly. The Transport team continues to explore options for transitioning of vehicles to electric as they come up for replacement as well as considering alternative low carbon fuels and technologies, with a full fleet review undertaken by the Energy Saving Trust in 2021/22 to assist with this process. Work is also underway to gather baseline data in relation to scope 3 transport-related emissions (eg from business travel/staff commuting).

## Electric vehicle charging infrastructure

20. Graph 3 shows public and council electric vehicle charging infrastructure in the borough.



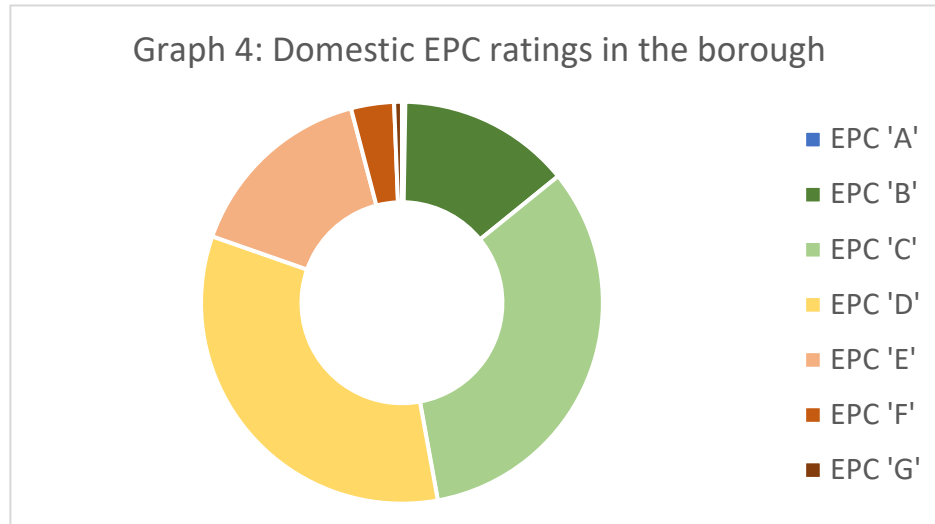
21. Surrey County Council is currently procuring a third party provider to roll out the installation of electric vehicle charging points on-street, and this Council has submitted an Expression of Interest to enter into that agreement to enable the roll out of charging points at Council car parks at scale as well. While the detail remains to be finalised, this model is likely to offer benefits including increased capacity to roll out charging points, securing economies of scale, and the ability to cross subsidise between installation locations ensuring that it is not just the most commercially viable sites that see charging points installed.

## Domestic retrofit

22. Domestic carbon emissions make up around a third of the borough's total carbon emissions. Whilst these lie outside the direct control of the Council, the Executive last year agreed to make two additions to the ES Strategy action plan in relation to

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domestic retrofit, the first in relation to energy efficiency measures and the second in relation to renewable energy measures. While Reigate & Banstead Borough has a greater percentage of homes performing at an acceptable standard (EPC rating C or above), Graph 4 (based on data from the Department of Levelling Up, Housing and Communities) illustrates how the majority of homes still fall below this standard.



23. In consultation with the cross party member steering group, it was agreed that Council activity in relation to domestic retrofit should focus on the following:
- Increasing residents' access to grants
  - Increasing residents' knowledge of retrofit
  - Securing easy wins for residents
  - Working with social housing partners; and
  - Partnership working on skills and supply chain
24. 2021/22 has seen:
- 90 low income households in hard to heat homes benefitting from the Green Homes Grant LAD1 scheme, saving around 120 tCO<sub>2</sub>e per year, plus 27 additional low income households to benefit from the Green Homes Grant LAD2 scheme
  - 157 properties progressing with solar panel installation as a result of the Solar Together scheme, with 117 of these implemented (a total of 1,497 solar panels and 88 batteries)
  - Over £1.4m of funding secured from the Social Housing Decarbonisation Fund to delivery upgrades to 92 homes (26 of which are in Reigate & Banstead). Raven Housing Trust remains committed to leading the way on social housing retrofit with its ambitious net-zero carbon programme.
  - Promotion of energy efficiency and renewable energy advice via a range of communication channels including print, web, and social media
  - Ongoing work with East Surrey College including in relation to construction skills.

## Communications, engagement and training

25. Communications, engagement and training are key elements of our ES work.



26. Our communications and engagement activity targets a range of audiences including councillors, staff, residents and businesses. In 2021/22 we have used a range of communications tactics (print, web, email, social media posts, face to face) to promote updates, advice, grant opportunities, encourage behaviour change and to signpost to trusted third parties.
27. 2021/22 also saw us undertake our first resident sustainability survey – this will be used as a means of measuring progress when it comes to awareness and behaviour change, gaining feedback and helping us target future activities.
28. In 2021/22 the Council was also certified as a Carbon Literate organisation, gaining the Bronze award. Over the course of the year, 20 officers (including senior managers) gained carbon literacy certification, and since the end of the reporting year, training has also been undertaken by 14 councillors.
29. Finally, it was reported in January that the campaign group Climate Emergency UK had ranked the Council 15 out of 181 district and borough councils for its strategy and action plan<sup>3</sup>.

## **Challenges and next steps**

30. Annex 1 provides more information about some of the challenges faced with respect of particular elements of the ES Strategy Action Plan. These include:
  - a. Data availability
  - b. The availability of financial resources (particularly when it comes to tackling borough-level carbon emissions), and the Council's own financial sustainability challenges
  - c. The complexity and competitive nature of Government funding and grants regimes, and a lack of clarity when it comes to overall national strategy and the role of lower tier authorities
  - d. Capacity within services across the Council to deliver on particular strategy elements given competing priorities.
31. The Sustainability Team will continue to work with services across the Council and other partners to make progress on Strategy delivery and address the above challenges. This will focus on delivery of relevant actions within the published action plan, and include (subject to resourcing):
  - a. Ongoing investigation of fleet replacement options and other opportunities to reduce carbon emissions from our vehicle fleet
  - b. Development of a programme of works to reduce carbon emissions from our operational buildings
  - c. Further work to understand the Council's indirect and supply chain emissions
  - d. Development of a tree strategy for council owned land
  - e. Promotion of the forthcoming Sustainable Warmth Fund and other domestic retrofit opportunities, particularly for low income households and linking into other Council activity to tackle fuel poverty

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<sup>3</sup> Although it should be noted that officers have some reservations about the ranking methodology used.

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- f. Ongoing work with SCC as the electric vehicle charging point procurement exercise progresses
- g. Work to promote active travel (walking and cycling) within local communities
- h. Support for small and medium businesses to understand what they need to do to reduce their own carbon emissions
- i. A new member sustainability champion scheme, to be launched this Autumn.

## Options

32. The following options have been identified for the Executive:
- Option 1: Agree the ES Strategy Progress Update at Annex 1. This option is recommended as it enables us to publish a formal report on progress, ensuring transparency in relation to our continuing activity to lead local action to tackle climate change and other sustainability issues
  - Option 2: Do not agree the ES Strategy Progress Update for publication. This option is not recommended as it is important that we publicly report our progress on a topic that is of increasing local interest.

## Legal Implications

33. There are no direct legal implications arising from this report. Any future statutory obligations arising from the Environment Act 2021 or other legislation or policy will be considered either separately or as part of a future ES Strategy annual report.

## Financial Implications

34. The 2022/23 revenue budget includes funds for the implementation of the ES Strategy and currently comprises £20,000 for strategy promotion, communications, training etc and funding for one permanent Sustainability Project Officer
35. In addition, funding from the Environmental Sustainability Reserve is currently being used to fund one part time fixed term Sustainability Project Officer as well as contributing to the cost of other sustainability workstreams.
36. The approved Capital Programme includes an initial £0.250m allocation for investment in capital assets that support delivery of the ES strategy.
37. For many of the Council's ES initiatives, costs will be funded within the relevant Council department budgets (for example Fleet, Facilities etc), with the above sustainability budgets serving to provide 'top up' funding.
38. External funding opportunities are pursued wherever possible (either by the Council alone or working in partnership). In 2021/22 this has included via the Green Homes Grant Local Authority Delivery Fund, the Social Housing Decarbonisation Fund, the Local Authority Treescapes Fund, the UK100 Local Climate Engagement Programme and Surrey County Council's Empty Homes (gainshare) fund. Several streams of future activity have also been included in the Council's UK Shared Prosperity Fund Investment Plan which has been submitted to Government for approval.

39. Where additional funding requirements are identified, these will be pursued following established Council procedures. In some cases, there may be opportunities for savings and efficiencies related to investment in sustainability measures (for example savings on fuel bills from investment in energy efficiency or renewable heat measures or low carbon fleet solutions); it can also be expected that the costs associated with a business as usual approach will continue to increase over time (eg fossil fuel prices, taxes on polluting vehicles) which will likely enhance the business cases for such investment.
40. Statutory obligations may emerge for local councils via the 2021 Environment Act or other Government interventions which may introduce additional financial burdens on the Council, however the scope and potential financial implication of such additional obligations is currently unknown.

## **Equalities Implications**

41. We have a statutory duty to consider equalities implications in all of our decisions.
42. Opportunities exist for sustainability activity to deliver linked benefits for the most vulnerable members of our communities, for example energy efficiency measures can result in savings on energy bills, activity to raise awareness and plan for climate change (adaptation) benefits those most vulnerable to the impacts of that climate change
43. This report does not recommend any specific decisions in relation to our sustainability activity; however it is confirmed that, when the Annual Report is published this will be done in accordance with Accessibility standards.

## **Communication Implications**

44. In terms of the direct communications implications of this report, the progress reported in Annex 1 will be published on the Council website, supported with some associated communications activity, summarising (for a variety of audiences) key elements of our progress so far.
45. A briefing for members is being held on 13<sup>th</sup> September to update on key progress.

## **Environmental Sustainability Implications**

46. Overall, implementation of the ES Strategy will have a positive environmental impact across the borough as well as contributing to national and global sustainability and climate objectives. It will continue to be important that the full range of potential environmental impacts of activities within the Strategy are considered in order to avoid or mitigate any unnecessary negative environmental consequences.
47. Work continues to improve the Council's access to appropriate data so that the direct impact of our activities can be monitored and reported on.

## **Risk Management Considerations**

48. No specific risk management considerations have been identified in relation to the content of this report. Although outside the reporting period it is worth noting that a new strategic risk was raised in Quarter 1 of 2022/23 relating to climate change

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impact, that is, the negative impacts that may result from a changing climate and the additional demands this may place on the Council. Information on this risk will be provided quarterly to the Audit Committee.

## Consultation

49. This report has been discussed with members of the Executive. The Overview & Scrutiny Committee is invited to provide observations to the Executive – given the timing of meetings, these will be reported verbally.

## Policy Framework

50. This report and its recommendations align with the commitments outlined in Reigate & Banstead 2025 and the adopted Environmental Sustainability Strategy.

## Background Powers

1. Reigate & Banstead 2025 (Corporate Plan 2020 – 2025) - [https://www.reigate-banstead.gov.uk/info/20205/plans\\_and\\_policies/280/reigate\\_and\\_banstead\\_2025](https://www.reigate-banstead.gov.uk/info/20205/plans_and_policies/280/reigate_and_banstead_2025)
2. Reigate & Banstead Environmental Sustainability Strategy - [https://www.reigate-banstead.gov.uk/downloads/download/2064/environmental\\_sustainability\\_strategy\\_2020](https://www.reigate-banstead.gov.uk/downloads/download/2064/environmental_sustainability_strategy_2020)
3. Reigate & Banstead Environmental Sustainability Action Plan - [https://www.reigate-banstead.gov.uk/downloads/download/2064/environmental\\_sustainability\\_strategy\\_2020](https://www.reigate-banstead.gov.uk/downloads/download/2064/environmental_sustainability_strategy_2020)
4. Reigate & Banstead Environmental Sustainability Performance Indicators - [https://www.reigate-banstead.gov.uk/downloads/download/2064/environmental\\_sustainability\\_strategy\\_2020](https://www.reigate-banstead.gov.uk/downloads/download/2064/environmental_sustainability_strategy_2020)

## Annex 1: 2021/22 Progress on ES Strategy Actions and Indicators

### Energy & Carbon: Energy Minimisation

#### Reduce operational energy consumption through fabric improvements and installing energy efficient equipment and fittings

##### 2021/22 Actions:

- Implement measures identified as part of the Display Energy Certificates (DEC) recommendation report for key three assets (i.e. Harlequin Theatre, Town Hall and Earlswood Depot) as part of scheduled renewal/upgrade programme (ongoing action)
- Use whole life cycle analysis as a decision tool during plant renewal programme upgrades and maintenance programmes (ongoing action)
- Improve loft insulation and wall insulation with a focus on top three key assets as part of scheduled renewal/upgrade programme (ongoing action)
- Continue to install LEDs throughout the Council assets on top 10 assets or in conjunction with any scheduled renewal/upgrade programme (ongoing action)
- Introduce variable speed drives (VSD) for fans, pumps and compressors as part of scheduled renewal/upgrade programmes where viable (ongoing action)
- Investigate and where appropriate implement opportunities to reduce energy consumption from the Council's leased assets, subject to lease agreements (ongoing action)
- Undertake life-cycle cost analysis of installing zoning control mechanisms and/or retrofit PIR sensors and/or timers on key Council assets

##### Progress:

- A rolling programme of mechanical and electrical works includes ongoing work to update building Display Energy Certificates (DECs), energy efficiency requirements in all tender documents and all reactive & routine maintenance covers a phased renewal of LED lighting
- Tender awarded to external consultants in February 2022 to undertake work supporting the council to achieve net zero carbon in relation to its own operations by 2030, including verification of our baseline carbon footprint; undertaking building audits to determine opportunities to reduce energy consumption from our operational buildings, use low carbon alternatives and install renewable electricity generation; mapping trajectory scenarios to 2030; identifying indirect and direct downstream and upstream emissions (scope 3). This work is ongoing.
- Carbon footprints have been calculated for our baseline year of 2019/20 and for 2020/21 and 2021/22 in relation to our operations (scope 1 and 2).

##### Challenges:

- Progress on the Council's assets was initially slowed due to Covid 19. The ongoing work with consultants is enabling a better understanding of the work required to get to net zero.
- Due to the ending of our contract with the previous gas supplier at short notice in autumn 2021, data for gas consumption for October / November is unavailable as we were on temporary contracts until the new contract was confirmed in April 2022. Estimates have been made for this usage looking at gas consumption for October / November in previous years. This may result in slight over-reporting but by small amounts.

##### Next Steps:

- Building audits will inform a detailed programme of works and funding bids to Council's capital programme and third party sources. This will in due course supersede the list of energy efficiency measures identified in the original ES action plan.
- Continue conversations with Property team / external consultants in relation to future programme of work, in particular identifying opportunities for carbon saving through fast payback initiatives on our buildings as well as longer term investment needs
- Continue to implement energy efficiency measures, including as part of the return to work / hybrid working programme.

##### Indicators

Carbon footprint for council's operations (scope 1 and 2)	2019/20:	2,069.00 tCO <sub>2</sub> e			
	2020/21:	1,884.51 tCO <sub>2</sub> e			
	2021/22:	1,744.95 tCO <sub>2</sub> e			
Operational energy use (kWh) for each of the key Council assets		Town Hall	Depot	Harlequin	Other sites
	2019/20:	Electricity: 503,558 kWh Gas: 617,867 kWh	Electricity: 194,944 kWh Gas: 309,209 kWh	Electricity: 356,777 kWh Gas: 1,123,246 kWh	Electricity: 505,841 kWh Gas: 45,023 kWh

	2020/21:	Electricity: 384,977 kWh Gas: 558,949 kWh	Electricity: 222,691 kWh Gas: 312,913 kWh	Electricity: 267,727 kWh Gas: 616,962 kWh	Electricity: 602,280 kWh Gas: 548,103 kWh
	2021/22:	Electricity: 360,444 kWh Gas: 590,066 kWh	Electricity: 207,654 kWh Gas: 256,144 kWh	Electricity: 314,301 kWh Gas: 848,060 kWh	Electricity: 686,959 kWh Gas: 543,023 kWh

### Promote behaviour changes to reduce operational energy consumption

#### 2021/22 Actions:

- Work with partner organisations, residents, businesses and communities throughout the borough to encourage and facilitate the retrofit of homes to become more energy efficient (ongoing action)
- Create an awareness campaign to encourage staff to reduce energy consumption. Provide tips on the intranet and through poster display in key locations
- Investigate opportunities to run an annual low energy consumption award open to residents/businesses across the borough
- Set up a mechanism to monitor and display energy consumption across the different Council's assets on a monthly basis

#### Progress:

- Green Homes Grant Local Authority Delivery (LAD) phase 1 completed with 111 measures installed in 90 properties within the borough (15% of the total Surrey project). CO2 savings 120 tonnes/year. Total value of works £840,446. 27 properties have applied under the current LAD phase 2 with 5 measures per property
- RBBC led the only successful bid in Surrey for Social Housing Decarbonisation Fund (on behalf of Raven Housing Trust in Reigate & Banstead and Accent Housing in Surrey Heath borough):
  - £1,435,245.83 grant awarded (Raven Housing Trust £541k, Accent Housing £894k)
  - 92 homes (Raven 26, Accent 66,)
  - £4.9m is the total project cost once match funding added from the Housing Trusts
- Raven Housing Trust remains committed to leading the way in the social housing sector with its net zero carbon retrofit programme.
- Communications aimed at the wider borough have been undertaken, including:
  - Social media campaigns (The Big Green Week, COP26)
  - A focused 'New Year's Resolution' campaign aimed at residents that included a one-page document in electronic and printed formats that highlights quick / easy / cheap wins for reducing energy consumption
  - A 2-page spread in the Autumn Borough News newsletter focused on sustainability issues and what the council is doing in this area
- A number of pages have been created on our internal communication platform (The Knowledge) raising awareness around environmental sustainability and how staff can reduce their impact and support the council's ambitions in this area.
- Options being explored via Energy Audits study to improve energy monitoring and control mechanisms across our operational buildings as well as associated behavioural change initiatives.
- Webpages updated with relevant information on finance/grants and additional tips on how to reduce energy consumption whilst also saving money
- Sustainable Business Award included within the RBBC Annual Business Awards
- Businesses have been given advice encouraged to apply for Low Carbon South East Funding through, for example a learning lunch meeting at the Town Hall with local SME's and Climate Action Reigate and Redhill.

#### Challenges:

- The Council has limited powers to mandate action in this area across the borough as a whole, however reducing domestic emissions is a crucial step if the borough is to become net zero by 2050; we have therefore identified a number of workstreams to assist residents and businesses to access funding, information and support
- Short application and delivery timescales associated with Government Funding opportunities has limited the progress that can be achieved on domestic retrofit

#### Next Steps:

- Continue to engage with Action Surrey, the Greater South East Energy Hub, other Surrey authorities and other partners to secure additional funding for, and implement, domestic energy efficiency retrofit, including with social housing providers via future rounds of the Social Housing Decarbonisation fund, and by promoting other Government support and funding initiatives, including the Boiler Upgrade Scheme, and Sustainable Warmth Fund.

- Keep sustainability pages on The Knowledge up to date
- Work with local schools to find out where we can add value and advise.

#### Indicators

Web pages reviewed at least annually	2020/21:	New web pages and content created
	2021/22:	Web pages regularly reviewed and updates
Homes in the borough that have been retrofitted via schemes and projects promoted by the Council	2020/21:	0
	2021/22:	207 (LAD1 and Solar Together)
Annual borough CO2 estimates (within the scope of local authority influence) (BEIS)	2018:	586.2 ktCO2e
	2019:	556.8 ktCO2e
	2020:	510.4 ktCO2e

### Energy & Carbon: Renewable Energy

#### Promote the use of renewable energy through on/off-site generation and renewable tariff procurement

##### 2021/22 Actions:

- Investigate the potential for the installation of photovoltaic panels and solar storage on Council operated assets (e.g. Earlswood Depot) and land; implement where economically and technically viable
- Investigate and where appropriate implement opportunities to generate renewable energy from leased assets, subject to lease agreements
- Work with partner organisation, residents, businesses and communities to encourage and facilitate the retrofit of homes with low carbon technologies (ongoing action)

##### Progress:

- Tender awarded to external consultants in February 2022 to undertake work supporting the council to achieve net zero carbon in relation to its own operations by 2030, including verification of our baseline carbon footprint; undertaking building audits to determine opportunities to reduce energy consumption, use low carbon alternatives and install renewable electricity generation; mapping trajectory scenarios to 2030; identifying indirect and direct downstream and upstream emissions (scope 3). This project is ongoing.
- The Council's half-hourly (HH) electricity meters (one third of the Council's total energy supply) continues to be on a green tariff with Brook Green. Both gas and electricity has been offset as part of the service provided by our energy contract management company, making the councils energy supply carbon neutral.
- Worked with SCC to promote the Surrey wide Solar Together scheme. By March 2022, this collective purchasing scheme for solar PV had installed 1,497 panels and 88 batteries on 117 privately owned properties (73% of the planned work in the borough), amounting to 539 KW of generation capacity.
- Promotion of the Boiler Upgrade Scheme (for heat pump grants) included social media, Borough E-news and on RBBC website.

##### Challenges:

- Progress on the Council's assets was initially slowed due to Covid 19, but the ongoing work with consultants is enabling a better understanding of the work required to get to net zero
- Not all council energy contracts have come up for renewal yet; so will need to wait until expiry of current contracts before moving to green tariff:
  - Non-half-hourly (NHH): 01/10/22
  - Gas: 01/04/23

##### Next Steps:

- Keep web-content up to date
- Building audits will inform a detailed programme of works and Capital Programme growth proposals and third party sources. This will include in relation to renewable energy opportunities
- Continue conversations with Property team / external consultants in relation to future programme of work, identifying opportunities for carbon saving on our buildings
- Move Council energy contracts to green tariff at contract renewal date where financially viable

#### Indicators

Web pages reviewed at least annually	2020/21:	New web pages and content created
	2021/22:	Web pages regularly reviewed and updates

Percentage of renewable energy (Council)		Renewable electricity	Non-renewable electricity	Non-renewable gas
	2020/21:	Approx. 33%	Approx. 13%	Approx. 54%
	2021/22:	Approx. 33%	Approx. 13%	Approx. 54%
Solar installations in borough (BEIS)	2019:	1,895		
	2020:	1,901		
	2021:	Not yet published		

### Energy & Carbon: Low Carbon Transport

#### Reduce carbon emissions associated with transport through minimising travel and reliance on personal car

##### 2021/22 Actions:

- Use planning conditions and S106 agreements to secure car club provisions at new large-scale developments (ongoing activity)
- Engage with Local Transport Authority (Surrey County Council (SCC)) and private transport provider to improve frequency/reliance of public transport to increase overall uptake of public transport (ongoing activity)
- Liaise with Surrey County Council to investigate the suitability of expanding the network of car clubs and increasing the number of electric vehicles available across the Borough

##### Progress:

- Development Management Plan (DMP) encourages initiatives such as carpooling and car clubs; these opportunities are further explained in the Climate Change and Sustainable Construction Supplementary Planning Document (SPD) adopted in September 2021 and included in the Sustainability Checklist
- Ongoing engagement with Surrey County Council on their Local Transport Plan (LTP) 4 which has a strong focus on sustainable transport
- Information included on sustainability webpages on car sharing and personal car use

##### Challenges:

- Appears to be limited uptake of car clubs in resident survey results; this could be due in part to lingering concerns over Covid19

##### Next Steps:

- Keep web-content up to date
- Continue to engage with SCC on wider sustainable transport initiatives

##### Indicators

Web pages reviewed at least annually	2020/21:	New web pages and content created
	2021/22:	Web pages regularly reviewed and updates
Up to date planning policy and guidance in place	2020/21:	Policy up to date and guidance in development
	2021/22:	Planning guidance on sustainable construction adopted by council in September 2021
Uptake of car-pooling amongst residents	2020/21:	Not available
	2021/22:	2022 survey of 1079 borough residents shows less than 2% have used main 4 car club schemes
Levels of public transport usage and/or investment	2020/21:	Not available
	2021/22:	2022 survey of 1079 borough residents shows that for travelling to work, school and/or shops, 37% use train and 19% use bus. Census 2021 data awaited.

#### Improve the uptake of electric vehicles across the Borough

##### 2021/22 Actions:

- Continue to transition the Council's fleet to be fully electric (ongoing activity), measures to include:
  - Procuring fully electric cars, vans and other vehicles
  - Procuring electric sit on mowers
  - Procuring electric refuse lorries. Alternatively, existing vehicles could be retrofitted with an electric motor



- Ensure that the provision of electric vehicle charging points are secured for new developments as per the DMP TAP 1 'Access, parking and servicing' policy and SCC's 'Vehicular and Cycle Parking Guidance' January 2018 and Office for Low Emissions Vehicles (OLEV) (when implemented) (ongoing activity)
- Update/upgrade existing charging points (e.g. Wray Lane) when it needs replacing (ongoing activity)
- Install charging points in Council's car parks and across the Council's owned assets (ongoing activity)
- Work with SCC to implement their 'Electrical Vehicle Strategy' (ongoing activity)
- Work with local business networks such as the Local Enterprise Partnership (LEP) to encourage private landowners to invest in charging infrastructure for visitors and staff

#### Progress:

- Provision for EV in the DMP for all new development to incorporate electric vehicle (EV) charging points, also included in the Climate Change and Sustainable Construction SPD adopted in September 2021 and Sustainability Checklist
  - 127 deliverable planning permissions (583 net dwellings) were granted in the 2021/22 financial year. Out of those 127 permissions, 85 permissions (totalling 402 net additional dwellings) had a provision of electric vehicle charging points secured by a planning condition.
- Groundworks have been completed for the installation of 6 charge points in Banstead Car Park, which are due to go live later this year; £23k SCC funding secured towards additional charging points in Horley
- We have submitted an expression of interest with SCC in relation to their procurement of a county-wide concession agreement with a private chargepoint operator; this model of operation balances risk and ensures roll-out of chargepoints on street and council car parks to meet increasing demand
- Energy Saving Trust (EST) has delivered a report which identifies priority locations for chargers in both on-street and council car park locations, which has been shared with SCC; residents encouraged to submit suggested priority locations for charging points via SCC mapping tool
- Five licenses have been made available for electric hackney carriages, of which one has been taken up
- Current low-carbon fleet has 13 low-carbon vehicles:
  - Mayoral car – 1 hybrid electric car
  - Parking team – electric 2 cars; 2 electric vans
  - Green Spaces 1 electric van
  - Pool – 3 hybrid cars; 3 electric cars
  - Stores – 1 electric forklift
- EST started a full fleet review in January 2022, which makes recommendations around which vehicles can be replaced with battery electric equivalents. In the meantime, some vehicle replacements have been deferred which may allow for low carbon replacements to be procured as technology improves.
- Work continues to encourage fully electric taxis via the Council's licencing policies and procedures

#### Challenges:

- The SCC procurement process is taking longer than initially expected, yet still presents the most viable option for rolling out electric vehicle chargepoints at the pace and scale required to meet demand
- Despite having been made available, electric hackney carriage licence opportunities have not all yet been taken up, the reasons for this are not understood although it may be due to a lack of charging infrastructure
- While replacement of diesel and petrol vehicles with low carbon alternatives represents good opportunities for reducing carbon, the capital expenditure for both vehicles and required charging infrastructure is high. This will have to be taken into account when considering future investment opportunities given the Council's budget challenges

#### Next Steps:

- Await outcome of SCC procurement of concession agreement while exploring opportunities for further chargepoints on our own car parks where viable
- Continue to explore ways to increase the uptake of hackney carriage licences for electric taxis including any barriers that may need addressing
- Further electric bin lorry trial scheduled, and other alternative fuels being explored; continuing to explore options due to concerns around performance
- We are currently working through the findings of the EST report to determine how the fleet replacement strategy can contribute to delivery of our net zero target by the coming years

#### **Indicators**

Number of public EV charging points available in the	2020/21:	29 as of July 2021 (7 publicly accessible charge points owned by RBBC)
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borough (Zapmap)	2021/22:	29 as of July 2022 (7 publicly accessible charge points owned by RBBC)
Number of licensed plug-in electric vehicles licensed within the borough (DVLA)	Q1 2021:	521 battery electric vehicles; 535 hybrid electric vehicles
	Q1 2022:	1,068 battery electric vehicles; 914 hybrid electric vehicles
Number of on-street charging points available in borough (SCC responsibility)	2020/21:	0
	2021/22:	0
Number of low-carbon hackney carriages licenced in the borough	2020/21:	0
	2021/22:	1
Proportion of Council fleet that is electric	2020/21:	10%
	2021/22:	10%
<b>Encourage the uptake of walking and cycling</b>		
<u>2021/22 Actions:</u> <ul style="list-style-type: none"> <li>Collaborate with Surrey CC to develop a Local Cycling and Walking Infrastructure Plan (LCWIP) and implement pedestrian and cycling-friendly measures (ongoing activity)</li> <li>Liaise with community rail partnerships to investigate the number of cycle spaces available at key railway stations within the Borough and where viable promote the installation of further spaces</li> <li>Investigate measures for incentivising Council employees to walk, cycle, or use other lower emission modes of travel for their commute</li> <li>Install additional cycle parking spaces at key Council assets and across the Borough in strategic locations</li> </ul> <u>Progress:</u> <ul style="list-style-type: none"> <li>Information included on webpages around cycle routes in the borough, as well as information about the location of cycle storage, cycle hire, and cycle routes within the borough</li> <li>The Reigate and Banstead LCWIP stage 1 was complete and signed off/endorsed by Surrey County Council and RBBC in March 2022; stage 2 feasibility design work will commence on the priority cycle and walking corridors in 2022/22</li> <li>Ongoing engagement with Surrey CC on LTP4</li> </ul> <u>Challenges:</u> <ul style="list-style-type: none"> <li>Surrey CC has very limited data on performance indicators</li> </ul> <u>Next Steps:</u> <ul style="list-style-type: none"> <li>Continue to work with Surrey CC on LCWIP development and implementation; options being explored for joint active travel behaviour change programme.</li> </ul>		
<b>Indicators</b>		
Proportion of residents walking / cycling	2020/21:	Not available
	2021/22:	2022 survey of 1079 borough residents shows that for travelling to work, school and/or shops, 65% walk and 12% use a bike. Census 2021 data awaited.

## Low Impact Consumption: Waste Reduction

### Reduce waste through avoiding it in the first place and promoting reuse opportunities

<u>2021/22 Actions:</u> <ul style="list-style-type: none"> <li>Continue to locate clothes and textile banks in strategic locations across the Borough prioritising the re-use of the items collected (ongoing activity)</li> <li>Work with cafes, restaurants and takeaways to reduce their single-use plastic (SUP) consumption i.e. targeting zero Styrofoam, preferring compostable options and gradually moving towards reusable take-away box scheme (ongoing activity)</li> <li>Eliminate single use plastic (SUP) within the Council's operated assets (ongoing action)</li> <li>Continue to purchase IT equipment from a specific brand and stick to the same models to allow for the use of spare parts from units which no longer work to be used in other units to prolong their life (ongoing action)</li> </ul>	
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- Investigate the potential remanufacturing options for furniture when renewing furniture (ongoing action)
- Signpost to or facilitate borrowing and renting one-off purchases (e.g. DIY, gardening equipment etc.) e.g. through incorporation of available services on the Council's sustainability page
- Investigate the potential to subscribe to a scheme to donate unwanted furniture

#### Progress:

- Information on waste reduction included on webpages, including information about the water refill network and borrowing/renting equipment
- The Harlequin is a water refill station (locatable on the Water Refill app), supporting the public to refill water bottles and reduce plastic waste
- The Council is a high performer in terms of the quantities of textiles it collects; 35 recycling 'bring banks' in the borough with 350 tonnes of textiles sent to reuse and recycling during 2021/22
- Currently one third of IT stock is decommissioned each year (after 4-5 years in use); equipment is cleared of data, WEE tested and recycled by a third-party company. Approximately 440 'specific brand' (HP) laptops in use, all with low power rating. Four physical servers run more than 90 virtual servers, delivering 90% of the council's requirements (virtual servers = lower impact than full server room)

#### Challenges:

- Due to limited progress, a baseline has not yet been established for SUPs, nor a mechanism to measure reductions, both within the council and for businesses across the borough
- No suitable mechanism currently exists for measuring total waste generated by council offices and facilities

#### Next Steps:

- Keep webpage content up to date and promote recycling through communications activity
- Continue work to support businesses with SUP reduction and promote the water refill network within the borough
- Continue conversations with services across the Council to reduce our own use of SUPs
- Conversations with IT suggest sustainability measures have been taken as far as practical at present; continue to explore opportunities as part of ongoing ICT investment programme

#### **Indicators**

Total municipal household waste collected at borough level	2019/20:	52,766 tonnes
	2020/21:	55,251 tonnes
	2021/22:	55,903 tonnes
Web pages reviewed at least annually	2020/21:	Web pages and content created
	2021/22:	Web pages regularly reviewed and updated
Total waste generated by Council	2020/21:	Data currently unavailable
	2021/22:	Data currently unavailable

#### **Facilitate recycling to maximise value of non-avoidable waste**

##### 2021/22 Actions:

- Continue to roll out recycling to all flats within the borough to improve the recyclable waste collection service provided compared to the service historically delivered (paper and card only) (ongoing activity)
- Continue to compile and report recycling rate for the Borough collections to disseminate performance to residents and encourage positive behaviour change (ongoing activity)
- Work with Surrey Environment Partnership (SEP) in exploring the potential for implementation of services to reuse or recycle difficult products: e.g. nappies, sanitary pads, paint (ongoing activity)
- Subscribe to Nespresso coffee capsules close-loop recycling scheme
- Provide adequately labelled bins within centralised areas across the office and posters to encourage recycling and avoid cross-contamination
- Monthly progress reports (Council wide) displayed in strategic location across the offices (subject to data availability)

- Continue to develop the Council's waste and recycling service taking into account the requirements introduced by the 2021 Environment Act and associated secondary legislation (ongoing)

#### Progress:

- There has been a continued provision of aperture and locked bins for flats via funding from the Surrey Environment Partnership (SEP) and recycling centres to reduce contamination of recycling; in quarter 2 the council achieved its highest ever recycling rate of 58%. Over 90% of households within the borough have access to the full recycling service.
- Communication on recycling continues to be provided by RBBC Communications team, supported by SEP, and separately by SEP at flats in relation to mixed recycling, but also now on food waste avoidance and recycling; the annual user guide was provided to all properties in November 2021
- Clearly labelled recycling bins exist across council office locations

#### Challenges:

- The rollout of the full recycling service to flats was suspended due to Covid19; the outstanding 500 properties from the phase 2 flats rollout were however completed in July 2021, and a further 75 properties converted since, while all new build flats and houses have been provided with the full recycling service
- Recycling in green spaces continues to be difficult due to contamination arising from location of bins
- The Council will need to ensure it has appropriate resources to deliver additional recycling service provision stemming from newly introduced legislation (2021 Environment Act and associated secondary legislation) – further detail is awaited from Government.
- SCC is due to review its waste disposal contracts soon, which may also have implications for the Council
- The return to work and models of hybrid working continue to evolve, making it difficult to determine which recycling measures are appropriate / relevant for council buildings. Coffee pod machine was not operational during monitoring year.

#### Next Steps:

- Continue to explore solutions for encouraging recycling in green spaces, e.g. signage around taking waste home to recycle, working with cafes on closed-loop recycling schemes, etc.
- Look at promoting options beyond SEP (such as Terracycle)
- Await proposals from DEFRA and SCC around waste (including commercial waste) to inform future Council activity in relation to recycling
- Continue work in exploring and implementing recycling options as part of the hybrid working model

#### **Indicators**

Proportion of household waste recycled (borough-level)	2019/20:	54.3%
	2020/21:	53.2%
	2021/22:	55.6%

#### **Promote anaerobic digestion and composting**

##### 2021/22 Actions:

- Work with SEP to investigate preferable options for the disposal of organic waste and improve communication to residents around food waste with the aim of increasing the volume of food waste collected across the borough (ongoing action)
- Investigate the viability of providing commercial food waste collection services across the borough following the release of the UK Gov waste consultation in 2020
- Work with Surrey Environment Partnership to investigate the potential for establishing waste cooking oil collection for businesses and residents within the borough to produce biodiesel

##### Progress:

- Outline proposals were consulted on by Defra in June 2021, but there has been no confirmed details on requirements for commercial recycling. Recycling from businesses during 2021/22 has returned to just below pre Covid19 levels, however there are early signs of cost of living impact starting to show through reduced output
- Communication has been delivered by SEP to flats in relation food waste avoidance and recycling

##### Challenges:

- Action in this area is dependent on the final outputs from Defra's Waste Strategy and SCC waste contract review

##### Next Steps:

- Review commercial and food waste recycling when the Waste Strategy is finalised and further information from SCC about future waste contract arrangements

#### Indicators

Proportion of household waste composted or anaerobically digested (borough level)	2019/20:	28.1%
	2020/21:	25.1%
	2021/22:	28.7%

#### Encourage waste treatment locally to minimise transport emissions

##### 2021/22 Actions:

- Endeavour to keep waste streams treated as locally as possible or at least within the UK/Europe (ongoing action)

##### Progress:

- Many of the waste streams are currently processed locally and within the UK, as detailed [here](#)

##### Challenges

- None identified

##### Next Steps:

- Continue to work to ensure waste and recycling is treated as locally as possible

#### Indicators

Proportion of waste collected treated within the UK	2020/21:	98% of the borough's recyclable waste processed in the UK
	2021/22:	98% of the borough's recyclable waste processed in the UK

#### Low Impact Consumption: Water Efficiency

#### Reduce potable water consumption through a combination of efficiency and potable water substitution measures

##### 2021/22 Actions:

- Work in partnership with Sutton & East Surrey Water (SESW) to provide residents with easy to use water saving measures to install, e.g. hippo cistern displacer; flow restrictors; garden water butts (ongoing action)
- Engage with SESW to support them where possible in achieving their industry wide leak reduction targets (ongoing action)
- Investigate the installation of low flow fixtures and fittings for sanitaryware (including toilets, wash hand basins, showers and kitchen taps) for key Council assets (Harlequin, Town Hall and Earlswood) as part of any upgrade works (ongoing action)
- Consider rainwater harvesting or greywater recycling as part of any key upgrades undertaken by the Council to their assets (ongoing action)
- Request as part of the planning requirements to incorporate greywater recycling and/or rainwater harvesting measures for all major planning applications

##### Progress:

- Webpages include water efficiency advice, funding opportunities ('Every Drop' fund), water-saving visits, water calculator, etc. Also education outreach opportunities via 'flow-zone.co.uk' website (also on the Council's webpages)
- Efficiency measures on council owned and operated properties are being undertaken on planned and refurbishment works as and when they arise
- Provisions for water efficiency included in the Climate Change & Sustainability SPD adopted in September 2021, referenced in checklist
- Water saving devices have been procured free-of-charge from SESW which will be provided to residents through public-facing engagement events

##### Challenges:

- Progress on the Council's sites impacted due to competing demands on capacity
- Due to billing cycles and estimates (rather than readings) on water meters, figures for water consumption will only be of real value once a longer-term trend is available; minus figures represent balance adjustments due to over-estimates

##### Next Steps:

- Keep website content up to date
- Continue to work with SESW to reduce water consumption across the borough
- Continue work with the Property team to identify opportunities to reduce water consumption within operational buildings to inform ongoing maintenance and upgrade programme

Indicators					
Water consumption per capita (SESW supply area)	2019/20:	143.3 litres per property per day (SESW supply area)			
	2020/21:	163.4 litres per property per day (SESW supply area)			
	2021/22:	151.5 litres per property per day (SESW supply area)			
Web pages reviewed at least annually	2020/21:	Web pages and content created			
	2021/22:	Web pages regularly reviewed and updated			
Water consumption at council level		Town Hall	Depot	Harlequin	Other sites
	2020/21:	3,108 M <sup>3</sup>	3,305 M <sup>3</sup>	12,182 M <sup>3</sup>	36,621 M <sup>3</sup>
	2021/22:	1,385 M <sup>3</sup>	2,690 M <sup>3</sup>	-235 M <sup>3</sup>	15,696 M <sup>3</sup>

### Low Impact Consumption: Responsible Sourcing

#### Maximise the use of materials and products that are produced responsibly (i.e. environmentally and socially)

##### 2021/22 Actions:

- Prefer products that incorporate recycled content for key purchases (e.g. furniture, stationery, paper, paint) (ongoing action)
- Encourage developers of major projects, through the use of planning guidance, to incorporate materials with recycled content. This could be tracked as part of a relevant section in a sustainability statement to be submitted as part of the planning process
- Encourage developers to procure 100% FSC or PEFC certified timber or timber-based products (i.e. shuttering, carcassing, plywood, raised access floor, worktop, partitions etc.)
- Introduce consideration of material toxicity as part of the procurement process (i.e. ITT and PQQ questions)
- Switch to cleaning products that do not contain toxic ingredients and preferably use recycled containers

##### Progress:

- Office supplies provided by Lyreco for Town Hall, Earlswood Depot, Harlequin Theatre and community centres. Paper used is Lyreco's own brand (Eco Label, 90gsm)
- Provisions for the use of recycled and FSC/PEFC certified timber in new developments included in the Climate Change & Sustainability SPD adopted in September 2021, referenced in checklist

##### Challenges:

- The return to work and models of hybrid working continue to evolve, making it difficult to determine which sustainability measures are appropriate / relevant for council buildings
- Global supply chain issues mean that environmentally friendly options for office products are having to be substituted for items that are not environmentally friendly; however, our carbon footprint (scope 3) for office supplies is low (0.14t CO<sub>2</sub>e) due to streamlined ordering processes reducing deliveries and packaging

##### Next Steps:

- Continue to work directly with Lyreco to transition to low social/environmental impact solutions
- Continue work in exploring and implementing sustainability options as part of the hybrid working model
- Incorporate sustainability provisions within the ongoing procurement strategy review (see below)

Indicators		
Proportion of council-procured goods that have recycled content / FSC or PEFC	2019/20:	34% of office products are environmentally friendly
	2020/21:	50% of office products are environmentally friendly
	2021/22:	34% of office products are environmentally friendly
Proportion of borough-level developments with procured goods that have recycled content / FSC or PEFC	2020/21:	Data currently unavailable
	2021/22:	Data currently unavailable

#### Encouraging healthy food products manufactured under adequate social and environmental standards

##### 2021/22 Actions:

- Include healthier options within the vending machines located in assets operated by the Council (ongoing action)

Progress:

- Some provisions at the town hall have ethical/environmental standards (such as Fairtrade)

Challenges:

- The return to work and models of hybrid working continue to evolve, making it difficult to determine which sustainability measures are appropriate / relevant for council buildings

Next Steps:

- Continue work in exploring and implementing sustainability options as part of the hybrid working model

**Indicators**

Proportion of Fairtrade / healthy products procured	2020/21:	Data currently unavailable
	2021/22:	Town hall – hot chocolate (Cadbury) and sugar (Tate & Lyle) is Fairtrade; tea is Rain Forest Alliance & Ethical Tea Partnership (Yorkshire Tea)

**Natural Environment: Ecological Enhancement**

**Improve tree cover across the borough**

**Increase the area of soft landscape valuable to wildlife across the Borough**

**Increase the amount of native species that attract pollinators**

2021/22 Actions:

- Increase tree cover within the borough (ongoing action):
  - Plant more trees with a focus on those with a native/wildlife value
  - Improve management of existing woodland in council ownership to promote healthy regeneration and new tree growth
  - Review the grant/funding options available and if possible, establish a partnership with the Woodland Trust to help implement any tree planting on land identified as suitable
  - Any trees that have to be uprooted to accommodate new developments to be relocated elsewhere in the Borough
  - Integrate tree planting initiatives as part of the Council's 'Green Infrastructure Strategy Action Plan' for restoring habitats at Council-owned strategic countryside assets where environmentally appropriate
  - Explore options for, and support, community tree planting initiatives
  - Investigate options for providing local carbon offsetting for third parties through tree planting or other measures
- Identify areas of disused land which can be utilised for greening projects and implement projects where appropriate (viable and deliverable) (ongoing action)
- Encourage developers to increase soft landscape area as part of their proposals through provision of planning guidance or advice. Consider the introduction of an urban greening factor and biodiversity net-gain metric to facilitate monitoring it
- Investigate the potential to install green roofs / walls on council assets and implement projects where appropriate (viable and deliverable)
- Plant pollinator friendly species in areas managed by the Council e.g. by managing a series of verges as 'late-cut' verges allowing the flowers to set seed before being cut or introducing pollinator-friendly seed mixes in areas of grassland around new developments (ongoing action)
- Encourage developers to incorporate native/pollinator-friendly species through provision of planning guidance and advice and consider new local plan policy to formalise requirements

Progress:

- Greenspaces team continues to manage Council owned land to ensure it is healthy and sustainable and able to store carbon. This includes not only managing and veteran trees but also other habitats that store high levels of carbon, including heathland.
- 
- 73 trees planted by the council within the borough on council land over the financial year 2021-2022;
- Ongoing work with community groups – 606 trees were planted in four schemes with partners in our community tree planting network in autumn 2021 and spring 2022.



- Submitted a consortium bid via Surrey CC to the DEFRA Local Authority Treescapes Fund for the second year running
- Discussions in progress with Greenspaces team to develop a tree planting strategy
- Ongoing conversations with Surrey CC (which has set a 1.2million trees by 2030 target), Surrey Wildlife Trust, Woodland Trust & CPRE around green infrastructure and tree planting across the borough
- The council's Planning Team is currently working on an update to the Green Infrastructure Strategy and further planning guidance on biodiversity
- 10 square metres of soft landscaping created / improved by the council over the financial year 2021-2022, in addition to ongoing positive land management practices
- Communities are being supported to explore the potential of sites for green infrastructure networks and hedgerow renewal in their local areas, working with local tree wardens, the Tree Council and Wildlife Trust
- 3,824 square metres of pollinator and/or native species planting by the council over the financial year 2021-2022. Some grass areas of council-owned land left to form natural wild meadows over summer months, leaving cutting to late summer to prevent the growth of any scrubs and dominant vegetation

#### Challenges:

- Difficulty in attaining data on planting associated with new developments
- Competing demands on capacity within Greenspaces team

#### Next Steps:

- Continue to support local community groups to bring forward tree planting initiatives on council land and continue discussions with Greenspaces team, Surrey CC & charities about other opportunities relating to planting, soft landscaping and green infrastructure
- Await outcome of Treescapes Fund bid and implement proposals if successful
- Deliver the council's Tree Planting Strategy and accompanying Action Plan
- Progress update to Green Infrastructure Strategy and new planning guidance on biodiversity
- Develop mechanisms to support Biodiversity Net Gain in new developments and Local Nature Recovery Networks outlined in 2021 Environment Act by December 2023
- Explore viability of a project linking up various projects (e.g. community projects, partner projects, council projects) as part of updated Green Infrastructure Strategy
- Biodiversity planning guidance to be prepared by the council's Planning team
- SCC is due to take back maintenance of the highways from April 2023, meaning cessation of RBBC verge mowing operations
- Continue to allow some grass areas of council-owned land to form natural wild meadows over summer months
- Summer 2022 communications campaign 'GoWildRB' aimed at encouraging residents (particularly young people) to appreciate the biodiversity in our borough and learn how to support it

#### **Indicators**

Tree canopy cover percentage (Forestry Commission)	2020/21:	Data not available
	2021/22:	<i>Note incomplete borough coverage, and based on pre-2019 wards</i> Banstead Village: 27%      Redhill East: 21.7%      South Park & Woodhatch: 18.7% Merstham: 28.3%      Reigate Central: 27.7%      Horley West: 16.3% Reigate Hill: 34.7%      Meadvale & St John's: 37%      Horley Central: 24.7% Redhill West: 18.3%      Earlswood & Whitebushes: 25.7%      Horley East: 29.3%
Number of trees planted on new developments	2020/21:	Data currently unavailable
	2021/22:	Data currently unavailable
Number of new trees planted on Council land	2020/21:	181
	2021/22:	73
Area of soft landscape created as part of new developments	2020/21:	Data currently unavailable
	2021/22:	Data currently unavailable
Area of new planting by the Council	2020/21:	3,906sqm of pollinator and/or native species
	2021/22:	3,824sqm of pollinator and/or native species
Area of planting as part of new developments	2020/21:	Data currently unavailable



	2021/22:	Data currently unavailable
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## Natural Environment: Sustainable Drainage Systems

### Mimic the natural water cycle to reduce surface water run off

#### 2021/22 Actions:

- Collaborate with Surrey County Council as part of their 'Surrey Local Flood Risk Management Strategy - Objective Action Plan, February 2017' to increase the uptake of SuDS on infrastructure projects (ongoing action)
- Minimise hard impermeable surfaces, alternatively install or retrofit permeable surfaces across the Council's owned assets as part of planned renewal and upgrades e.g. the use of permeable paving at Council owned and run car parks (ongoing)
- Install or retrofit soft SuDS (sustainable drainage systems) as part of planned renewal and upgrades across the Council's owned assets e.g. bioretention area, swales etc.(ongoing)
- Request through planning advice and guidance that newly created hard surfaces (e.g. pavement, internal roads, carpark etc.) are permeable
- Update planning requirements via planning advice or guidance to set requirements around achieving greenfield run off rates and ensuring that surface water run-off is managed close to its source

#### Progress:

- Measures included in relation to sustainable drainage in the Climate Change and Sustainable Construction SPD and Sustainability Checklist, adopted in September 2021
- 127 deliverable planning permissions (583 net dwellings) were granted in the 2021/22 financial year; out of those 127 permissions, 13 permissions (totalling 242 net additional dwellings) had a provision of SuDS secured by a planning condition
- Greenspaces team has explored areas and not currently identify any suitable for retrofit of soft SuDS; to be a planning consideration with new developments or regeneration projects
- Collaboration with SCC as the lead flood risk management authority in relation to their investigative works into flooding issues in two catchment areas: Tadworth and Nork and Tattenhams; several flood alleviation measures in these catchments are being pursued by Surrey, and the Council continues to work closely with them on this

#### Challenges:

- Data currently unavailable for area of permeable surfaces in new developments

#### Next Steps:

- Continue to provide advice in relation to sustainable drainage on developments taking place on Council land and secure provision of SuDs on relevant planning decisions. General SuDS advice is mainly provided by SCC.

#### Indicators

Area of permeable surfaces created in new developments	2020/21:	Data currently unavailable
	2021/22:	Data currently unavailable
Area of permeable surfaces created by the Council	2020/21:	0
	2021/22:	0

## Natural Environment: Environmental impact and pollution prevention

### Limit negative impacts to the wider environment i.e. air, water, ground, habitat loss

#### 2021/22 Actions:

- Work alongside SCC to investigate the suitability of implementing measures to limit unnecessary acceleration and deceleration and reduce engine idling (ongoing action)
- Continue to minimise the use of glyphosate (ongoing action) by employing the use of hand removal in public spaces such as playgrounds, schools and town centres; investigating the use of hot foam or steam as alternatives; liaising with other authorities who have already implemented measures to go glyphosate free

#### Progress:

- Continued engagement with SCC in relation to Local Transport Plan 4

- The Greenspaces team have reduced their use of glyphosate as far as possible; currently exploring other means of weed control (such as hand-removal) and only using glyphosate as a last resort

#### Challenges:

- Signage for switching off engines has been trialled previously with limited success (no discernible drop in air pollutants). Switching off engine may produce more pollution on older models.

#### Next Steps:

- Continue to work with SCC to reduce polluting behaviour by drivers
- Continue to explore ways to reduce the amount of glyphosate used

#### **Indicators**

Annual air quality results (3 year rolling average) for Nitrogen Dioxide (µg/m3)		North of borough	Centre of borough	South of borough
	2020:	Banstead Background: 14.4 Banstead Drift Bridge: 25.7 Hooley Background: 13.9 Hooley A23: 52.4	Reigate Background: 15.0 Reigate High St: 33.8 Redhill Background: 14.9 Redhill Marketfield Way: 28.3	Horley A23 Brighton Road: 39.4 Horley The Crescent: 22.7
	2021:	Banstead Background: 13.1 Banstead Drift Bridge: 24.2 Hooley Background: 12.4 Hooley A23: 46.8	Reigate Background: 13.7 Reigate High St: 31 Redhill Background: 13.7 Redhill Marketfield Way: 26.9	Horley A23 Brighton Road: 36.0 Horley The Crescent: 18.7
Annual amount of glyphosate used	2020/21:	699 litres		
	2021/22:	697 litres		

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### **Effective Implementation: Communications**

#### **Provide informative accessible material for staff, residents and businesses on how to reduce energy and increase renewable energy at the Borough level and explain what the Council is doing itself**

#### 2021/22 Actions:

- The Sustainability Team will undertake work to engage council staff further, including:
  - Providing guidance around 'green working' to support council employees in tackling sustainability at work, covering issues such as:
    - Commuting using active transport (including how to access to Cycle to Work scheme, etc.)
    - Saving energy (working from home and in the office)
    - Reducing waste through less printing, etc.
  - Developing and delivering a staff survey to determine awareness / attitude / behaviours
- Maintain, review and regularly update the Council's sustainability webpages to provide a suite of information about the three ES Strategy schemes and action that residents, businesses and communities can take (Ongoing)
- Plan, create and deliver a survey in 2021 for a cross-section of residents within the borough, to gather information relating to awareness, attitudes and behaviours in relation to sustainability; run the survey annually to track progress and change across a consistent set of questions (ongoing)

#### Progress:

- Extensive communication with the wider borough carried out, including:
  - Social media activity based around national awareness days and events. This included Earth Day (April 2021), No Mow May (May 2021), World Environment Day (June 2021), Volunteers Week; Great Big Green Week (September 2021); COP26 (November 2021).
  - 'Mini-campaigns' including the Solar Together group buying scheme, New Year's Resolutions for the Planet (January 2022), encouraging action among residents, and in relation to our Community Tree Planting guide.
  - Publication of our 'Ready reckoner' – a one-page document in electronic and printed formats that highlight quick / easy / cheap wins for tackling carbon emissions and other environmental issues

- A 2-page spread in the Autumn Borough News newsletter focused on sustainability issues and what the council is doing in this area
- Social media promotion of partner and other service area campaigns and content, including in relation to waste & recycling and active travel
- In total our social media posts had a total reach of 65,381, and our sustainability web homepage received 1,667 visits
- A number of pages have been created on our internal communication platform (The Knowledge) raising awareness around environmental sustainability and how staff can reduce their impact and support the council's ambitions in this area
- Resident survey delivered in March 2022 completed by over a thousand residents within the borough on a broad range of sustainability issues looking at current behaviours and barriers to change
- Training in Carbon Literacy has been delivered to 10 officers and 10 managers, leading to the council being awarded Carbon Literate Organisation status - bronze

#### Challenges:

- Staff survey not yet undertaken pending outcome of internal communications and staff engagement review

#### Next Steps:

- Deliver more online communications including summer 2022 'GoWildRB' biodiversity campaign and autumn energy saving campaign
- Deliver face-to-face engagement activities within the borough at events and within community centres, giving advice to residents on sustainability measures and providing documentation (Ready Reckoner advice leaflet) and third-party freebies (e.g. water-saving devices from SESW) where appropriate
- Continue to engage with staff through internal communications and training; develop staff survey
- Keep web-content up to date
- Keep sustainability pages on The Knowledge up to date
- Continue the roll-out of Carbon Literacy training to staff and members

#### **Indicators**

Response rate for employee survey sustainability questions & progress on metrics (to be determined)	2020/21:	Data not available
	2021/22:	Data not available
Web pages reviewed at least annually	2020/21:	New web pages and content created
	2021/22:	Web pages regularly reviewed and updates
Progress in relation to specific sustainability questions	2020/21:	Not applicable
	2021/22:	Survey of 1079 borough residents completed in March 2022 covering broad range of sustainability topics

#### **Effective Implementation: Partnership Working**

#### **Work with partner agencies to identify shared objectives and opportunities for cooperation**

#### 021/22 Actions:

- Communication and coordination with other public sector agencies, and relevant private and/or voluntary/community sector elements to address joint environmental sustainability objectives (ongoing action)

#### Progress:

- Ongoing collaboration has taken place across various aspects of the action plan, including work with:
  - Surrey CC, and working with other districts and boroughs:
    - Funding Bids (e.g. Treescapes Fund, Green Homes Grant)
    - Studies (e.g. tree cover and heat networks)
    - Policy (e.g. LTP4, LCWIP, Greener Futures Delivery Plan)
  - Social Housing Trusts (Raven, Accent) on Social Housing Decarbonisation Fund; contact with other RPs to encourage considering future SHDF bids
  - Greater South East Energy Hub
  - Advisory services (e.g. Action Surrey on Green Homes Grant, Energy Saving Trust on fleet and electric vehicles)
  - Charities (e.g. Surrey Wildlife Trust on green infrastructure, Woodland Trust and Tree Council on planting and planning)
  - Businesses (e.g. via the Sustainable Business Network, SES Water on water consumption reduction)
  - Town and Parish Councils (alignment of priorities and activities and sharing best practice)

- Community groups (on tree planting, energy efficiency, etc.)
- East Surrey College (on how we might support and help communicate their plans to grow provision in environmental construction and transport)

#### Challenges:

- None identified

#### Next Steps:

- Continue to collaborate with public and private sector partners and community groups, including: engagement with schools on sustainability opportunities, both on school premises and in delivering presentations to children. Capacity build local groups for example connecting Climate Action Reigate and Redhill with similar groups around the county around domestic energy advice.

### **Effective Implementation: Planning**

#### **Update planning documents and planning application submission documents requirements to drive the low carbon agenda**

#### 2021/22 Actions:

- Introduce templates to standardise the information received in relation to energy and sustainability for use by planning applicants. Update planning validation checklist requiring the submission of these completed template documents as part of the planning application process
- Provide more in-depth training to planning staff to interpret and review planning application energy and sustainability statements to better identify where improvements can be made

#### Progress:

- Climate Change and Sustainable Construction Supplementary Planning Document (SPD) adopted in September 2021, includes Sustainability Checklist template

#### Challenges:

- Process for effectively gathering information in relation to energy and sustainability metrics from planning applications for monitoring purposes not yet established

#### Next Steps:

- Continue to work with Planning Team to gather information on energy and sustainability in planning applications

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<b>Signed off by</b>	Director of Place
<b>Author</b>	Andrew Benson, Head of Planning, Ian Dunsford, Planning Policy Manager
<b>Telephone</b>	Tel: 01737 276175
<b>Email</b>	Andrew.Benson@reigate-banstead.gov.uk, Ian.Dunsford@reigate-banstead.gov.uk
<b>To</b>	Executive followed by Full Council
<b>Date</b>	Thursday 15 <sup>th</sup> September 2022
<b>Executive Member</b>	Portfolio Holder for Planning Policy and Place Delivery

<b>Key Decision Required</b>	Yes
<b>Wards Affected</b>	(All Wards);

<b>Subject</b>	Local Plan - Local Development Scheme
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<b>Recommendations</b>
<p>i). Agree and publish the new Local Development Scheme and thereby commence work on a new local plan</p> <p>ii). Approve the allocation of funding from the Corporate Plan Delivery Plan Reserve to fund 2022/23 expenditure.</p> <p>iii). Agree to consider budget growth proposals, as part of service &amp; financial planning 2023/24, to establish a budget for preparation of a new Local Plan</p>
<b>Reasons for Recommendations</b>
To establish a timetable and budget for the delivery of a new Local Plan to ensure that the Council has an up to date local plan from July 2027 for the determination of planning applications.
<b>Executive Summary</b>
The Local Plan Core Strategy is scheduled to run until July 2027. As the local planning authority, the Council is required to maintain an up to date Local Plan to help meet needs,

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protect the local environment and ensure that the infrastructure needed is delivered in a timely way.

Local Plans and the accompanying Policies Map typically take 5 years to prepare and examine and should last a minimum of 15 years from the date of adoption. This report seeks permission and funding to develop a new local plan for Reigate and Banstead to ensure that the Council has a plan in place from July 2027.

Not having an up to date local plan from July 2027 could result in the application of the 'presumption in favour of new development' which would likely result in a more sporadic/less joined up approach to new development in the borough, costly legal challenges and undermine bids to raise external funding for infrastructure and other national initiatives.

Due to the time to prepare, financial commitment and long term ease of use, the preferred approach to a new Local Plan is to include strategic, development management and site allocation policies in a single plan.

Appendix 1 of this report contains a draft Local Development Scheme (or project plan) for the preparation of a new local plan along with an initial risks log.

The proposals in this report cannot be accommodated within existing service budgets therefore a budget to fund additional specialist advice, bespoke software, engagement, and legal support along with the cost of a 'fair wind' examination will have to be established as part of service & financial planning for 2023/24 onwards. Budget estimates are based on the assumption that the current Planning Policy Team will be undertaking most of the work.

**Recommendations (i) and (iii) are subject to approval by Full Council.  
Recommendation (ii) can be approved by Executive.**

## Statutory Powers

1. As the local planning authority, the Council is required to determine planning applications in accordance with its Local Planning Policies.
2. The Planning and Compulsory Purchase Act 2004 (as amended) sets the context for Local Planning Authorities to maintain an up to date local plan.
3. Localism Act 2011 introduced a requirement for a Duty to Co-operate, a legal test that requires cooperation between local planning authorities and other public bodies to maximise the effectiveness of policies for strategic matters in Local Plans.
4. The Town and Country Planning (Local Plans) (England) Regulations 2012 (as amended) define the regulations on local plan preparation.
5. A Local Development Scheme is required under section 15 of the Planning and Compulsory Purchase Act 2004 (as amended).

## Background

6. The Local Plan Core Strategy is scheduled to run until July 2027. As the local planning authority, the Council is required to maintain an up to date Local Plan. Local Plans take many years to prepare and examine.



## Key Information

7. The Core Strategy and Development Management Plan run until 2027, and so are approaching the end of their lives. The Council is required to have an up to date local plan in place to determine future planning applications. Not having an up to date local plan could result in 'the presumption in favour' of new development applying. This would result in increasing and costly legal challenges, reliance on the National Planning Policy Framework and Planning Practice Guidance, undermine council bids for external funding and growing concerns among local communities as local considerations are increasingly left out of the decision making process in the interests of national objectives.

8. Developing a new local plan is a complex process that typically takes 5 years from start to finish provided no show-stoppers are identified, particularly at the public examination.

The first step is the agreement of a Local Development Scheme (LDS) (Project Plan) and budget by Council. The LDS (Draft contained in Appendix 1) sets out the different stages in the process, evidence requirements and risk management considerations. Indicative estimates suggest that a new local plan with a straightforward examination would cost c.£797,900. However, costs can escalate should key issues be identified at examination such as at Tandridge where the examination has already lasted two years. Here and at Guildford, the local plan costs have exceeded £3 million.

9. Cost estimates for each year of a new local plan through to adoption are as follows:  
Year 1 2022-2023 £170,000 (specialist support)  
Year 2 2023-2024 £257,800 (specialist support, software and consultation)  
Year 3 2024-2025 £122,300 (specialist support, software and consultation)  
Year 4 2025-2026 £82,800 (specialist/legal support, software and consultation)  
Year 5 2026-2027 £165,000 (Examination, post examination consultation, adoption)  
Total: £797,900. Inclusion of a 15% contingency will result in a total budget requirement of £918,000.
10. As officers will be seeking to procure specialist support to assist in the delivery of the plan and are required to work closely with stakeholders and neighbouring authorities under the Duty to Co-operate, it is vital that the LDS is agreed at the earliest opportunity so that work can progress, indeed the publication of the LDS will mark the start of the process.
11. Whilst most work will be undertaken in house by the Planning Policy Team working with colleagues and members across the council, specialist support will be needed to assist officers on more technical areas. These include the sustainability appraisal, viability testing, elements of the housing needs assessment and landscape analysis. Software support will be needed for the engagement/ data storage of the programme. Due to the technical requirements of plan making a bespoke system will be required to support the timely delivery of the different stages of the plan.

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## **New Plan Programme**

12. The initial work will be focused on procurement of specialists, evidence preparation, having an agreed sustainability appraisal scope and developing an Issues and Options document for consultation. The Development Management Advisory Group (DMAG) would be working with officers on reviewing the work being undertaken and the content of the Issues and Options consultation document and the emerging evidence base. Agreement to consult would be reviewed by Overview and Scrutiny and subject to Executive approval. Indicative timetabling suggests that the Issues and Options consultation could take place in autumn 2023. Evidence submitted for examination should be up to date.
13. Once the Issues and Options consultation has been undertaken, further work will be progressed on the consultation statement, emerging evidence base, and the preparation of a Regulation 18 Preferred Options Local Plan. This would follow the same iterative process described with the Issues and Options with consultation potentially scheduled for Autumn 2024. Whilst a Preferred Options Local Plan is not strictly required under the regulations it helps to de-risk the project by providing an opportunity to undertake further evidence gathering and adapting approaches.
14. This process would then be repeated for the Regulation 19 Pre-submission Local Plan where consultation could be scheduled for early summer 2025. This would be followed in early 2026 by the submission version of the Local Plan and would need to be approved by full Council. It would then be submitted along with the evidence base and the consultation responses for examination (Regulation 22). With a fair wind, the examination, further Inspector modifications consultation, inspector's report, and Council adoption is possible by July 2027. The Plan would need to have a life expectancy of 15 years from the date of adoption.

## **A single plan**

15. One area to consider in the new Local Plan is whether to have a single local plan or a separate Core Strategy and a separate Development Management Plan as is the current position. A single plan is the now favoured approach as it is more cost effective than preparing and examining two separate plans and provides the opportunity to update a number of policies that are currently out of date in the Development Management Plan. Furthermore, the Level Up and Planning Bill includes proposals to rely on the National Planning Policy Guidance for a number of policy areas including flooding, green belt, natural and historic conservation and climate change rather than replicating them in local plans, the extent to which it will affect this plan should become clear over the next couple of years.

## **Housing**

16. The final housing number is likely to be the main area of contention with a new Local Plan, together with how and where this will be delivered. It is very likely that new housing allocations will need to be identified through urban capacity studies and further assessment of the Borough's rural areas. The starting point will be the nationally set housing number (currently 1,119 homes per year) but through the borough's constraints – flooding, landscape and greenbelt this could be challenged

but will need to be supported by a very strong evidence base where every possible housing site has been assessed.

## **Engagement**

17. Community engagement will be a critical element in preparing a new plan and officers are currently assessing a number of new engagement and spatial analytic tools that have recently been developed that could support the work. Elements of this will be identified in an updated Statement of Community Involvement. There will be extensive Member engagement including policy workshops and working groups.

## **Risk**

18. Preparing a local plan has many areas of risk. Potential key risks include legislative changes such as the Levelling-up and Regeneration Bill and updates to the National Planning Policy Framework, changes to local government structures, resource availability and the changing political landscape. Details of the risk management considerations are contained in Annex 2 of the draft Local Development Scheme. However, we are fortunate that we have a number of neighbours ahead of us with their new local plans which we can learn from their examination experience which could help reduce some of the risk to ourselves. However not having an up to date local plan could result in new development taking place with little or no say from members and the communities they represent.

## **Local Plan Review**

19. As the local planning authority, the Council is required to complete a review of the local plan no later than 5 years from the adoption date of the plan (and every 5 years thereafter) to ensure that the policies are up to date and consistent with national policy, regardless of a new plan in preparation.
20. Both the Core Strategy and Development Management Plan will need to be reviewed by their fifth anniversaries in July and September 2024 respectively and this process will likely take place in tandem with work on the new plan. The reviews would need to be agreed by Full Council.

## **Options**

21. Adopt the Local Development Scheme and budget to support the timely delivery of a new local plan in accordance with the Planning and Compulsory Purchase Act 2004 (as amended). This is the option is recommended.
22. Adopt the Local Development Scheme but not the programme budget. This would mean work could start on the project but is not recommended as work would be delayed extending beyond 2027 potentially resulting in the 'presumption in favour' being applied to planning applications until a new Plan was in place.
23. Not adopt the Local Development Scheme and budget. This is not recommended as it would likely result in the 'presumption in favour' being applied to planning applications from 2027 and the potential risk of Government managing future plan delivery i.e. special measures.

## **Legal Implications**

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24. It is a statutory requirement to have an up to date Local Plan in place. Approval of the LDS and commencement of workstreams for a new plan will ensure an appropriate transition once the existing Local Plan period comes to an end in 2027.
25. With any Local Plan there are legal and procedural requirements to be followed and there is a high risk of legal challenge. Counsel advice may be sought at appropriate times throughout the process to help de-risk this.

## Financial Implications

26. Indicative costs for each year of the project are included in the body of this report; inclusion of a 15% contingency will result in a total revenue budget requirement of £918,000 from 2022/23 to 2026/27.
27. In terms of financial risks, a 15% contingency has been included to manage cost inflation risks. It also acknowledges the risks that changing national requirements or demands from national stakeholders may require additional work to be outsourced during the delivery of the project.
28. The costs for a future examination in public are based the expectation of a straightforward examination. However, there is a risk that some examinations may take longer and require significant additional resourcing.
29. There is not currently any provision for this expenditure in the approved Revenue Budget for 2022/3 or Medium Term Financial Plan forecasts.

### 2022/23 Forecast Expenditure - £170,000

30. The costs that will be incurred during 2022/23 cannot be accommodated within the service's existing approved budget and will therefore require a call on the Corporate Plan Delivery Fund.

### Forecast Expenditure 2023/24 Onwards

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Forecast additional costs	0.258	0.122	0.083	0.165

31. As these costs cannot be accommodated within existing service budgets, Executive will be required to consider budget growth proposals, as part of service & financial planning 2023/24, in order to establish a budget for preparation of a new Local Plan. If the proposals adopted they will then be included in the budget reported to Council for approval in February 2023.

## Equalities Implications

32. Whilst this report itself does not have equalities implications, the delivery process of a new local plan and future contents could have implications and will be subject to an equalities impact assessment.

## Communication Implications

33. A new local plan requires significant engagement with local communities. Initial discussions on a communications plan are underway with Planning Policy and the Corporate Communications Team. Multiple platforms will be used to engage with local communities which will require bespoke materials being produced. Lines to take will be agreed with the Comms Team, Head of Planning and the Portfolio Holder for Planning Policy. There will be a minimum of three rounds of consultation prior to submission of the Plan to the Planning Inspectorate. FAQs will be prepared to address different situations. Members will be offered a briefing prior to each consultation.

## **Environmental Sustainability Implications**

34. Since the publication of the Core Strategy and Development Management Plan, the Environment Bill was enacted in 2021 which has introduced a number of new requirements and significant changes have been made to the Building Regulations in 2022 which have made our current Local Plan policies outdated. Furthermore, the Council has adopted its own Environmental Sustainability Strategy and Action Plan (2020).
35. A new local plan provides the opportunity to strengthen existing sustainability policies and make them consistent with national policy whilst developing stronger linkages with the Council's own Environmental Sustainability Strategy. All policies will need to be tested through a Sustainability Appraisal/ Strategic Environmental Assessment.

## **Risk Management Considerations**

36. Risk management considerations, their impacts and mitigation are contained in Appendix 1 The draft Local Development Scheme Annex 2.

## **Other Implications**

37. Delivering a new local plan and its evidence base will place significant demands on the planning policy team and will be the team's primary objective. Other than the mandatory monitoring, CIL and planning consultation work, any additional demands would require additional capacity.

## **Consultation**

38. This report has been to Leaders with an agreement to progress the Local Development Scheme through to Full Council. No external consultation is required at this stage of the Local Plan making process but both member and external consultation will be embedded into the future work programme.

## **Policy Framework**

39. Adoption of a new Local Development Scheme would support the delivery of a new Local Plan. A new local plan would take account of the latest national policies including the National Planning Policy Framework and Planning Practice Guidance. Locally it would provide the means to update and strengthen policy linkages with the latest corporate plan and other corporate strategies.

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## Background Powers

1. Corporate Plan 2025 - [https://www.reigate-banstead.gov.uk/info/20205/plans\\_and\\_policies/280/reigate\\_and\\_banstead\\_2025](https://www.reigate-banstead.gov.uk/info/20205/plans_and_policies/280/reigate_and_banstead_2025)
2. Reigate and Banstead Local Plan Core Strategy adopted 2014 Reviewed 2019  
[https://www.reigate-banstead.gov.uk/info/20088/planning\\_policy/1101/development\\_plan/2](https://www.reigate-banstead.gov.uk/info/20088/planning_policy/1101/development_plan/2)
3. Reigate and Banstead Development Management Plan 2019  
[https://www.reigate-banstead.gov.uk/info/20088/planning\\_policy/1101/development\\_plan/3](https://www.reigate-banstead.gov.uk/info/20088/planning_policy/1101/development_plan/3)
4. Reigate and Banstead Policies Map  
[https://www.reigate-banstead.gov.uk/info/20088/planning\\_policy/1101/development\\_plan/4](https://www.reigate-banstead.gov.uk/info/20088/planning_policy/1101/development_plan/4)
5. Reigate and Banstead Statement of Community Involvement  
[https://www.reigate-banstead.gov.uk/info/20088/planning\\_policy/1105/community\\_involvement\\_in\\_planning](https://www.reigate-banstead.gov.uk/info/20088/planning_policy/1105/community_involvement_in_planning)
6. Planning and Compulsory Purchase Act 2004 (as amended)  
<https://www.legislation.gov.uk/ukpga/2004/5/contents>
7. National Planning Policy Framework 2021  
<https://www.gov.uk/government/publications/national-planning-policy-framework--2>
8. Planning Practice Guidance  
<https://www.gov.uk/guidance/plan-making#statutory-duty-and-the-role-of-plans>

# Reigate & Banstead Borough Council

## Local Development Scheme

**June 2022**

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## 1. Introduction

- 1.1 The Planning and Compulsory Purchase Act 2004 (as amended by the Planning Act 2008 and the Localism Act 2011) requires a Local Planning Authority to prepare and maintain a Local Development Scheme (LDS). The LDS must set out the scope, and timetable for production/review, of Local Plan documents<sup>1</sup>.
- 1.2 The Town and Country Planning (Local Planning) (England) Regulations 2012 (as amended in 2017) also requires local planning authorities to complete a review of Local Plan documents every five years, starting from the date of their adoption, to determine whether they require updating.
- 1.3 This LDS supersedes the last version that was agreed in June 2019.
- 1.4 Following changes in legislation in 2011 and 2012<sup>2</sup> there is no longer a requirement for Local Planning Authorities to specify the timetables for producing other planning policy documents (such as Supplementary Planning Documents (SPD), the Community Infrastructure Levy (CIL) and the Statement of Community Involvement (SCI)) in the LDS.
- 1.5 This LDS was approved by the Council on XXXXX and is brought into immediate effect. A glossary of terms is provided at Annex 1.

## 2. Policy context

### Legislation

- 2.1 The Planning and Compulsory Purchase Act 2004: This Act introduced requirements for the preparation of planning policy documents across England and Wales. This included requirements for Local Planning authorities to prepare Development Plan Documents (DPDs), a Statement of Community Involvement, and a Local Development Scheme
- 2.2 The Localism Act 2011: This Act introduced further changes to the planning system, including the abolition of regional spatial strategies, the introduction of a new duty to cooperate on local authorities, and new arrangements for neighbourhood planning.
- 2.3 The Town and Country Planning (Local Planning)(England) Regulations 2012 (as amended): These regulations prescribe the form and content of a Local Plan documents and the Policies Map, and set out the procedural arrangements for preparing Local Plans. As above, these regulations also prescribe that local planning authorities must review local development documents, including Local Plan documents and the SCI, within five years of their adoption to determine whether they require updating.

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<sup>1</sup> Known in the legislation as Development Plan Documents (DPDs)

<sup>2</sup> The Localism Act 2011 and the Town and Country Planning (Local Planning)(England) Regulations 2012

- 2.4 All legislation is available to view at <http://www.legislation.gov.uk>.

### **National policy and guidance**

- 2.5 National Planning Policy Framework (NPPF): The NPPF was published in July 2021. It requires that local authorities plan positively to meet the development needs of their area; and that each local authority should produce a Local Plan for its area. Local Plans should be based around a presumption in favour of sustainable development and should set out strategic priorities for the area which should look ahead over a minimum of 15 years from adoption. The NPPF requires that plans are kept up-to-date, are based on joint working to address larger than local issues, and should provide a practical and deliverable framework within which decisions on planning applications can be made.
- 2.6 National Planning Practice Guidance (NPPG): The NPPG provides more detail about how the NPPF should be applied in practice. It provides more information about the process for preparing Local Plans, including evidence gathering, sustainability appraisal and public consultation.
- 2.7 The NPPF and NPPG are available online at <http://planningguidance.planningportal.gov.uk>.

### **The current Development Plan for Reigate & Banstead**

- 2.8 Legislation and national planning policy require that decisions on planning applications are made in accordance with the Development Plan for a local area, unless material considerations indicate otherwise. The Development Plan in Reigate & Banstead currently comprises:
- a. The Core Strategy: The Reigate & Banstead Core Strategy was adopted on 3 July 2014. It sets the overarching framework for planning and development in the borough until 2027, including the scale and location of growth. The Core Strategy was subject to review under Regulation 10A of the Town and Country Planning (Local Planning) (England) Regulations 2012 (as amended) which concluded that none of the policies within it required updating or modification. This review was adopted by the full Council at its meeting on 2 July 2019. The Core Strategy is available on the Council's website at [www.reigate-banstead.gov.uk/corestrategy](http://www.reigate-banstead.gov.uk/corestrategy).
  - b. The Development Management Plan (DMP) was adopted 26 September 2019. It includes site allocations and detailed policies for implementing the Core Strategy. The DMP and accompanying policies map can be found at: [https://www.reigate-banstead.gov.uk/info/20088/planning\\_policy/1101/development\\_plan/3](https://www.reigate-banstead.gov.uk/info/20088/planning_policy/1101/development_plan/3)

- c. Minerals and Waste Planning Documents: Minerals and waste plans covering the borough are prepared by Surrey County Council as the Waste and Minerals Planning Authority for the County, including this borough and form part of the Development Plan for the borough. The Surrey Minerals and Waste Development Framework comprises the following documents:
  - (i) Surrey Waste Local Plan (2020)
  - (ii) Surrey Minerals Plan Core Strategy and Primary Aggregates Development Plan Document (2011)
  - (iii) Aggregates Recycling Joint Development Plan Document (2013).

2.9 These are available at <https://www.surreycc.gov.uk/land-planning-and-development/minerals-and-waste>

### **Supplementary Planning Documents and Guidance**

- 2.10 The Council has adopted a range of Supplementary Planning Documents (SPD) and Supplementary Planning Guidance (SPG) to provide supporting information and additional detail on the implementation of policies included within adopted Development Plan documents. Whilst not part of the borough's Development Plan, SPD and SPG are material considerations in the determination of planning applications.
- 2.11 The Council's adopted SPD and SPG are available on the Council's website at <http://www.reigate-banstead.gov.uk/planningpolicy>.

### **Background evidence**

- 2.12 Local Plans are prepared drawing on a wide range of technical evidence, to ensure that future planning policies and decisions are based on robust and up-to-date evidence and information.
- 2.13 Assessment of the implications of Local Plan documents is also required, including Sustainability Appraisal (SA), Strategic Environmental Assessment (SEA) and Habitats Regulations Assessment (HRA), and Plan Viability. Evidence and regulatory appraisal documents are available on the Council's website at <http://www.reigate-banstead.gov.uk/planningpolicy>.

### 3. New planning policy documents

- 3.1 The following section provides a summary of the work planned on Local Plan documents. The key priorities are the preparation and adoption of an updated Local Plan. Timetables for the preparation of new/updated SPDs will be made available on the Council's website where such documents are proposed.

### 3.2 New Local Plan

- 3.3 The current Local Plan Core Strategy and Development Management Plan (DMP) plan period ends in 2027. A new local plan is therefore proposed to be prepared covering the period 2024 - 2042 which will incorporate both strategic and development management policies including site allocations.

### 3.4

<b>Overview</b>	
Geographical area	Borough-wide
Description of content	Strategic policies and detailed policies including development site allocations.
Chain of conformity	National Planning Policy Framework
Type of document	Development Plan Document
Priority	High
<b>Timetable and key milestones</b>	
Preparatory work	Until June 2023
Regulation 18 Issues and Options consultation	September to November 2023
Regulation 18 Preferred Options consultation	September to October 2024
Regulation 19 publication	September to October 2025
Submission	August 2026
Examination	August 2026 to February 2027
Adoption	July 2027
<b>Working arrangements</b>	
Organisational lead	Director of Place
Political management	Executive Member for Planning Policy and Place Delivery Development Management Advisory Group Overview and Scrutiny LDF Committee
Internal resources	Officers: Planning Policy team; Other Council officers, including from Development Management, Place Making, Economic Prosperity, Corporate Policy and Property. Members: All members input into plan preparation process. Financial: staff costs, costs associated with public consultation, printing and the examination process (Planning Inspector and Programme Officer)
External resources	External consultants as required Stakeholder and community groups Developers and landowners Duty to Cooperate bodies

	Infrastructure providers
Stakeholder involvement	<p>Informal engagement with partners and stakeholders during preparatory work, including those organisations that fall within the scope of the General and Specific Consultation bodies, and Prescribed Bodies for the Duty to Cooperate.</p> <p>Public consultation on Issues and Options and Preferred Options, including a range of consultation methods as described in the Statement of Community Involvement.</p> <p>Statutory publication consultation on issues of soundness and legal compliance, and involvement at Examination stage.</p>
<b>Evidence</b>	
Key pieces of evidence:	Housing Needs Assessment, Gypsy and Traveller Needs Assessment, Employment Needs Assessment; Housing and Economic Land Availability Assessment (HELAA); Green Belt Assessment; Infrastructure Delivery Plan; Sustainability Appraisal; Habitats Regulations Assessment; Plan Viability.

### 3.5 Policies Map

Overview	
Geographical area	Borough-wide
Description of content	Map illustrating geographically the application of policies within the adopted Development Plan, including local and national policy designations and local and county development allocations.
Chain of conformity	Any Development Plan Document
Type of document	Local Development Document
Priority	High
Timetable and key milestones	
Preparatory work	To be progressed on the same timetable as the new Local Plan and updated as required to incorporate any changes.
Regulation 18 consultation	
Regulation 19 consultation	
Submission	
Examination	
Adoption	
Working arrangements	
Organisational lead	Director of Place
Political management	Executive Member for Planning Policy and Place Delivery
Internal resources	Officers: Planning Policy team Financial: Costs associated with printing and online interactive mapping.
External resources	External companies may be required to undertake printing of policies map and preparation of interactive online map.
Stakeholder involvement	Stakeholder engagement undertaken as part of preparation

	of associated Development Plan documents (over this period, primarily the DMP).
<b>Evidence</b>	
Key pieces of evidence:	n/a

#### 4. Risk assessment

- 4.1 It is important to identify the risks that could affect the work programme set out in this LDS and consider how the risks may be minimised and mitigated. Identified risks are set out in Annex 2.

#### 5. Monitoring and Review

- 5.1 The Council compiles an Authority Monitoring Report (AMR). Amongst other things this monitors progress against the milestones set out in the LDS. The AMR will identify whether milestones have been met, and if not, the reasons for this, and any proposed actions resulting from delays. It will also outline whether there has been any new technical information, changes to legislation/guidance, or other unforeseen circumstances that may warrant amendments to the LDS. The AMR will also monitor
- Policies in adopted plans to identify whether they are being successfully implemented
  - Progress towards the delivery of development targets in adopted plans
  - The delivery of allocated sites.
- 5.2 Where policies are not being implemented, development targets are not being met or allocated sites not being delivered, the AMR will identify management actions and / or contingency measures.
- 5.3 The latest AMR is available to view on the Council's website at <http://www.reigate-banstead.gov.uk/planningpolicy>.

#### 6.0 Infrastructure Funding Statement

- 6.1 The Council's Infrastructure Funding Statement is prepared annually and sets out the developer contributions received, allocated and spent by the Local Authority, through CIL or section 106 obligations. The statement sets out the projects, or types of infrastructure, that have been allocated funds to deliver infrastructure. This is published in December each year and can be found at: [Annual Infrastructure Funding Statement | Plan Monitoring | Reigate and Banstead \(reigate-banstead.gov.uk\)](http://www.reigate-banstead.gov.uk/Annual%20Infrastructure%20Funding%20Statement%20Plan%20Monitoring)

#### 7.0 Further information

- 7.1 For further information about this document, or about the preparation of Local Plan documents in Reigate & Banstead, please contact:

Email: [ldf@reigate-banstead.gov.uk](mailto:ldf@reigate-banstead.gov.uk)

Post: Planning Policy Team, Reigate & Banstead Borough Council,  
Town Hall, Castlefield Road, Reigate, Surrey RH2 0SH  
Tel: 01737 276178

- 7.2 If you wish to be added to our consultation database, to receive notifications about relevant consultations, please email the Planning Policy Team at the above email address or complete our Planning Policy mailing list [online form](#).

## Annex 1: Glossary

Abbreviation	Term	Definition
AMR	Authority's Monitoring Report	Previously known as Annual Monitoring Report. Monitors progress in preparing Local Plan documents, and assesses the extent to which planning policies are being implemented successfully. Also updates monitoring information for key subject areas including housing, the economy and the environment.
CIL	Community Infrastructure Levy	Sets the financial contributions to be paid on new development in the borough, to fund a wide range of infrastructure to support development.
DP	Development Plan	Legislation requires decision making on planning applications to be made in accordance with the Development Plan unless material considerations indicate otherwise. Comprises DPDs and saved 'old-style' Local Plan policies
DPD	Development Plan Document	Local Development Documents that have Development Plan Status, and are subject to independent examination.
LDD	Local Development Document	A range of different types of planning policy documents, including DPDs, SPDs, the SCI and the LDS.
LDF	Local Development Framework	An overarching term for the suite of Local Development Documents prepared by a local authority.
LDS	Local Development Scheme	A three year project plan setting out the programme for the production of planning policy documents.
LP	Local Plan	The Development Plan Documents that together comprise the Development Plan for a local authority area.
NPPF	National Planning Policy Framework	Document setting out the Government's planning policies for England and how these are expected to be applied
NPPG/PPG	(National) Planning Policy Guidance	Additional guidance provided by Government about how the NPPF should be implemented.
SA	Sustainability Appraisal	Assesses the social, environmental and economic impact of policy options and proposed plans and projects to inform decision making.
SCI	Statement of Community Involvement	Document setting out who, how and when the Council will involve communities and other stakeholders in the preparation and review of planning policy documents and on planning applications.
SEA	Strategic Environmental Assessment	Assessment of the environmental impact of plans and programmes, required under European legislation.
SPD	Supplementary Planning Document	Document providing supporting information and additional detail on how Local Plan policies should be implemented.



## Annex 2: Risk Management

Risk	Likelihood	Impact	Possible consequences and mitigation
National policy changes	High	Medium	<p><u>Possible consequences:</u> Further changes to legislation/national policy and guidance may place different requirements on local authorities. The impact of these will be greater where they relate to strategic or cross-boundary issues such as housing needs. Such changes may require evidence to be reviewed and/or the content of any emerging plans to be adapted in response.</p> <p><u>Mitigation:</u> Emerging national legislation/policy will be closely monitored. Officers will carefully review and respond to Government consultations where these are likely to have implications for local plan making and, where relevant and necessary, will seek to engage with, relevant Government departments (such as the Department for Levelling Up, Homes and Communities) and the Planning Inspectorate. Local Plan documents will be based on best information available at the time. Where possible and appropriate, flexibility will be built into evidence, external consultancy projects and draft policies to help minimise the impact of possible changes.</p>
Changes in local political control/leadership	Medium	Medium	<p><u>Possible consequences:</u> Changes political control or leadership could filter down into changes in corporate priorities which may have implications for the direction of travel for Local Plan documents. Political uncertainties may also result in delays in obtaining the necessary political approvals for consultation, submission or adoption of Local Plan documents.</p> <p><u>Mitigation:</u> Officers will work closely with the Leader &amp; relevant Portfolio Holder, and other members through existing established advisory groups, to ensure that there is broad political understanding of the context, constraints and direction of travel for emerging Local Plan documents. Wider member engagement events may be held on important topics to assist with understanding and identify key issues or policy changes.</p>
Staffing and resources	Medium	High	<p><u>Possible consequences:</u> The ongoing reduction in real terms of Council resources and budgets could impact on the delivery of the projects identified. The effects of this on the preparation of Local Plan documents could be direct (through pressures on planning policy staffing levels or budget) or indirect (through pressures on resources of other teams, which may affect their ability to support preparation). There are also separate risks in relation to staff retention and recruitment: the departure of members of staff from the team has the potential to disrupt work on Local Plan documents, particularly if there are delays in recruiting suitable replacements.</p> <p><u>Mitigation:</u> At the macro level, the Council continues to mitigate overall budgetary pressures and should avoid significant unexpected resourcing changes or pressures. Robust and realistic budgeting will be undertaken as part of the project management of Local Plan documents to ensure that likely costs and resource implications are fully understood at the outset. Staff retention will be carefully monitored. The use of external consultants in the preparation of Local Plan documents will be tailored to reflect any pressures which may arise (e.g. a greater reliance of consultancy may be necessary if there is a sudden, prolonged staffing pressure or may be reduced – through preparing more evidence in-house should a budgetary pressure arise). As a last resort, document preparation timetables may be adjusted.</p>
Resourcing of external agencies	High	Medium	<p><u>Possible consequences:</u> Spending cuts may also impact on Government agencies/bodies, including the Planning Inspectorate or statutory consultees such as National Highways or the Environment Agency. If these organisations have insufficient resources to respond to consultations or input into evidence in a timely</p>

			<p>manner, delays to document production timetables may result.</p> <p><u>Mitigation:</u> Officers will work closely, and maintain positive working relationships with, external agencies and will approach them as early as reasonably practicable where their input is required. This will provide the maximum possible time for possible resourcing risks to be identified and addressed. Flexibility will be built into the project management where input of external agencies is required. Officers will keep PINS informed about any timetable alterations</p>
High levels of public interest/high volume of consultation responses	High	Medium	<p><u>Possible consequences:</u> This risk would place pressures on staff and other resources due to the need to respond to enquiries, process, summarise and consider representations.</p> <p><u>Mitigation:</u> Where controversial topics are involved, high volumes of responses are to a degree unavoidable, particularly as the Council is tasked with ensuring that consultation reaches all those persons/organisations that may have an interest. Officers will work closely with the Council's Communications Team when issues that are likely to generate a high level of interest are consulted upon to put in place an appropriate strategy for communications. Procedures and consultation measures will seek to ensure that consultation responses can be processed as efficiently as possible including the potential use of coding algorithms. Additional time may need to be programmed into project plans to allow for the proper analysis of representations.</p>
Local Plan found not to be 'sound' or legally compliant	Low	High	<p><u>Possible consequences:</u> Matters of 'soundness' can generally be reconciled through modifications to the plan by the Inspector; however, this would potentially give rise to delays whilst additional evidence is prepared or consultation undertaken. Failings in the legal compliance of the preparation of the document would be more significant and would result in the need to revert back to earlier steps in the preparation process to correct deficiencies.</p> <p><u>Mitigation:</u> Officers will put in place procedures to ensure that all Local Plan documents are legally compliant and that all relevant statutory procedures/obligations associated with their preparation are satisfied, particularly in respect of Duty to Cooperate, Sustainability Appraisal, Habitats Regulations and public consultation. Appropriate working arrangements will be established with Duty to Cooperate bodies and these will be maintained throughout the preparation of Local Plan documents. Officers will seek to ensure that all evidence is robust and that an appropriate strategy is put forward in the Plan to minimise the risk of the document being found unsound. Early advice will be sought from PINS to ensure that soundness issues can be addressed promptly should they be identified.</p>
Evidence base becomes dated	Medium	Medium	<p><u>Possible consequences:</u> External factors may lead to the Council's evidence base becoming out of date. Additional delays to document preparation timetables as the result of other risk factors may also result in evidence documents becoming out of date.</p> <p><u>Mitigation:</u> Officers will monitor circumstances and national policy to ensure that, where changes can be anticipated, these are built into the preparation or evidence or the specification for external commissions. If unanticipated changes or delays render evidence dated, Officers will prepare or commission updated evidence studies where necessary and as quickly as possible.</p>
Joint working with neighbouring authorities	Medium	High	<p><u>Possible consequences:</u> Joint working with neighbouring authorities is a statutory requirement of the Localism Act (the Duty to Cooperate) and the requirements contained in the 2021 NPPF. Reaching common ground on challenging strategic issues such as unmet housing needs is not always straightforward and achieving the necessary officer and political sign up may take time resulting in delays. Different local authorities are at</p>

			<p>different stages in the plan making process which can also present challenges.</p> <p><u>Mitigation:</u> Appropriate working arrangements will be established with Duty to Cooperate bodies and these will be maintained throughout the preparation of Local Plan documents. Officers will continue to work closely with neighbouring authorities to share plan development timetables and will maintain positive working relationships. Officers will work closely with the Leader &amp; relevant Portfolio Holder to ensure appropriate political engagement.</p>
Legal challenge	Medium	High	<p><u>Possible consequences:</u> External parties may seek to legally challenge all or part of Local Plan documents. Even an unsuccessful challenge would introduce risk of significant delay to formal adoption, along with associated cost in resisting such a challenge through the Courts.</p> <p><u>Mitigation:</u> Officers will put in place procedures to ensure that all Local Plan documents are legally compliant and that all relevant statutory procedures/obligations associated with their preparation are satisfied, particularly in respect of Duty to Cooperate, Sustainability Appraisal, Habitats Regulations and public consultation. Close working with the Council's Legal team will be maintained throughout the preparation process and external legal advice (Counsel opinion) may also be sought should specific issues arise. Officers will also maintain a close dialogue with PINS to ensure procedures are satisfied.</p>

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<b>Signed off by</b>	Head of Corporate Policy, Chief Finance Officer
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<b>To</b>	Overview and Scrutiny Committee,  Executive
<b>Date</b>	Overview and Scrutiny Committee, 8 September 2022  Executive, 15 September 2022
<b>Executive Member</b>	Deputy Leader and Portfolio Holder for Finance and Governance,  Portfolio Holder for Corporate Policy and Resources

<b>Key Decision Required</b>	N
<b>Wards Affected</b>	(All Wards);
<b>Subject</b>	Quarter 1 2022/23 Performance Report

# Agenda Item 7

<b>Recommendations</b>
<p><b>That the Overview and Scrutiny Committee:</b></p> <ul style="list-style-type: none"><li>(i) <b>Note the Key Performance Indicator Performance for Q1 2022/23 as detailed in the report and Annex 1 and make any observations to the Executive;</b></li><li>(ii) <b>Note the Budget Monitoring forecasts for Q2 2022/23 as detailed in the report and at Annexes 2 and 3 and make any observations to the Executive;</b></li><li>(iii) <b>Note the update on the Financial Sustainability Programme (FSP) at Annex 4.</b></li></ul> <p><b>That the Executive:</b></p> <ul style="list-style-type: none"><li>(iv) <b>Note the Key Performance Indicator performance for Q1 2022/23 as detailed in the report and Annex 1;</b></li><li>(v) <b>Note the Budget Monitoring forecasts for Q1 2022/23 as detailed in the report and at Annexes 2 and 3;</b></li><li>(vi) <b>Note the update on the Financial Sustainability Programme (FSP) at Annex 4.</b></li></ul>
<b>Reasons for Recommendations</b>
For the Council's performance to be reviewed and for appropriate KPI reporting and budget monitoring arrangements to be in place.
<b>Executive Summary</b>
This report provides an overview of the Council's performance for Q1 2022/23, including Key Performance Indicator (KPI) reporting, as well as revenue and capital budget monitoring. It also includes a progress update on the Financial Sustainability Programme.
<b>The Overview and Scrutiny Committee and Executive have the authority to approve the above recommendations.</b>

<b>Statutory Powers</b>
<ul style="list-style-type: none"><li>1. Following the abolition of Best Value Performance Indicators (BVPI) in 2008 and the National Indicator Set (NIS) in 2010, there is no statutorily imposed framework for local authorities to manage performance.</li><li>2. The Local Government Act 1972 requires the Council to set the associated annual budget as part of proper financial management. This monitoring report is part of that process.</li><li>3. The Chief Finance Officer has a key role to play in fulfilling the requirements of the statutory duty under the Local Government Act 2003 to keep the authority's finances</li></ul>

under review during the year and act if there is evidence that financial pressures will result in a budget overspend or if there is a shortfall in income.

## Background

4. Each Quarter the Overview and Scrutiny Committee and Executive receive an update on the Council's performance. The report provides an overview of KPI as well as budgetary performance.
5. KPIs are corporate performance measures and are set in order to demonstrate performance against key corporate objectives.
6. Quarterly budget monitoring is a key financial control mechanism that demonstrates that the Council is fulfilling its responsibilities for managing public funds.
7. In November 2021 the Executive approved proposals to pursue a Financial Sustainability Programme to address the forecast Medium Term Financial Plan revenue budget gap. This included a commitment to provide quarterly progress updates on delivery of the Programme.

## Key Information

### Key Performance Indicators – Q1 2022/23

8. Ten KPIs are reported on in Q1 of 2022/23, the full detail of which is provided in Annex 1.
9. Of the ten KPIs reported on, nine are on target or within agreed tolerance.
10. KPI 10 which tracks the Council's recycling performance in Q4 (reported one quarter in arrears is off target and is outside of its tolerance, resulting in it being red rated. Despite falling short of the 60% target, the Council's cumulative 2021/22 performance of 55.6% is the strongest on record. The continued roll out of the full kerb side recycling service to flats, reduction in contamination and a rationalisation of bring sites is expected to further improve upon the Council's recycling performance.

### Revenue Budget Forecast

11. The 2022/23 Original Revenue Budget approved by Council in February 2022 was £19.980m.
12. At 30 June the forecast outturn for Services and Central Budgets is £19.558m against a management budget of £20.062m, including £0.081m of unspent budget carried forward from 2021/22, resulting in an overall forecast net underspend of £0.504m (2.5%).

<b>Table 1: REVENUE BUDGET MONITORING at 30 June 2022</b>	<b>Original Budget £m</b>	<b>In-Year Adjustments £m</b>	<b>Management Budget £m</b>	<b>Forecast Outturn £m</b>	<b>Forecast Year-end Variance £m</b>
Service Budgets	18.022	0.081	18.104	18.097	(0.007)
Central Budgets	1.958	0.000	1.958	1.461	(0.497)
<b>Revenue Budget Forecast at 30 Jun</b>	<b>19.980</b>	<b>0.081</b>	<b>20.062</b>	<b>19.558</b>	<b>(0.504)</b>

# Agenda Item 7

## Service Budgets

13. The 2022/23 Original Budget for Services approved by Council in February 2022 was £18.022m.
14. At 30 June the full year outturn is forecast to be £18.097m against a Management Budget of £18.104m resulting in an underspend of £0.007m.
15. The key variances are:

### Organisation:

- Property & Facilities - £0.617m overspend due to lower forecast rental income due to leases expiring.

### Place

- Refuse & Recycling - £0.372m underspend due to increased income from a higher volume of Garden Waste subscriptions.
- Car Parking - £0.309m underspend due to higher than expected income from Pay & Display car parks and lower staff costs.
- Building Control - £0.101m underspend due to projected surplus rather than the loss anticipated when the budget was approved
- Planning Policy & Development Services - £0.099m underspend due to vacancies across the team, partially offset by lower planning income.

## Central Budgets

16. The Original Budget for Central budgets approved by Council in February 2022 was £1.958m
17. At 30 June the forecast outturn is £1.461m against a Management Budget of £1.958m resulting in an underspend of £0.497m (25.4%).
18. This overspend is mainly a result of higher net interest receivable on treasury investments than originally expected.

## Investment Income

19. Forecast income from property rents at Quarter 1 is £3.942m compared to the £4.316m that was received in 2021/22. This represents 19.6% of the net revenue budget for 2022/23.

## Government Funding Distribution

20. Following on from grant distribution arrangements during the COVID-19 pandemic, the Government continues to require local authorities to act as its agent in distributing new funding streams to local residents. The sums distributed during Quarter 1 are summarised at Annex 2, Section 2.1.
21. While some additional administration funding has been provided, administration of these duties remains challenging and places additional demands on capacity in the Revenues, Benefits & Fraud and Finance teams. Also on the service teams that administer the funding streams.



## Capital Programme Monitoring

22. At 30 June, the Capital Programme Budget was £67.64m (including £36.98m of approved carry-forward capital allocations from 2021/22).
23. Council approved an additional £0.375m expenditure on Preston Parking Improvements. This will be funded through a Strategic CIL allocation that was approved in Quarter 1.
24. The forecast outturn position is £37.42m which is £30.22m (44.7%) below the approved Programme for the year. The variance is driven by £30.18m slippage and a net underspend of £0.04m.
25. The main reason for the slippage at the end of Quarter 1 was:
  - Housing Delivery Programme (£30.0m slippage) – these capital funds have been allocated to fund investment in new affordable housing. There are no specific developments planned at this time. Forecasts will be updated when new business cases are developed.

## Financial Sustainability Programme (FSP) update

26. Taking into account the forecast funding gap that the Council is facing, the parameters within which it can operate, and building on experience to date, in November 2021 the Executive agreed to pursue a Financial Sustainability Programme.
27. The Medium-Term Financial Plan presented to the Overview and Scrutiny Committee and Executive in July 2022 set out the latest financial forecasts and explained the approach that is being taken with respect of the Programme.
28. The Programme comprises the projects and activities that are being deployed to address the Council's financial sustainability challenges over coming years and is key to overcoming them.
29. An update on Financial Sustainability Programme activity in Quarter 1 of 2022/23 is available at Annex 4.

## Options

1. The Overview and Scrutiny Committee has two options:
  - **Option 1:** Note the report and make no observations to the Executive.
  - **Option 2:** Note the report and make any observations to the Executive.
2. The Executive has two Options:
  - **Option 1:** Note the report and make no observations/comments to the Head of Corporate Policy, Projects and Business Assurance and/or Head of Finance.
  - **Option 2:** Note the report and make any observations/comments to the Head of Corporate Policy, Projects and Business Assurance and/or Head of Finance.

## Legal Implications

3. There are no legal implications resulting from this report

# Agenda Item 7

<b>Financial Implications</b>
4. There are no additional financial implications arising from this report.
<b>Equalities Implications</b>
5. There are no equalities implications arising from this report.
<b>Communication Implications</b>
6. There are no communication implications arising from this report.
<b>Environmental Sustainability Implications</b>
7. There are no environmental sustainability implications arising from this report.
<b>Risk Management Considerations</b>
8. There are no additional risk management implications arising from this report.
<b>Other Implications</b>
9. There are no other implications arising from this report.
<b>Consultation</b>
10. The report has been reviewed by the Council's Corporate Governance Group.
<b>Policy Framework</b>
11. Robust performance management is integral to measuring the extent to which policy objectives have been achieved.
<b>Background Powers</b>
<i>None</i>

## Q1 2022/23 Key Performance Indicators

KPI	Status	Portfolio Holder
<a href="#"><u>KPI 1 – Council Tax Collection</u></a>	GREEN	Cllr Schofield
<a href="#"><u>KPI 2 – Business Rates Collection</u></a>	GREEN	Cllr Schofield
<a href="#"><u>KPI 3 – Staff Turnover</u></a>	GREEN	Cllr Lewanski
<a href="#"><u>KPI 4 – Staff Sickness</u></a>	GREEN	Cllr Lewanski
75 <a href="#"><u>KPI 5 – Homelessness Positive Outcomes</u></a>	GREEN	Cllr Neame
<a href="#"><u>KPI 6 – Housing Completions</u></a>	GREEN	Cllr Biggs
<a href="#"><u>KPI 7 – Affordable Housing Completions</u></a>	GREEN	Cllr Biggs
<a href="#"><u>KPI 8 – Local Environmental Quality Surveys</u></a>	GREEN	Cllr Bramhall
<a href="#"><u>KPI 9 – Missed Bins</u></a>	GREEN	Cllr Bramhall
<a href="#"><u>KPI 10 – Recycling</u></a>	RED	Cllr Bramhall

## KPI 1 – The % of Council Tax collected

	TARGET	ACTUAL	STATUS
Q1	29%	29.19%	GREEN
Q2	57%		
Q3	85%		
Q4	98.80%		

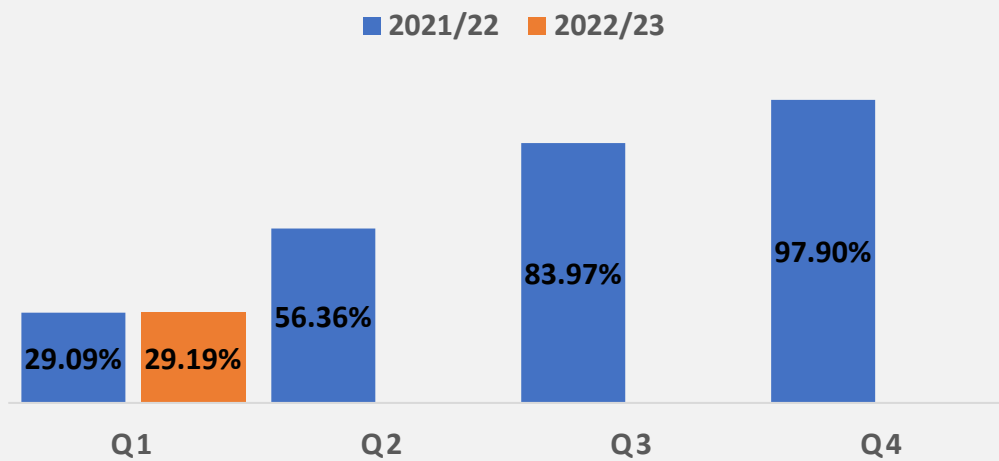
### Description

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

### Narrative

The Council has seen a strong start to the 2022/23 financial year. This is a marginal improvement over the Q1 of 2021/22 and is otherwise in-line with results seen in previous financial years. In terms of an update on collection from last year, the Council has now collected 98.16% of Council Tax from 2021/22.

Council Tax collection (as of the end of quarter)



*\*Please note that the Q4 figure is as reported at the end of the quarter.*

## KPI 2 – The % of Business Rates collected

	TARGET	ACTUAL	STATUS
Q1	31%	34.26%	GREEN
Q2	58%		
Q3	85%		
Q4	99.8%		

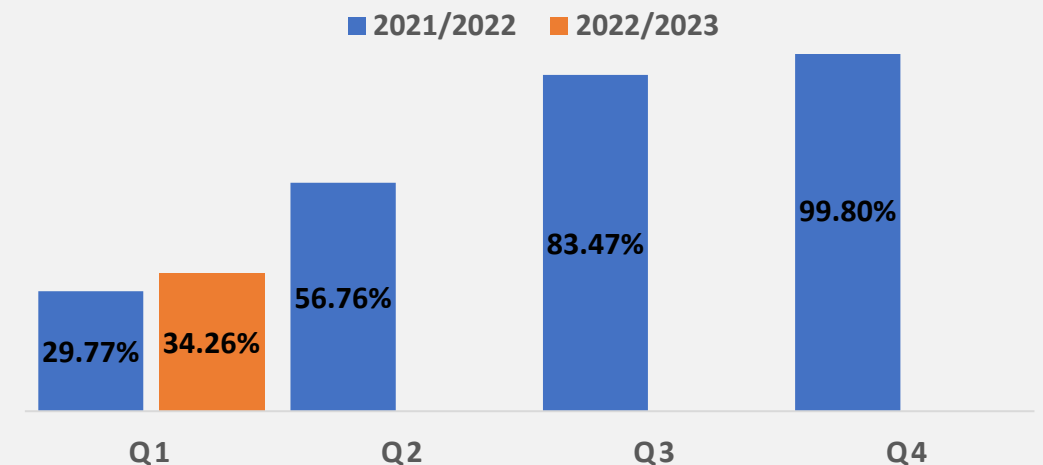
### Description

This indicator measures the percentage of non-domestic rates (NNDR) collected by the Council. The performance reported is cumulative for the year to date. A tolerance of 1% is applied each quarter.

### Narrative

As with Council Tax, the Council has also seen strong return for Business Rates collection in Q1. This represents a good result and an improvement over the rates seen at the same period in the previous financial year. In terms of an update on collection from last year, the Council has now collected 99.98% of business rates for 2021/22.

Business Rates collection (as of the end of quarter)



### KPI 3 – Staff turnover

	TARGET	ACTUAL	STATUS
Q1	12%	10%	GREEN
Q2	12%		
Q3	12%		
Q4	12%		

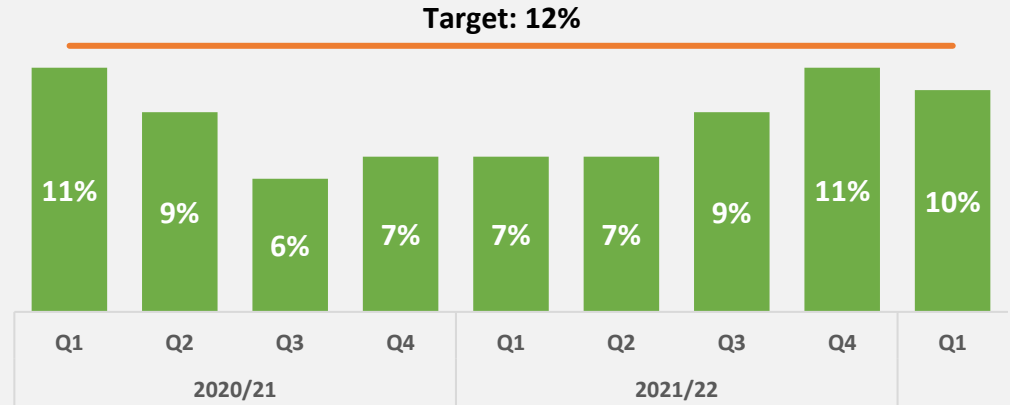
#### Description

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

#### Narrative

Levels of staff turnover continues to remain within the target range of under 12% per quarter.

Staff Turnover



### KPI 4 – Staff sickness absence

	TARGET	ACTUAL	STATUS
Q1	4 days	3.95 days	GREEN
Q2	4 days		
Q3	4 days		
Q4	4 days		

#### Description

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

#### Narrative

Q1 has seen staff sickness levels move back into the target range with levels back below 4 days.

Staff sickness absence (days)



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

	TARGET	ACTUAL	STATUS
Q1	55%	62%	GREEN
Q2			
Q3			
Q4			

Description

This indicator measures the Council’s performance in preventing and relieving homelessness where a household has approached the Council for support and where the Council has a statutory obligation to provide it.

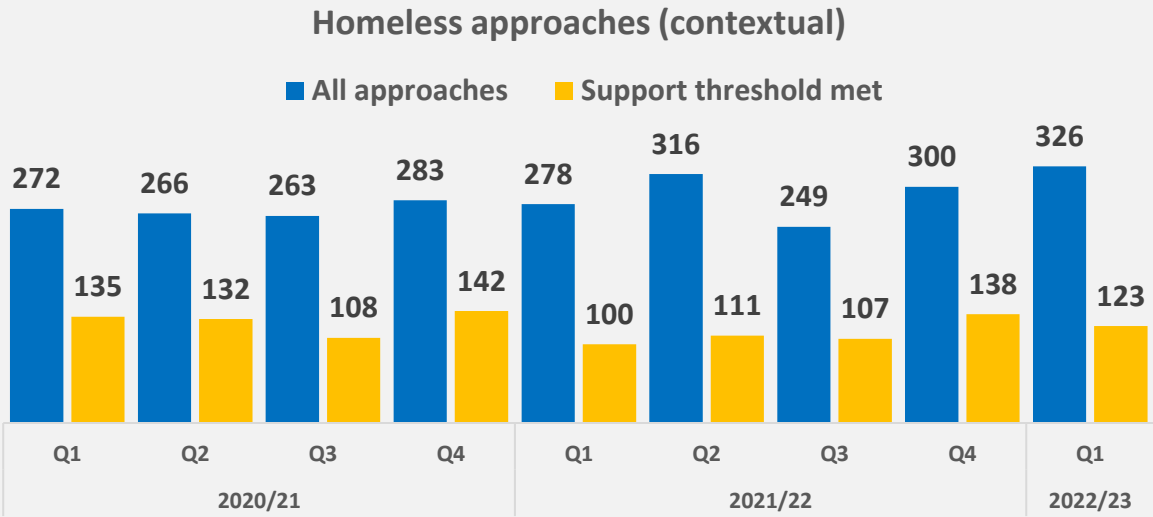
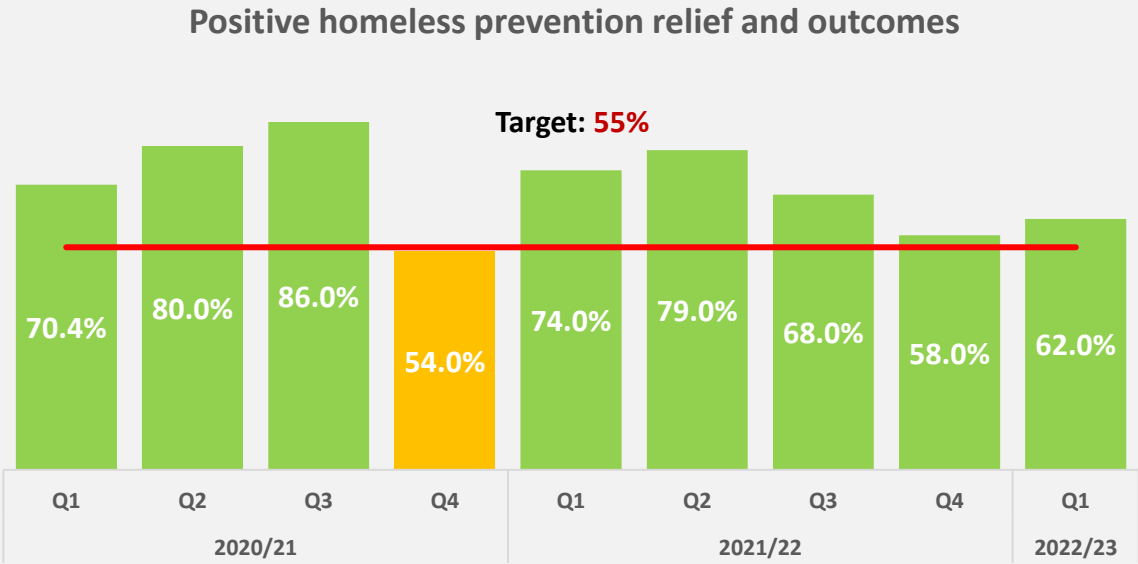
It measures the percentage of positive outcomes achieved in the quarter against the approaches that were made in the quarter.

78  
Narrative

In Q1 there were 326 homelessness approaches made to the Council. Of these approaches, there were 123 cases where the support threshold was met.

As noted in previous reporting, the homelessness support provided by the Council often straddles multiple quarters as the Housing service works with clients to prevent and relieve homelessness in accordance with the Homelessness Reduction Act. A decrease in positive outcomes (or lower levels of positive outcomes), therefore, is not necessarily indicative of an increase in negative outcomes – rather, it indicates that outcomes are yet to be realised as the support process runs its course.

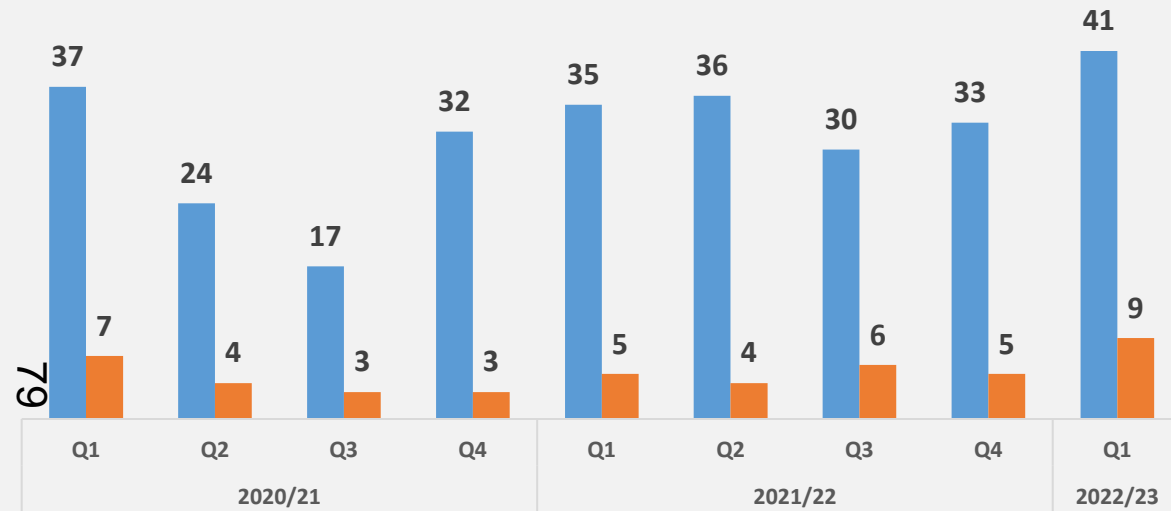
Additional detail – including on main duty acceptances – is provided overleaf.



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

Average number of households in temporary emergency accommodation

■ In borough ■ Out of borough

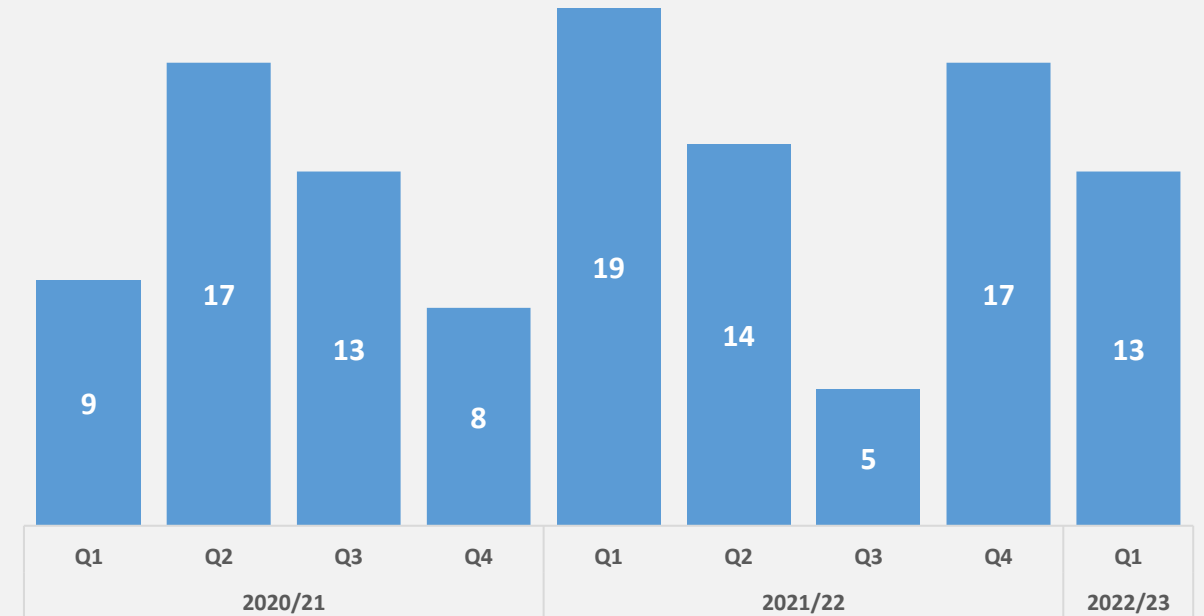


### Temporary Emergency Accommodation

Complex single persons continue to make up an increasing share of those placed in temporary emergency accommodation, which has been a key driver of the increases seen in the last bi-annual period.

The Council continues to apply for grant support, such as that from the Department for Levelling Up, Communities and Housing to place and support single persons in temporary emergency accommodation who otherwise would not meet the support threshold. This contributes to the continued higher level of placements seen in recent years.

Main duty acceptances (contextual)



### Main Duty Acceptances

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

At the close of Q1 there were 13 main duty homelessness acceptances, a decrease from the previous quarter but consistent with levels seen over the last 2 years.

# KPI 6 – Net housing completions

	TARGET	ACTUAL	STATUS
Q1	115	142	GREEN
Q2	230		
Q3	345		
Q4	460		

### Description

This indicator measures the net number of residential housing completions that have taken place in the borough. It includes all completions – i.e. at both market and affordable rates. The targets mirror those set in the Council’s local plan. Performance reported is cumulative for the year. Given the fluctuations in housing completions throughout the year, a tolerance of 60 applies.

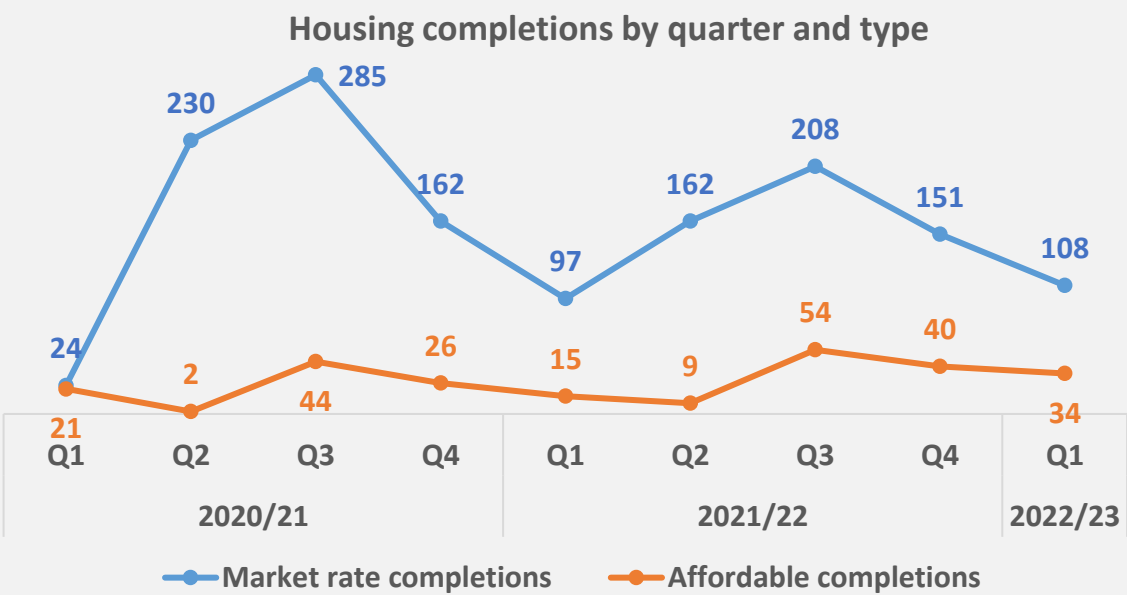
The numbers of units listed as under construction, completed or newly commenced will not necessarily correlate as the Council does not always receive commencement notices from sites.

### Narrative

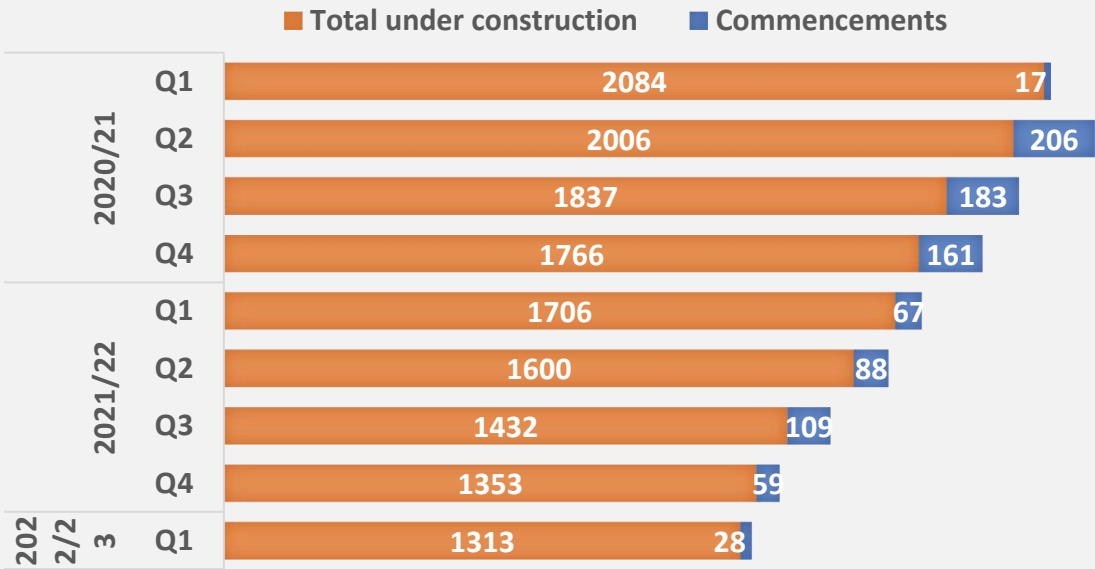
Net housing completions in Q1 of 2022/23 have remained comfortably above target with 142 completions against a target of 115.

The majority of these completions have come from the Horley North-West sector, with other key contributions coming from the Great Tattenhams and the former De Burgh school sites.

At the close of Q1 there were 1,313 dwellings under construction, with a further 28 commencing during the quarter.



### Dwellings under construction and commencements





## KPI 7 – Net affordable housing completions

	TARGET	ACTUAL	STATUS
Q1	25	34	GREEN
Q2	50		
Q3	75		
Q4	100		

### Description

KPI 7 measures the number of net affordable housing completions in the borough. The targets mirror those set in the local plan. The target is derived from the Council’s local plan. The local plan does not set an annual target, but instead a total of 1,500 affordable units over the year period. The annual target is therefore set by dividing this total target by the plan period.

Performance reported is cumulative for the year. Given the fluctuations in housing completions, a tolerance of 10 applies each quarter.

### Narrative

The Council has seen a good start to the 2022/23 financial year for the delivery of affordable housing in the borough, exceeding the target of 25 and delivering 34 affordable units by the close of Q1.

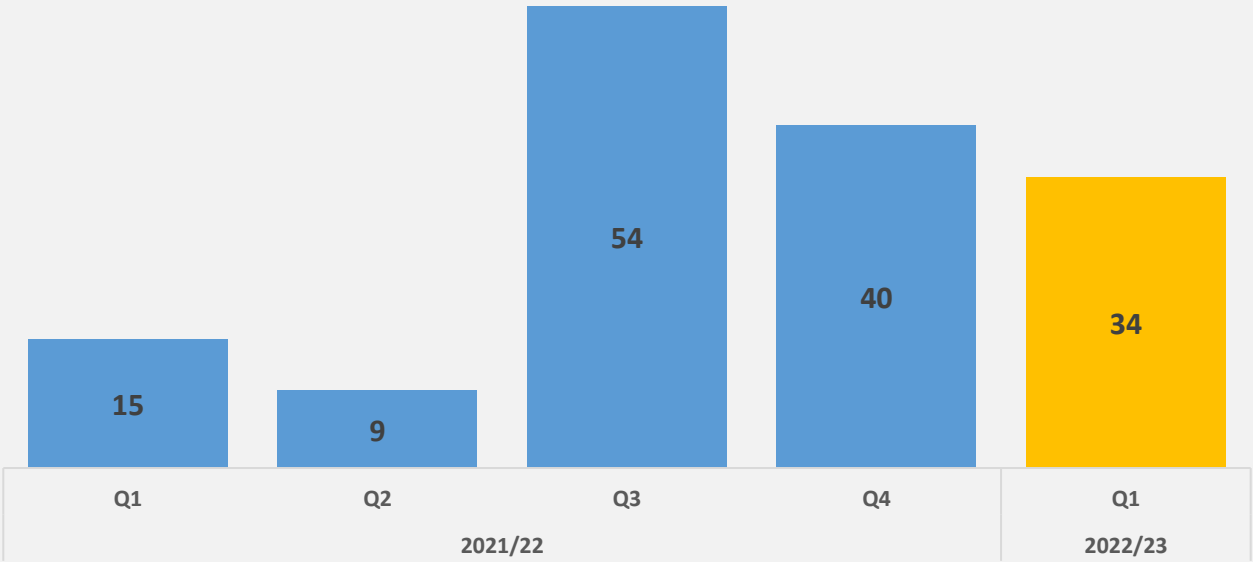
The delivery of this affordable housing in Q1 has largely been attributed to the Horley North-West sector site, with 25 of the units coming from this development alone.

Of the 34 delivered, 17 are for affordable housing for rent (including social and affordable rent) with a further 17 being under shared ownership schemes.

Of the 1,313 dwellings under construction at the end of Q1, 170 are affordable units with a further 23 affordable units commencing construction during Q1.

Affordable completions by tenure (contextual)				
Reporting period		Affordable housing for rent	Shared ownership	Total
2021/22	Q1	1	14	15
	Q2	9	0	9
	Q3	38	16	54
	Q4	37	3	40
2022/23	Q1	17	17	34

Affordable Completions (Quarterly)



## KPI 8 – Local Environmental Quality Surveys

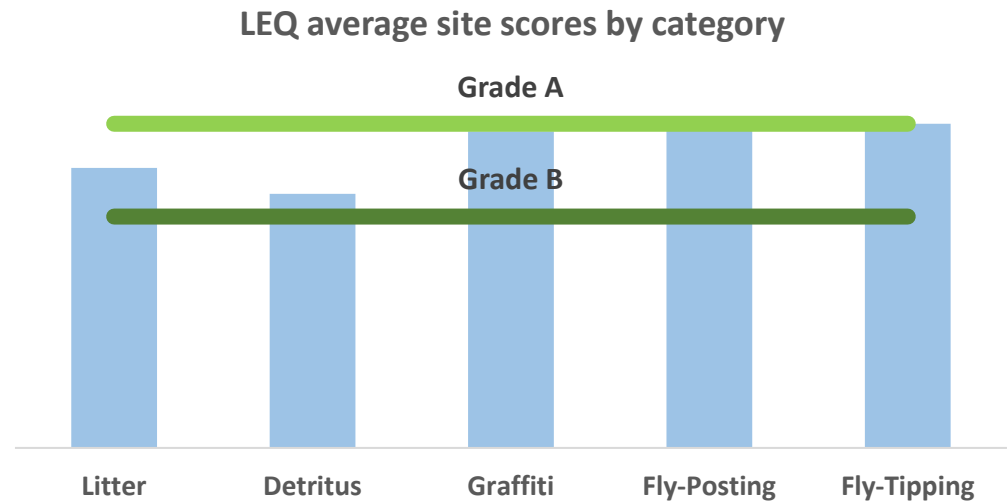
	TARGET	ACTUAL	STATUS
Q1	90% of sites at grade B	97%	GREEN
Q2			
Q3			
Q4			

### Description

Local Environmental Quality Surveys (LEQs) are a robust and well recognised methodology for measuring the cleanliness of places. The methodology is developed and maintained by [Keep Britain Tidy](#). A selection of sites in the borough are assessed in several categories. The average of the scores achieved in each category gives an overall score for each site that is surveyed.

### Narrative

Of the 184 surveys carried out in Q1, 97% scored at grade B and above. The graph below demonstrates the average site score by category.



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

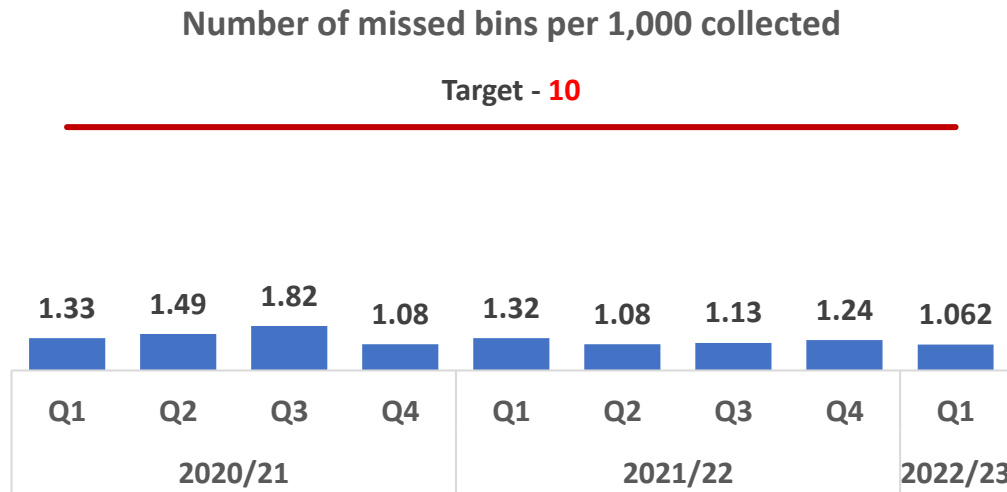
	TARGET	ACTUAL	STATUS
Q1	10	1.062	GREEN
Q2			
Q3			
Q4			

### Description

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

### Narrative

The Council has continued to maintain a reliable waste collection service for residents, with just over 1 bin reported as missed per 1,000 collected in Q1.



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

		TARGET	ACTUAL	STATUS
2020/ 21	Q3	60%	55.2%	AMBER
	Q4		53.1%	RED
21/22	Q1		56.9%	AMBER
	Q2		58.3%	AMBER
	Q3		54.0%	RED
	Q4		52.4%	RED

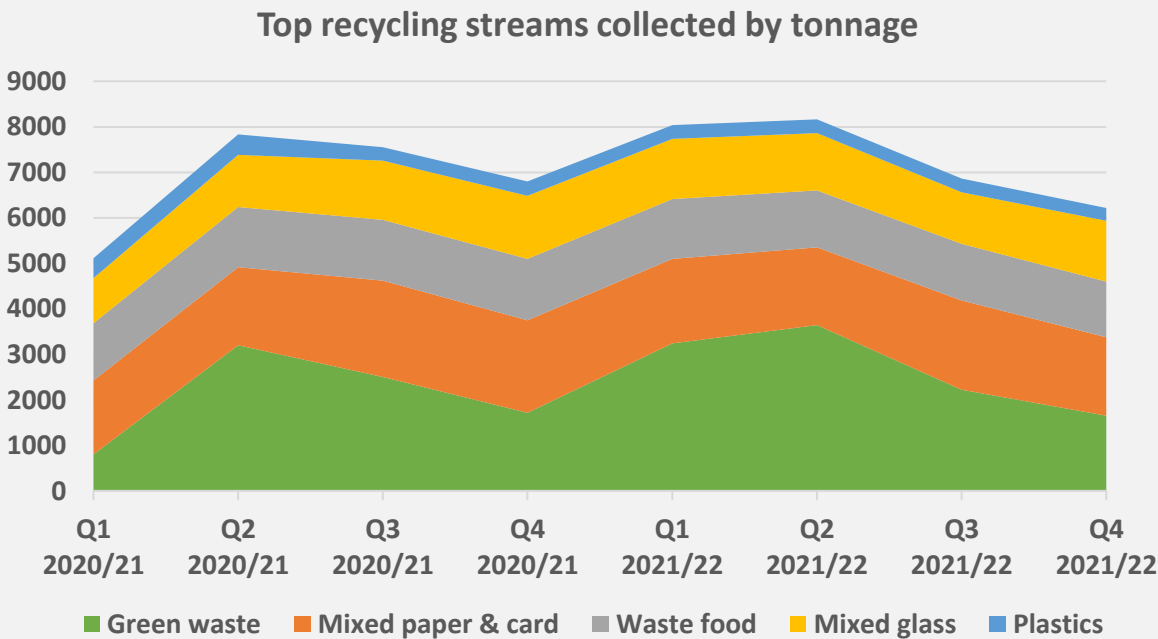
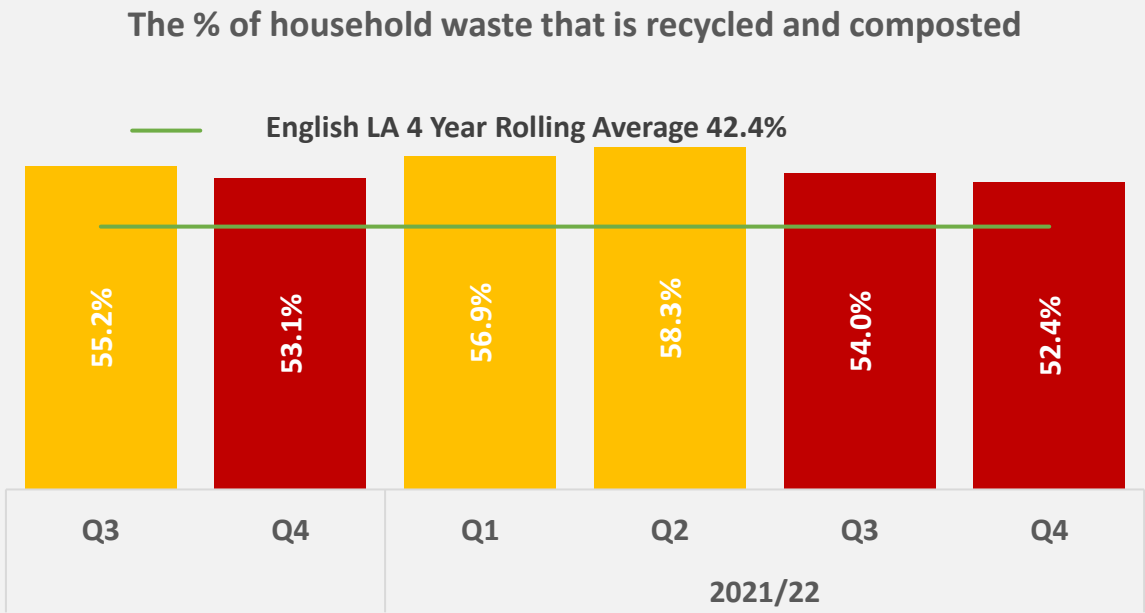
Description

This indicator measures the percentage of household waste collected by the Council that is recycled and composted. Performance is reported one quarter in arrears. The target for this indicator is a stretch target, set in the Joint Waste Management Strategy to which the Council is a signatory, along with Surrey County Council and all Surrey Districts and Boroughs.

Narrative

Despite falling short of the 60% target, the performance for Q4 is usual for the end-of-year period, with similar results seen in previous comparator quarters. Despite this, the year’s annual recycling performance of 55.6% (Q1-Q4 2021/22) is the Council’s strongest performance on record. As can be seen in the graphics overleaf, levels of residual waste per household continues to decline.

The continued roll out to flats, reduction in contamination and a rationalisation of bring sites is expected to further improve upon these results.



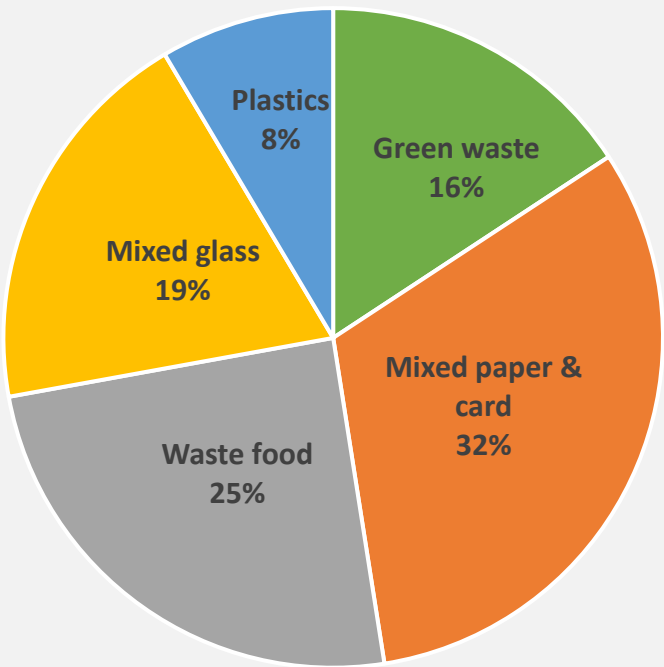
# KPI 10 – Recycling (contextual)

## Narrative

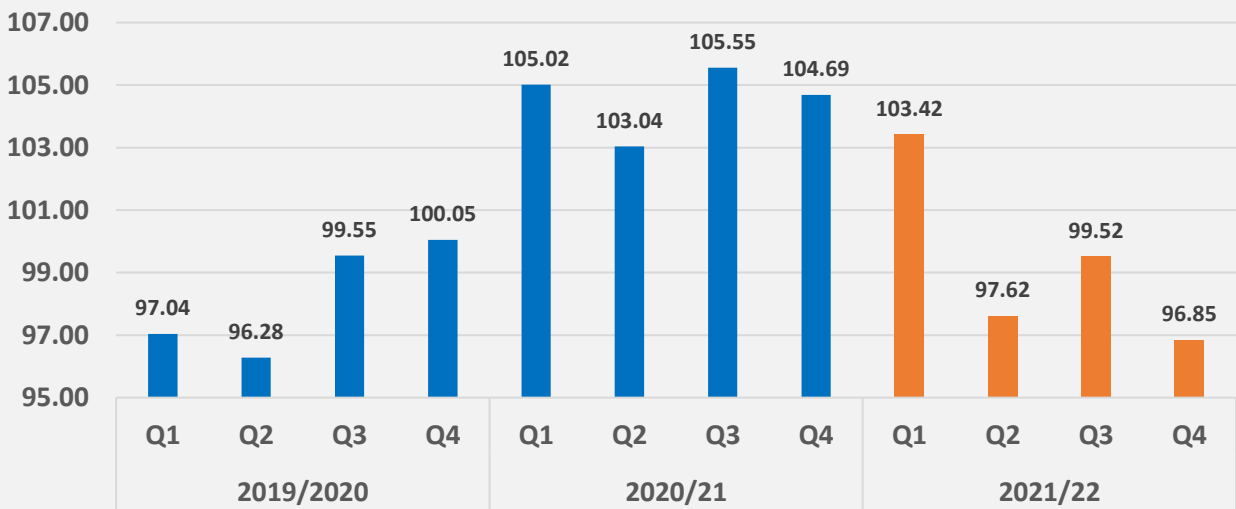
Residual waste per household (kg) continues its decrease to pre-pandemic levels. This may indicate that, as life increasingly returns to ‘normal’, residents are spending less time at home, therefore having a knock on effect on waste produced and placed in their refuse bins.

The percentage makeup of recycled materials has also remained stable over the last year with green waste seeing a slight uptick during the summer months before decreasing back to lower levels in the winter months. Food waste and mixed paper and card continue to make up the majority of recycling tonnage, representing 57% of all recycling collected in the quarter.

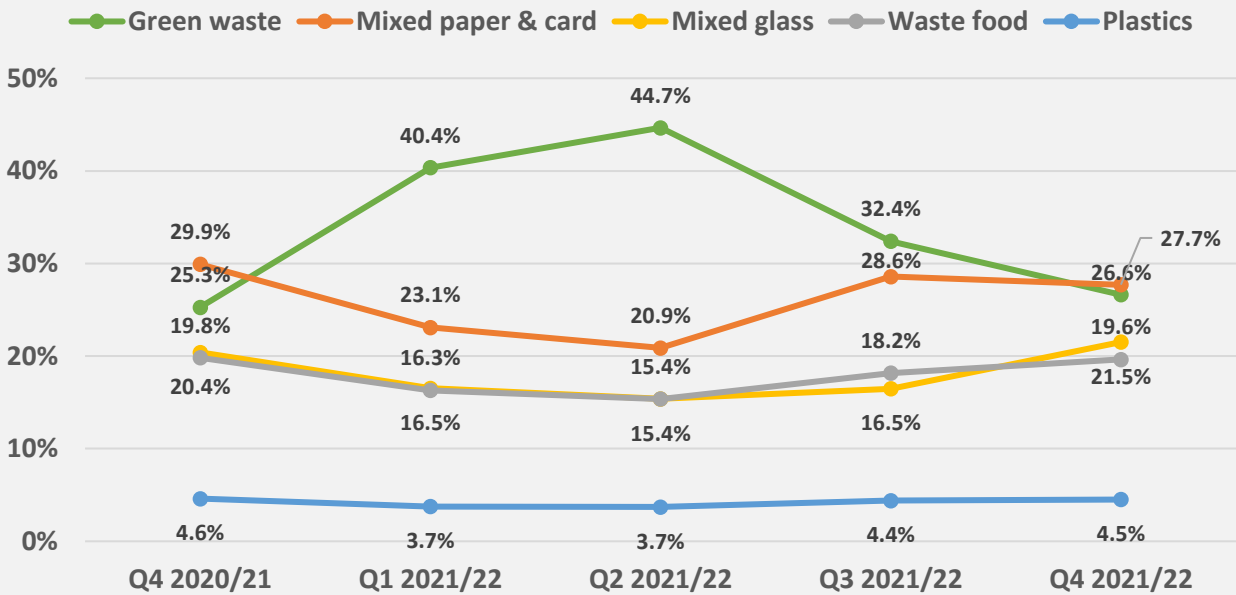
Recycling percentage by material (Q4 21/22)



Residual Waste Per Household (kg)



Material as a % of the total recycling collected



## 2022/23 Period 3: Revenue Budget Monitoring

## Summary

The full year forecast at the end of Quarter 1 for underlying Service budgets is £7k lower than the management budget; the Central budgets are forecast to be £-497k (25.4%) lower than budget, resulting in an overall forecast of £504k (-2.5%) lower than budget.

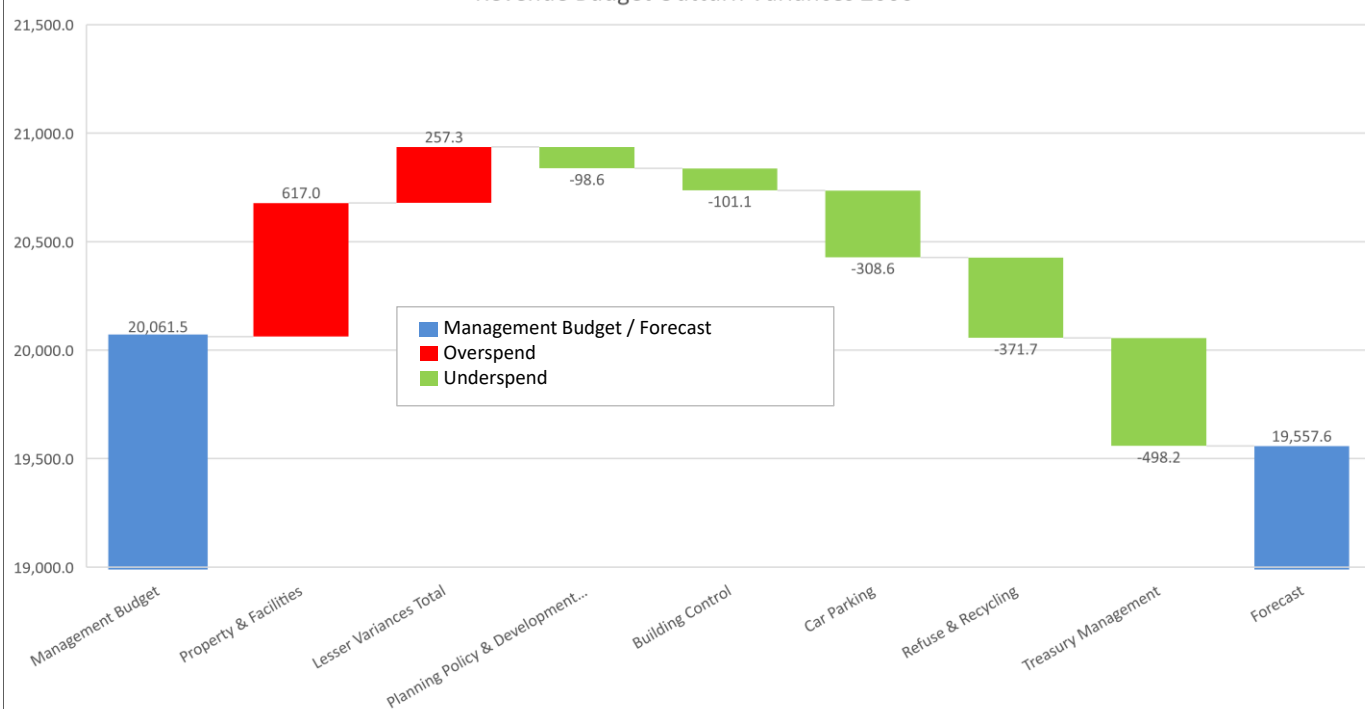
## Reconciliation of Original Budget to Management Budget for 2022/23

	£000	£000
<u>Original Budget</u>		19,980
Unspent Budget brought forward from 2021/22	81	
<u>Management Budget</u>		<u>20,062</u>

## Headline Revenue Budget Information 2022/23

	£000	
Management Budget	20,062	
Year End Forecast	19,558	
Projected underspend	<u>-504</u>	(-2.5% of the budget)

Revenue Budget Outturn Variances £000



**Forecast for Services is £7k under budget. Significant variances summarised below:**

**Property & Facilities: £617k overspend** is mostly attributable to lower rental income due to lease expiry and increased utility (gas) costs.

**Planning Policy & Development Services: £99k underspend** driven by vacancies across the team partially offset by lower Planning Fee income.

**Building Control: £101k underspend:** service is now forecast to provide a net surplus rather than the small loss budgeted.

**Car Parking: £309k underspend** driven by higher than expected revenue in Pay & Display parking and lower staff costs.

**Refuse & Recycling: £372k underspend** primarily due to a higher volume of Garden Waste Subscriptions.

**Forecast for Central Budgets is £497k under budget. Significant variances summarised below:**

**Treasury Management: £498k underspend.** Higher than budgeted interest income due both to favourable rates and more funds on deposit.

1. General Fund Reserve			
		£000	£000
Balance at start of year			3,000.0
Add: Projected underspend	at 31 March 2023		503.9
Anticipated balance at End of Year before Reserves Review/Reallocations*			3,503.9
*Maximum General Fund Balance Required (2022/23 = £3m)		2,997.0	

Responsible Officer	Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Outturn £000	Year End Variance £000	Commentary
<b>1. Service Budgets</b>							
<b>1a. Organisation</b>							
Catherine Rose	Corporate Policy	236.0	0.0	236.0	236.0	0.0	
	Projects & Business Assurance	212.6	0.0	212.6	212.6	0.0	
Carys Jones	Communications	734.6	0.0	734.6	734.6	0.0	
	Customer Contact	416.8	0.0	416.8	416.8	0.0	
Darren Wray	Information & Communications Technology	1,810.0	0.0	1,810.0	1,854.5	44.5	£32k increased support costs for servers and other minor inflationary contract price rises
Kate Brown	Organisational Development & Human Resources	816.1	0.0	816.1	816.1	0.0	
Joyce Hamilton	Legal Services	824.5	0.0	824.5	903.5	79.0	£44k income reduction, £26k extra cost relating to staff, £6k IKEN software purchase
	Land Charges	-102.1	0.0	-102.1	-102.1	0.0	
	Democratic Services	868.3	0.0	868.3	859.0	(9.3)	Minor Variance
	Electoral Services	502.5	0.0	502.5	462.9	(39.6)	Lower staff related costs partially offset by higher elections costs
	Corporate Support	187.5	0.0	187.5	187.5	0.0	
Pat Main	Finance	1,368.3	0.0	1,368.3	1,410.0	41.7	Increased costs due to use of specialist interim resources
	Property & Facilities	-1,352.8	0.0	-1,352.8	-735.5	617.3	£664k lower rental income due to leases expiring and £38k increase in gas prices, partially offset by £71k additional rental income from Surrey County Council and £17k of cost savings at Horley Library.
	Commercial & Investment	149.3	0.0	149.3	149.3	0.0	
<b>1b. Place</b>							
Simon Bland	Economic Prosperity	282.4	0.0	282.4	282.4	0.0	
Morag Williams	Fleet	1,458.7	0.0	1,458.7	1,546.5	87.8	Increased fuel prices have led to higher overall cost
	Refuse & Recycling	1,165.8	0.0	1,165.8	794.1	(371.7)	£300k higher Garden Waste income due to increased membership, £32k lower cost of replacement bins, £23k saving in Domestic Mixed Recycling due to lower volumes.
	Engineering & Construction	63.2	0.0	63.2	81.2	18.0	Capitalised salary recharge will not take place this year as the team no longer carry out capital works. The ongoing requirement for this budget will be reviewed as part of service & financial planning 2023/24.
	Environmental Health & JET	1,130.8	0.0	1,130.8	1,115.0	(15.8)	Minor Variance
	Environmental Licencing	-190.1	0.0	-190.1	-219.8	37.9	£51k lower income from Annual Vehicle Licensing, £9k lower income from Temporary Events Licencing, partially offset by £24k increased income from Three Year Licences.
	Greenspaces	1,546.9	0.0	1,546.9	1,547.0	0.1	
	Car Parking	-804.1	0.0	-804.1	-1,112.7	(308.6)	£217k higher income from Pay & Display, £92k lower staff costs due to vacancies.
	Street Cleansing	952.7	0.0	952.7	952.7	0.0	
Peter Boarder	Place Delivery	370.9	0.0	370.9	370.9	0.0	
Andrew Benson	Building Control	45.0	0.0	45.0	-56.1	(101.1)	£56k net surplus expected from Building Control Partnership hosted by Tandridge. A £45k net cost had been budgeted.
	Planning Policy & Development Services	673.2	0.0	673.2	574.6	(98.6)	£277k lower staff costs due to 6 vacancies partially offset by £131k lower income in planning fees due to lower volume of applications.



Responsible Officer	Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Outturn £000	Year End Variance £000	Commentary
<b>1c. People</b>							
Justine Chatfield	Community Development	426.7	0.0	426.7	426.7	0.0	
	Partnerships	303.1	58.3	361.4	361.4	0.0	
	Community Centres	382.5	10.0	392.5	392.5	0.0	
	Voluntary Sector Support	200.1	13.1	213.2	213.2	0.0	
Richard Robinson	Housing Services	1,026.3	0.0	1,026.3	1,115.3	89.0	Extra Bed & Breakfast accommodation provision has driven higher net costs.
Simon Rosser	Revenues, Benefits & Fraud	805.9	0.0	805.9	805.9	0.0	Net impact of changes in Subsidy currently being reviewed. An update will be provided at Q2.
	Commercial Trading Account - Revenue & Benefits	0.0	0.0	0.0	0.0	0.0	
Duane Kirkland	Supporting People	167.3	0.0	167.3	167.3	0.0	
	Supporting Families	56.4	0.0	56.4	60.7	4.3	Minor Variance
	Harlequin	380.8	0.0	380.8	366.2	(34.6)	£41k income increase driven by additional amateur shows partially offset by £7k lower income from equipment hire.
	Leisure Services	-66.4	0.0	-66.4	-66.4	0.0	
<b>1d. Management Team</b>							
Mari Roberts-Wood	Management Team	933.2	0.0	933.2	933.2	0.0	
Frank Etheridge	Emergency Planning	39.7	0.0	39.7	39.7	0.0	

<b>Total Services</b>	<b>18,022.6</b>	<b>81.4</b>	<b>18,104.0</b>	<b>18,096.7</b>	<b>(7.3)</b>	<b>(0.04%)</b>
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## 2. Central Budgets

Pat Main	Insurance	465.0	0.0	465.0	465.0	0.0	
	Treasury Management - Interest on Investments	-1,145.0	0.0	-1,145.0	-1,643.2	(498.2)	Higher expected income due to favourable rates and more funds on deposit.
	Treasury Management - Interest on Borrowing	455.0	0.0	455.0	455.0	0.0	
	Treasury Management - Interest on Trust Funds	18.0	0.0	18.0	0.0	(18.0)	
	Minimum Revenue Provision	1,361.0	0.0	1,361.0	1,361.0	0.0	
	Employer Pension Costs	350.0	0.0	350.0	350.0	0.0	
Kate Brown	Apprenticeship Levy	78.0	0.0	78.0	78.0	0.0	
	Recruitment Expenses	40.0	0.0	40.0	40.0	0.0	
	Corporate Human Resources Expenses	86.8	0.0	86.8	86.8	0.0	
Pat Main	Central Budget Contingencies	99.2	0.0	99.2	99.2	0.0	
	Preceptor Grants	37.5	0.0	37.5	37.5	0.0	
	External Audit Fees	53.0	0.0	53.0	72.0	19.0	
	Internal Audit	59.0	0.0	59.0	59.6	0.6	

<b>Total Central Items</b>	<b>1,957.5</b>	<b>0.0</b>	<b>1,957.5</b>	<b>1,460.9</b>	<b>(496.6)</b>	<b>(25.37%)</b>
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<b>Grand Total</b>	<b>19,980.1</b>	<b>81.4</b>	<b>20,061.5</b>	<b>19,557.6</b>	<b>(503.9)</b>	<b>(2.51%)</b>
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2022/23 Government Funding Distribution	Funding B/Fwd From 21/22 £m	Funding Received In 22/23 £m	Forecast Expenditure £m	Outstanding Recoupments £m
<b>COVID-19</b>				
<b><u>Closed Grants</u></b>				
Additional Restrictions Grant	(0.281)	-	-	0.281
Omicron Hospitality & Leisure Grant	(0.109)	-	-	0.109
Reopening High Streets / Welcome Back Fund	(0.036)	-	0.036	-
Household Support Fund I	-	(0.004)	-	-
<b><u>Grants Continuing Beyond 1st April</u></b>				
Household Support Fund II	-	(0.324)	0.324	-
Household Support Fund III	-	tbc	tbc	-
Council Tax Hardship Grant	(0.254)	-	0.254	-
Environmental Health SLA	(0.120)	(0.062)	0.174	-
Test & Trace - Admin Funding	(0.050)	-	0.050	-
General Funding	(0.036)	-	0.012	-
New Burdens Funding	-	(0.012)	0.012	-
Test & Trace - Mandatory Scheme	(0.013)	-	0.014	-
Sales, Fees & Charges	-	-	-	0.025
<b>Forecast Expenditure and Income 2022/23</b>	<b>(0.899)</b>	<b>(0.402)</b>	<b>0.876</b>	<b>0.415</b>
<b>Forecast Outturn Position 2022/23</b>	<b>(0.010)</b>			

2022/23 Government Funding Distribution COVID Additional Relief Fund	Forecast Expenditure £m	Forecast Funding £m
<b><u>Covid Additional Relief Fund (CARF)</u></b>		
Funding Received In 2021/22		(3.514)
NNDR Reliefs Granted During 2021/22	0.040	
Balance Carried Forward Into 2022/23	3.474	
	3.514	(3.514)
Balance Brought Forward From 2021/22		(3.474)
NNDR Reliefs Expected To Be Granted During 2022/23	0.250	
<b>Remaining Balance</b> (To Be Repaid To DLUHC)	<b>3.224</b>	
	3.474	(3.474)

2022/23 Government Funding Distribution		Forecast Expenditure £m	Forecast Funding £m
Council Tax Energy Rebate			
<b><u>Mandatory Scheme</u></b>			
Funding Received			(5.153)
£150 Payments To Band A-D Council Tax Payers - Paid To Date		4.070	
£150 Payments To Band A-D Council Tax Payers - Expected Future Payments		1.030	
<b>Forecast Expenditure and Income 2022/23</b>		5.100	(5.153)
<b>Forecast Net Income (Returnable To DLUHC)</b>		<b>(0.053)</b>	
<b><u>Discretionary Scheme</u></b>			
Funding Received			(0.332)
Discretionary Payments - Paid To Date		0.000	
Discretionary Payments - Expected Future Payments		0.315	
<b>Forecast Expenditure and Income 2022/23</b>		0.315	(0.332)
<b>Forecast Net Income (Returnable To DLUHC)</b>		<b>(0.017)</b>	
<b><u>Administrative Costs</u></b>			
Funding Received*			(0.057)
Software & Processing Costs - Paid To Date		0.011	
Staffing & Administration Costs - Paid To Date		0.028	
Expected Future Costs		0.032	
<b>Forecast Expenditure and Income 2022/23</b>		0.071	(0.057)
<b>Forecast Net Expenditure</b>		<b>0.014</b>	
<b>Forecast Expenditure and Income 2022/23 (All Schemes)</b>		<b>5.486</b>	<b>(5.542)</b>
<b>Forecast Net Income (All Schemes)</b>		<b>(0.056)</b>	
<b>Summary:-</b>			
<b>Surplus Income Returnable To DLUHC</b>		<b>(0.070)</b>	
<b>Potential Cost To Be Borne By RBBC</b>		<b>0.014</b>	

2022/23 Government Funding Distribution Ukrainian Refugees Schemes	Forecast Expenditure £m	Forecast Funding £m
<b>"Ukraine Family Scheme"</b>		
Funding Received (grant determination still awaited)		0.000
Refugee Accommodation Costs	0.005	
Refugee Travel Costs	0.000	
Prepaid Cards	0.000	
Staff Overtime / Additional Hours	0.000	
Staff Travel Costs	0.000	
<b>Expenditure and Income 2022/23</b>	<b>0.005</b>	<b>0.000</b>
<b>Net Expenditure To Date</b>	<b>0.005</b>	
<b>"Homes For Ukraine Scheme"</b>		
Funding Received (grant determination still awaited)		0.000
£350 Sponsorship Payments	0.009	
Refugee Accommodation Costs	0.004	
Refugee Travel Costs	0.000	
Prepaid Cards	0.000	
Staff Overtime / Additional Hours	0.002	
Staff Travel Costs	0.000	
<b>Expenditure and Income 2022/23</b>	<b>0.016</b>	<b>0.000</b>
<b>Net Expenditure To Date</b>	<b>0.016</b>	
<b>Expenditure and Income 2022/23 (All Schemes)</b>	<b>0.021</b>	<b>0.000</b>
<b>Net Expenditure To Date (All Schemes)</b>	<b>0.021</b>	
<b>Summary:-</b>		
<b>Surplus Income Returnable To DLUHC</b>	<b>0.000</b>	
<b>Potential Cost To Be Borne By RBBC</b>	<b>0.021</b>	

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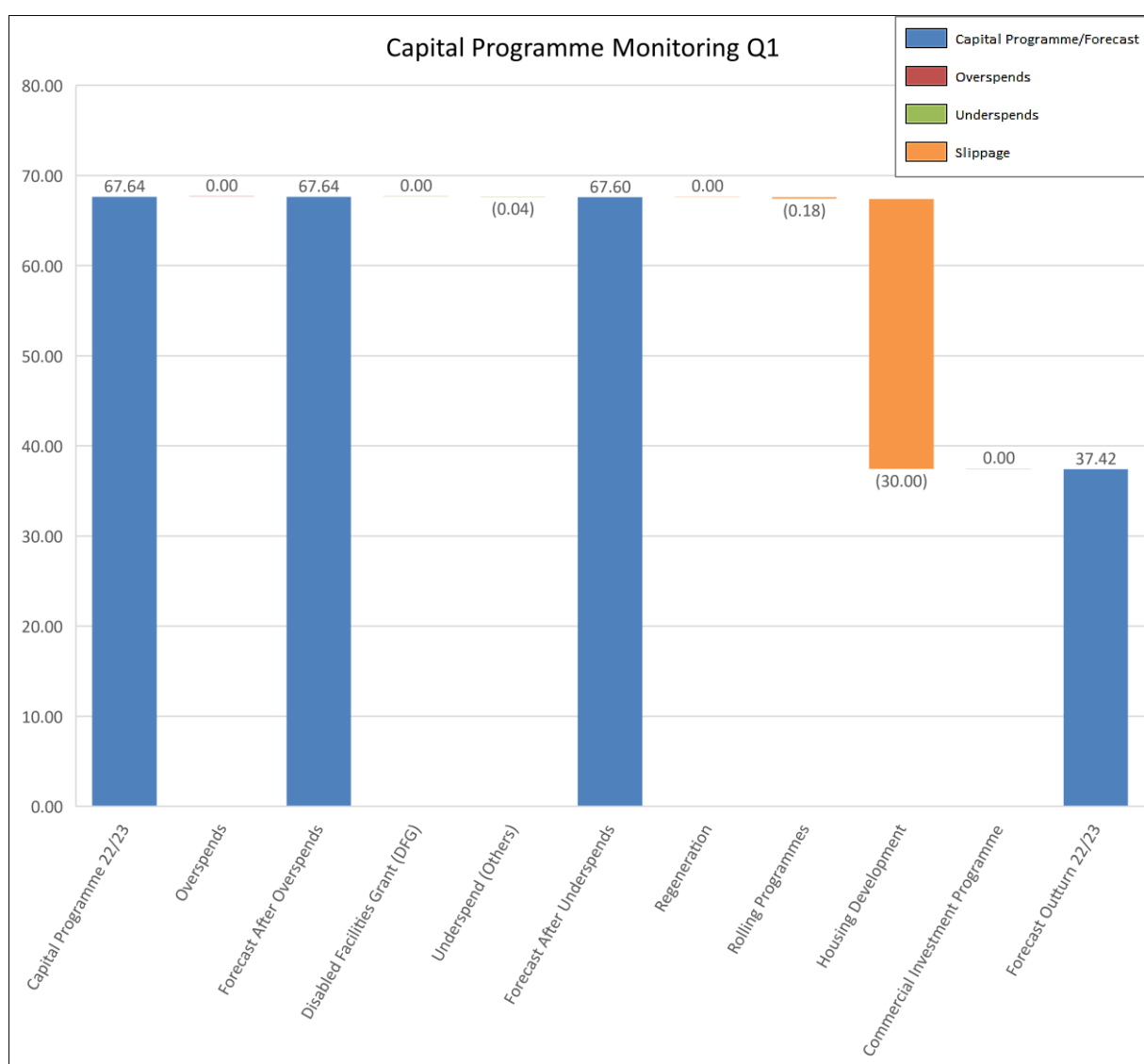
## 2021/22 Outturn Capital Programme Monitoring Q1

## Summary

Full year expenditure forecast against the Capital Programme at the end of Quarter 1 is £37.42m which is £30.22m (45%) below the approved Programme for the year. The variance is predominantly a result of £30.00m slippage on the Housing Delivery Programme.

## Headline Capital Budget Information 2022-23

	£m
<b>Current Budget (Section 1):</b>	<b>67.64</b>
Projected Net Overspends	0.00 (or 0 % of Programme)
Projected Net Underspends	(0.04) (or 0 % of Programme)
Projected Slippage	(30.18) (or 45 % of Programme)
<b>Total Capital Expenditure</b>	<b>37.42</b>



## Slippage, £30.180m. Significant variances summarised below:

<b>Housing Development</b>	<b>Housing Delivery Programme (£30.000m)</b> - Capital funds allocated to fund investment in new affordable housing. There are no specific developments planned at this time. Forecasts will be updated when new business cases are developed.
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## Capital ANNEX 3: Section 1

### Reconciliation of Capital Programme to Approved Budgets 2022-23

	£m
<b>Original Capital Budget</b>	30.28
Budget approved but not yet released <sup>1</sup>	0.00
	<hr/> 30.28
<b>Additions</b>	
Carry Forwards from previous year	36.98
Budgets released during the year <sup>1</sup>	0.37
Reprofiling of projects	0.00
Other Changes	0.00
<b>Current Capital Budget</b>	<hr/> <b>67.64</b> <hr/>

#### Notes

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



## Capital Budget Monitoring: Summary by Programme and Project 2022-23

Programme/Project	Original Budget	Approved Budgets Not Released	Carry Forwards	Released In Year	Current Budget	Year End Outturn	Year End Variance	Scheme Controller	Quarter 1: Explanation of Significant Variances
	£000	£000	£000	£000	£000	£000	£000		
Operational Buildings	110.0	0.0	260.0	0.0	370.0	370.0	0.0	Roger Thompson	
Day Centres Programme	75.0	0.0	34.0	0.0	109.0	109.0	0.0	Roger Thompson	
Existing Pavilions Programme	50.0	0.0	168.0	0.0	218.0	218.0	-0.0	Roger Thompson	
Leisure Centre Maintenance	210.0	0.0	17.0	0.0	227.0	227.0	0.0	Roger Thompson	
Harlequin Property Maintenance	110.0	0.0	205.9	0.0	315.9	315.9	0.0	Roger Thompson	
Tenanted Properties	100.0	0.0	100.0	0.0	200.0	200.0	-0.0	Roger Thompson	
Crown House	75.0	0.0	210.0	0.0	285.0	285.0	0.0	Roger Thompson	
Units 1-5 Redhill Dist Centre Salfords	57.5	0.0	57.0	0.0	114.5	114.5	0.0	Roger Thompson	
Linden House, 51B High Street Reigate	28.8	0.0	28.0	0.0	56.8	56.8	0.0	Roger Thompson	
Unit 61E Albert Road North	200.0	0.0	62.0	0.0	262.0	262.0	0.0	Roger Thompson	
Forum House, Brighton Road Redhill	100.0	0.0	170.0	0.0	270.0	270.0	0.0	Roger Thompson	
Beech House, London Road Reigate	0.0	0.0	3,000.0	0.0	3,000.0	3,000.0	0.0	Roger Thompson	Expenditure subject to Business Case approval.
Regent House, 1-3 Queensway Redhill	100.0	0.0	75.0	0.0	175.0	175.0	0.0	Roger Thompson	
Tenanted Property Assets	76.0	0.0	60.0	0.0	136.0	136.0	0.0	Roger Thompson	
Infra-structure (walls)	60.0	0.0	26.0	0.0	86.0	86.0	0.0	Roger Thompson	
Car Parks Capital Works Programme	190.0	0.0	358.0	0.0	548.0	370.0	-178.0	Roger Thompson	Allocation carried forward from 21/22 will not be spent in full in 22/23. Awaiting outcome of Car Park review.
Earlswood Depot/Park Farm Depot	20.0	0.0	52.0	0.0	72.0	72.0	0.0	Roger Thompson	
Public Conveniences	4.0	0.0	17.0	0.0	21.0	21.0	0.0	Roger Thompson	
Cemeteries & Chapel	20.0	0.0	60.0	0.0	80.0	80.0	0.0	Roger Thompson	
Allotments	12.0	0.0	30.0	0.0	42.0	42.0	0.0	Roger Thompson	
Building Maintenance - Capitalised Staff Costs	28.0	0.0	0.0	0.0	28.0	28.0	0.0	Roger Thompson	
Pavilion Replacement - Woodmansterne	0.0	0.0	20.0	0.0	20.0	20.0	0.0	Roger Thompson	
Priory Park	10.0	0.0	213.0	0.0	223.0	223.0	0.0	Roger Thompson	
<b>Strategic Property</b>	<b>1,636.3</b>	<b>0.0</b>	<b>5,222.9</b>	<b>0.0</b>	<b>6,859.2</b>	<b>6,681.1</b>	<b>-178.0</b>		
ICT Replacement Programme	200.0	0.0	224.0	0.0	424.0	424.0	0.0	Darren Wray	
Environmental Strategy Delivery	0.0	0.0	250.0	0.0	250.0	250.0	0.0	Catherine Rose	
<b>Corporate Resources</b>	<b>200.0</b>	<b>0.0</b>	<b>474.0</b>	<b>0.0</b>	<b>674.0</b>	<b>674.0</b>	<b>0.0</b>		
Great Workplace Programme - Phase 2	250.0	0.0	451.5	0.0	701.5	701.5	0.0	Roger Thompson	
<b>Organisational Development</b>	<b>250.0</b>	<b>0.0</b>	<b>451.5</b>	<b>0.0</b>	<b>701.5</b>	<b>701.5</b>	<b>0.0</b>		
<b>Organisation Capital Budget</b>	<b>2,086.3</b>	<b>0.0</b>	<b>6,148.4</b>	<b>0.0</b>	<b>8,234.7</b>	<b>8,056.6</b>	<b>-178.0</b>		

## Capital Budget Monitoring: Summary by Programme and Project 2022-23

Programme/Project	Original Budget	Approved Budgets Not Released	Carry Forwards	Released In Year	Current Budget	Year End Outturn	Year End Variance	Scheme Controller	Quarter 1: Explanation of Significant Variances
	£000	£000	£000	£000	£000	£000	£000		
Handy Person Scheme	50.0	0.0	0.0	0.0	50.0	10.0	-40.0	Katie Jackson	This programme relates to Small Works Assistance - the Handy Person Scheme feeds into the 'Home Improvement Agency' programme (CB01202). The scheme descriptions will be reviewed as part of Q2 budget monitoring to ensure they more accurately reflect the nature of this expenditure.
Home Improvement Agency SCC Grant	120.0	0.0	0.0	0.0	120.0	120.0	0.0	Katie Jackson	This programme also includes 'Handy Person Scheme'; The scheme descriptions will be reviewed as part of Q2 budget monitoring to ensure they more accurately reflect the nature of this expenditure.
Disabled Facilities Grant	1,134.0	0.0	0.0	0.0	1,134.0	1,134.0	0.0	Katie Jackson	
Lee Street Bungalows	0.0	0.0	326.9	0.0	326.9	326.9	0.0	Richard Robinson	
Massetts Road	21.0	0.0	0.0	0.0	21.0	21.0	0.0	Alison Robinson	
Housing Delivery Programme	10,000.0	0.0	20,000.0	0.0	30,000.0	0.0	-30,000.0	Richard Robinson	There are no specific developments planned at this time. Forecasts will be updated when new business cases are developed.
Cromwell Road Development 2016	0.0	0.0	149.6	0.0	149.6	149.6	0.0	Richard Robinson	
Unit 1 Pitwood Park Tadworth	0.0	0.0	42.9	0.0	42.9	42.9	0.0	Richard Robinson	
<b>Housing</b>	<b>11,325.0</b>	<b>0.0</b>	<b>20,519.4</b>	<b>0.0</b>	<b>31,844.4</b>	<b>1,804.4</b>	<b>-30,040.0</b>		
Harlequin - Service Development	100.0	0.0	171.8	0.0	271.8	271.8	0.0	Duane Kirkland	
<b>Leisure &amp; Intervention</b>	<b>100.0</b>	<b>0.0</b>	<b>171.8</b>	<b>0.0</b>	<b>271.8</b>	<b>271.8</b>	<b>0.0</b>		
CCTV Rolling Programme	30.0	0.0	74.6	0.0	104.6	104.6	0.0	Clare Mittelstadt	
<b>Community Partnerships</b>	<b>30.0</b>	<b>0.0</b>	<b>74.6</b>	<b>0.0</b>	<b>104.6</b>	<b>104.6</b>	<b>0.0</b>		
<b>People Services Capital Budget</b>	<b>11,455.0</b>	<b>0.0</b>	<b>20,765.7</b>	<b>0.0</b>	<b>32,220.7</b>	<b>2,180.7</b>	<b>-30,040.0</b>		

## Capital Budget Monitoring: Summary by Programme and Project 2022-23

Programme/Project	Original Budget	Approved Budgets Not Released	Carry Forwards	Released In Year	Current Budget	Year End Outturn	Year End Variance	Scheme Controller	Quarter 1: Explanation of Significant Variances
	£000	£000	£000	£000	£000	£000	£000		
Vehicles & Plant Programme	1,056.0	0.0	181.7	0.0	1,237.7	1,237.7	0.0	Lee Wilcox	
Fleet Vehicle Wash-Bay Replacement	0.0	0.0	350.0	0.0	350.0	350.0	0.0	Morag Williams	
Workshop Refurbishment	160.0	0.0	0.0	0.0	160.0	160.0	0.0	Anthony Hathaway	
Land Flood Prevention Programme	10.5	0.0	0.0	0.0	10.5	10.5	0.0	Lee Wilcox	
Play Area Improvement Programme	230.0	0.0	0.0	0.0	230.0	230.0	0.0	Morag Williams	
Parks & Countryside - Infrastructure & Fencing	45.0	0.0	0.0	0.0	45.0	45.0	0.0	Morag Williams	
Air Quality Monitoring Equipment	40.0	0.0	0.0	0.0	40.0	40.0	0.0	Katie Jackson	
Contribution to Surrey Transit Site	0.0	0.0	127.0	0.0	127.0	127.0	0.0	Pat Main	
<b>Neighbourhood Operations</b>	<b>1,541.5</b>	<b>0.0</b>	<b>658.7</b>	<b>0.0</b>	<b>2,200.2</b>	<b>2,200.2</b>	<b>0.0</b>		
Pay-on-Exit Car Parking at Central Car Park and Victoria	0.0	0.0	52.0	0.0	52.0	52.0	0.0	Peter Boarder	
Horley Public Realm Improvements - Phase 4	0.0	0.0	575.1	0.0	575.1	575.1	0.0	Peter Boarder	
Marketfield Way Redevelopment	15,100.0	0.0	6,986.0	0.0	22,086.0	22,086.0	0.0	Peter Boarder	
Redhill Public Realm Improvements	0.0	0.0	30.0	0.0	30.0	30.0	0.0	Peter Boarder	
Merstham Recreation Ground	0.0	0.0	1,419.3	0.0	1,419.3	1,419.3	0.0	Peter Boarder	
Preston - Parking Improvements	0.0	0.0	347.8	374.5	722.3	722.3	0.0	Peter Boarder	A further £374k CIL funds were applied for and authorised by the Head of Planning and CIL Portfolio holder.
<b>Place Delivery</b>	<b>15,100.0</b>	<b>0.0</b>	<b>9,410.2</b>	<b>374.5</b>	<b>24,884.7</b>	<b>24,884.7</b>	<b>0.0</b>		
Vibrant Towns & Villages	100.0	0.0	0.0	0.0	100.0	100.0	0.0	Simon Bland	
<b>Economic Prosperity</b>	<b>100.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>		
<b>Place Services Capital Budget</b>	<b>16,741.5</b>	<b>0.0</b>	<b>10,068.9</b>	<b>374.5</b>	<b>27,184.9</b>	<b>27,184.9</b>	<b>0.0</b>		
<b>Corporate Capital Budget</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>		
<b>Total Capital Budget</b>	<b>30,282.7</b>	<b>0.0</b>	<b>36,983.1</b>	<b>374.5</b>	<b>67,640.3</b>	<b>37,422.3</b>	<b>-30,218.0</b>		

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## Financial Sustainability Programme: Quarterly Update

As per the proposal within the 2022/23 budget report, our approach to our Financial Sustainability Programme (FSP) is based around four general 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)

This progress review should be read in conjunction with the FSP Overview provided to the Overview & Scrutiny Committee and the Executive in July 2022.

*Note that quantified financial benefits will not be available until publication of the draft 2023/24 budget report in November 2022.*

	Progress	Next Steps	Financial benefits
<b>Programme Set Up</b>	<ul style="list-style-type: none"> <li>• FSP Steering Group established (February)</li> <li>• Initial programme brief agreed by Corporate Governance Group (April)</li> <li>• Programme plan and register in development (May)</li> <li>• Programme support officer appointed (June)</li> <li>• S&amp;FP timetable and milestones confirmed</li> <li>• All member briefing held (July)</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing review of programme resourcing requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Not applicable</li> </ul>
<b>Service &amp; Financial Planning</b>	<ul style="list-style-type: none"> <li>• Initial review of budgets and services undertaken by Heads of Service (April/May)</li> <li>• Peer challenge at Management Team Awayday (May)</li> <li>• Portfolio holders briefed and discussion of budget and service options and prioritisation at Executive Awayday (June)</li> <li>• Preparation of service business plans and draft budgets, including growth, savings and fees &amp; charges proposals, for inclusion in the November draft budget report (Ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>• Management Team and Executive Awaydays (September/October)</li> <li>• Finalisation of draft 2023/24 business plans (October)</li> <li>• Preparation of draft 2023/24 budget report (October)</li> <li>• Publication of draft 2023/24 budget (November)</li> <li>• Consultation on draft 2023/24 budget (November to January)</li> </ul>	<ul style="list-style-type: none"> <li>• Draft budget will include proposals for quantified savings, growth and forecast additional income</li> </ul>

<b>Standalone projects and activities</b>	<ul style="list-style-type: none"> <li>• Identification and prioritisation of opportunities by Management Team (March/April)</li> <li>• Project and activity scoping (May onwards)</li> <li>• Activities to deliver 'quick wins' being progressed (ongoing)</li> <li>• Development of (outline) project business cases (ongoing). Key milestones to be identified on a project by project basis</li> <li>• Review of existing project management resource capacity (June)</li> </ul>	<ul style="list-style-type: none"> <li>• Recruitment of additional project management resource (August)</li> <li>• Activities to deliver 'quick wins' continue to be progressed by relevant service areas (ongoing)</li> <li>• Projects being progressed through established project management framework (ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>• Small-scale savings anticipated to be realised for 2023/24 from 'quick win' activity work</li> <li>• Financial benefits from projects will be confirmed on a case by case basis although unlikely to be available to inform draft 2023/24 budget</li> </ul>
<b>Fees &amp; Charges</b>	<ul style="list-style-type: none"> <li>• Collation of fees and charges register and identification of higher value areas for priority review (May 2022)</li> <li>• 2022/23 increases implemented for some charges in year as appropriate</li> <li>• Budget holders progressing review (ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>• Budget holders continuing to progress review of fees and charges</li> <li>• Additional income from fees and charges uplifts to be included within draft 2023/24 budget (November)</li> </ul>	<ul style="list-style-type: none"> <li>• Majority of fees and charges uplift will be implemented from April 2023; projections will inform income forecasts in final 2023/24 budget.</li> </ul>
<b>Vacancy Control Mechanism</b>	<ul style="list-style-type: none"> <li>• New vacancy control mechanism introduced (June 2022)</li> <li>• Senior Officer Panel established to review business cases for recruitment to vacant posts (July 2022)</li> </ul>	<ul style="list-style-type: none"> <li>• Vacancy control mechanism now operational; recruitment to vacant posts being reviewed by senior management on a case by case basis</li> </ul>	<ul style="list-style-type: none"> <li>• Any resultant savings will be factored into 2023/24 budget</li> </ul>
<b>Third Party Funding Opportunities</b>	<ul style="list-style-type: none"> <li>• £0.5m secured from health partners towards Council community development and partnerships work</li> <li>• Investment plan submitted in respect of £1m UK Shared Prosperity Fund funding (July)</li> <li>• Council services as well as third parties invited to submit Strategic CIL bids (August)</li> </ul>	<ul style="list-style-type: none"> <li>• Opportunities for further third party funding continue to be explored (ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>• Any savings resulting from use of third party funds instead of Council base budgets will be factored into 2023/24 budget</li> </ul>



<b>Signed off by</b>	Head of Corporate Policy
<b>Author</b>	Luke Harvey, Project & Performance Team Leader
<b>Telephone</b>	Tel: 01737 276519
<b>Email</b>	Luke.Harvey@reigate-banstead.gov.uk
<b>To</b>	Audit Committee Executive
<b>Date</b>	Audit Committee: Wednesday, 7 September 2022 Executive: Thursday, 15 September 2022
<b>Executive Member</b>	Portfolio Holder for Corporate Policy and Resources

<b>Key Decision Required</b>	N
<b>Wards Affected</b>	(All Wards);

<b>Subject</b>	Risk management - Q1 2022/23
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<b>Recommendations</b>
<p><b>That the Audit Committee:</b></p> <p>(i) <b>Note the Q1 2022/23 update on risk management provided by the report and make any observations to the Executive.</b></p> <p><b>That the Executive:</b></p> <p>(ii) <b>Note the Q1 2022/23 update on risk management provided by the report.</b></p>
<b>Reasons for Recommendations</b>
The Audit Committee and Executive's constitutional responsibilities require the regular receipt of updates on risk management.
<b>Executive Summary</b>
This report provides an update on risk management in Q1 2022/23.

<b>Statutory Powers</b>
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# Agenda Item 8

1. The Council holds various statutory responsibilities for ensuring that its business is conducted in accordance with the law and that public money is safeguarded, accounted for, and is used economically and effectively.
2. The Council also has a duty under the Local Government Act (1999) to put in place proper arrangements for the governance of its affairs. The discharge of this responsibility includes arrangements for managing risk.
3. The Council's Code of Corporate Governance outlines these core governance principles; compliance with the code is reported each year via the Annual Governance Statement.

## Background

4. Reigate and Banstead Borough Council has a proactive approach to risk management. It is an integral part of the Council's corporate governance arrangements and is built into management processes.
5. The Council operates a two-tiered risk management process to address the dynamic and interdependent nature of risk categorisation. The risk categories are strategic and operational risks.
6. Strategic risks are defined as those risks that have an impact on the medium to long term ambitions and priorities of the Council as set out in the Corporate Plan and Medium-Term Financial Plan (MTFP).
7. Members of the Management Team and Executive Members have shared responsibility for strategic risks. Strategic risks are reported quarterly to senior officers via Corporate Governance Group, as well as to the Audit Committee and Executive. The Executive approves key changes to the strategic risk register, such as the identification of new risks as well as closing risks.
8. Operational risks are short term risks that are encountered in the course of the day-to-day delivery by services. However, if the operational risk cannot be fully managed within the service or it has a wider organisational impact, then it will be considered for inclusion in the operational risk register. Heads of Service have responsibility for operational risks. Operational risks are reported to senior officers via Corporate Governance Group. The Audit Committee and Executive receive updates on any red rated operational risks as part of quarterly risk management reporting.
9. The Audit Committee has a constitutional responsibility to provide independent assurance to the Council of the adequacy of the risk management framework and internal control environment. It provides independent review of Reigate and Banstead Borough Council's governance, risk management and control frameworks. A key component of fulfilling this responsibility is to regularly receive and review the Council's risks and make any observations to the Executive.

## Key Information

### Q1 2022/23 risk management update

10. The full strategic risk register is available at annex 1 of this report.
11. In Q1 no new strategic risks were identified and no strategic risks were identified for closure.



## **SR4 – ‘Challenging economic conditions for residents and businesses’**

12. The strategic risk register for 2022/23 includes a risk on challenging economic conditions for residents and businesses.
13. At its meeting in June 2022, the Audit Committee requested that consideration be given to maintaining two separate strategic risks on challenging economic conditions, with one focusing on residents and the other on businesses. At its subsequent meeting the Executive agreed that officers should consider this as part of the Q1 2022/23 update on risk management.
14. The request has been considered in consultation with Heads of Service and the Council's Corporate Governance Group. The Council's approach to risk management is based on causes and the impacts of risk on the Council. In this case there is a shared cause (economic conditions) and a common impact, namely a potential risk of an increase in demand for services and/or difficulties in collecting income. It is therefore considered appropriate that one strategic risk be maintained.
15. It is certainly the case that the impacts of current economic circumstances on residents and businesses (as opposed to the Council) are distinct. Members of the Audit Committee can be assured that the Council is taking – and will continue to take – steps to support residents and businesses as well as to manage the strategic risk to the organisation.

### **Red rated operational risk**

16. In Q1 there was one red rated operational risk, the detail of which is set out in the part 2 exempt annex 2.
17. The full risk registers, as well as the Council's risk management strategy, are made available to all members through the ModernGov document library.

### **Options**

18. The Audit Committee has one option:
  - Option 1: note this report and make any observations to the Executive.
19. The Executive has one option:
  - Option 1: note this report and make any observations to the Head of Corporate Policy, Projects and Performance.

### **Legal Implications**

20. Any legal implications of risks are addressed as required and as part of their control and mitigation.
21. There are no other legal implications arising from this report.

### **Financial Implications**

# Agenda Item 8

22. Financial risks are taken into account when preparing the Medium-Term Financial Plan, Capital Investment Strategy, Revenue Budget and Capital Programme each year.

## **Equalities Implications**

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

## **Communication Implications**

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

## **Environmental Sustainability Implications**

25. There are no environmental sustainability implications arising from this report.

## **Risk Management Considerations**

26. The Council's risk registers inform the development of the annual risk based internal audit plan, progress against which is reported separately to the Audit Committee.
27. The Council's approach to managing risk is a core component of the Code of Corporate Governance.

## **Other Implications**

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

## **Consultation**

29. The contents of this report have been considered by the Council's Corporate Governance Group.

## **Policy Framework**

30. The Council's risk management strategy and methodology provides additional information on how the council manages risk.

## **Background Powers**

Risk management strategy:

[https://www.reigate-banstead.gov.uk/info/20090/council\\_policy/929/risk\\_management](https://www.reigate-banstead.gov.uk/info/20090/council_policy/929/risk_management)

## Risk management

### Strategic risk register

#### Quarter 1 – April to June 2022

#### Strategic Risks

Strategic risks are defined as those risks that have an impact on the medium to long term ambitions and priorities of the Council as set out in the Corporate Plan and the Medium-Term Financial Strategy. The Management Team has shared responsibility for strategic risks.

The Council's strategic risks are detailed in below table:

<a href="#"><u>SR1</u></a>	<a href="#"><u>Coronavirus pandemic</u></a>
<a href="#"><u>SR2</u></a>	<a href="#"><u>Financial sustainability</u></a>
<a href="#"><u>SR3</u></a>	<a href="#"><u>Commercial investment</u></a>
<a href="#"><u>SR4</u></a>	<a href="#"><u>Challenging economic conditions for residents and businesses</u></a>
<a href="#"><u>SR5</u></a>	<a href="#"><u>Organisational capacity and culture</u></a>
<a href="#"><u>SR6</u></a>	<a href="#"><u>Cost pressures affecting the viability of Council developments</u></a>
<a href="#"><u>SR7</u></a>	<a href="#"><u>Local government reorganisation, devolution and Levelling Up</u></a>
<a href="#"><u>SR8</u></a>	<a href="#"><u>ICT network capacity and resilience</u></a>
<a href="#"><u>SR9</u></a>	<a href="#"><u>Fraud</u></a>
<a href="#"><u>SR10</u></a>	<a href="#"><u>Gatwick Airport</u></a>
<a href="#"><u>SR11</u></a>	<a href="#"><u>Planning system reform</u></a>
<a href="#"><u>SR12</u></a>	<a href="#"><u>Climate change impact</u></a>

#### Risk rating

Each risk is scored using the potential impact of the risk and the likelihood of the risk happening. The risk score then determines the level of management action required:


<b>RED</b>	Where management should focus attention. Immediate actions should be identified and plans put in place to reduce risk as a priority.
<b>AMBER</b>	Where management should ensure that contingency plans are in place. These may require immediate action and will require monitoring for any changes in the risk or controls. These will be a key area of assurance focus
<b>YELLOW</b>	These should have basic mechanisms in place as part of the normal course of management.
<b>GREEN</b>	Where risk is minimal if does not demand specific attention but should be kept under review.

## Risk status

<b>Tolerate</b>	Decide to accept the risk and take no further measures. This should be a conscious and deliberate decision taken having decided that it is more cost effective to do so than attempt mitigating action.
<b>Transfer</b>	Transfer all or part of the risk. For example, to insurance or to other agencies/contractors.
<b>Treat</b>	Proactive action taken to reduce: <ul style="list-style-type: none"><li>• The probability of the risk happening by Introducing control measures</li><li>• The impact of the risk should it occur.</li></ul>
<b>Close</b>	This could involve changing an aspect of the activity or ceasing to provide the service/function/project and thus eliminate the risk.

## RISK RATINGS

IMPACT						
Grave	5					
Significant	4		SR8	SR5 SR6 SR7	SR2 SR4	
Moderate	3		SR3	SR10 SR11	SR9 SR12	
Minor	2		SR1			
Almost none	1					
		1	2	3	4	5
LIKELIHOOD		Rare	Unlikely	Possible	More than likely	Almost certain

SR1		Coronavirus pandemic		GREEN
Description		The Council will continue to respond to the Covid-19 pandemic in supporting residents, businesses as well as partner voluntary and public sector organisations. However, the effects of, and the ongoing response to, the pandemic could result in significant disruption to the delivery of services and the wider achievement of corporate objectives.		
Owner		Portfolio Holder	Cllr Brunt	
		Officers	Mari Roberts-Wood and Luci Mould	
Controls		Ongoing planning for disruption caused by the pandemic, including maintaining organisational preparedness via emergency and business continuity planning as well as robust risk assessments.  The resumption of Covid-19 command and control processes and procedures if required.  Liaison and engagement with partners and the Surrey Local Resilience Forum.		
Mitigating actions/progress		Operating within the confines of, and responding to, Covid-19 has now become part of ‘business as usual’ for the Council, with disruption being proactively planned for. The impact of Covid-19 on the Council continues to reduce, though the risk will continue to be monitored, particularly as we move into the autumn and winter period.  The Council’s offices have now fully reopened to staff with Covid-19 control measures in place to mitigate against workplace transmission, safeguarding staff health and business continuity.		
Score	Likelihood	Unlikely	Direction of travel	
	Impact	Minor		
Status		Treat		
Last update		8 August 2022		

SR2	Financial sustainability	RED
<b>Description</b>	<p>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.</p> <p>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.</p>	
<b>Owner</b>	<b>Portfolio Holder</b>	Cllr Schofield
	<b>Officers</b>	Pat Main
<b>Controls</b>	<p>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.</p> <p>The 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.</p> <p>The budget pressures identified by the MTFP will be addressed by the Council's Financial Sustainability Programme.</p> <p>The Commercial Strategy 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.</p> <p>The 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.</p> <p>The 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.</p> <p>Internal audit will be utilised to review the approach taken to secure financial sustainability.</p>	
<b>Mitigating actions/progress</b>	<p>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 and with a reducing need to draw on reserves. Key to this will be looking at delivering services differently to realise savings and/or increase income, as well as embedding lasting cultural change across the organisation.</p> <p>The programme is premised on the following:</p> <ol style="list-style-type: none"> <li><b>Projects</b> – new ideas and opportunities for generating income and/or making savings.</li> <li><b>Service and financial planning (2023/24 onwards)</b> – for all budget areas, reviewing the services delivered and the associated budgetary requirements. Ensuring that there is a clear justification for all services</li> </ol>	

SR2		Financial sustainability		RED
		<p>delivered and that budgets are set accordingly. Opportunities for delivering services in a different way to unlock savings will also be explored.</p> <p>3. <b>Fees and charges</b> – carrying out a fundamental review to ensure the full application of the fees and charges policy across the Council.</p> <p>Updates on the programme will be reported to the Overview and Scrutiny Committee and Executive.</p> <p>An updated MTFP was reported to the Overview and Scrutiny Committee and Executive in July 2022 (agenda <a href="#">available here</a>).</p> <p>The update confirmed that the risk of increasing costs, driven by inflationary pressures in the wider economy and disruption of the global supply chain, presents an increasing challenge to the Council's financial sustainability. This is especially notable for the goods and services that the Council relies on to maintain service delivery. The Council continues to ensure the most financially advantageous/sustainable option is selected when procuring goods and services and, wherever possible, the Council will ensure that increased costs are reflected in the fees and charges levied or compensating budget savings will be sought.</p>		
Score	Likelihood	More than likely	Direction of travel	-
	Impact	Significant		
Status		Treat		
Last update		2 August 2022		



SR3		Commercial investment		AMBER
Description		<p>The generation of income from commercial investment is a contributor to the Council’s financial sustainability. Following several high-profile commercial investment failures by local authorities, the ability to invest for a commercial purpose is being further restricted by changes in legislation, regulations, and codes of practice.</p> <p>Moreover, investing for commercial purposes – either in assets or in trading services – is not without risk due to market fluctuations and factors outside of the Council’s control.</p> <p>The risks associated with commercial investment range from the non-achievement of budgeted income to significant capital and revenue losses, as well as governance, legal and reputational issues.</p>		
Owner		Portfolio Holder	Cllrs Archer and Schofield	
		Officers	Mari Roberts-Wood, Pat Main and Cath Rose	
Controls		<p>Effective governance arrangements for investment decision making.</p> <p>Commercial opportunities will be considered on a case-by-case basis with up-to-date market intelligence used to inform decisions.</p> <p>Investments will be predicated on robust, stress-tested business cases and financial assessments which consider risks and benefits. Benefits will be monitored via established governance and reporting processes.</p> <p>Independent valuations will be commissioned as part of the decision-making process.</p> <p>Evidence of compliance with relevant Government and CIPFA guidance will be confirmed when business cases are approved.</p> <p>Exit strategy options will be considered at the time of decision-making.</p> <p>Commercial projects will be overseen by the Commercial Ventures Executive Sub-Committee.</p>		
Mitigating actions/progress		<p>The Council has now adopted parts 1 and 2 of the commercial strategy which sets the agreed parameters for commercial activity, including an action plan which will be reported on annually.</p>		
Score	Likelihood	Unlikely	Direction of travel	-
	Impact	Moderate		
Status		Treat		
Last update		26 July 2022		

SR4	Challenging economic conditions for residents and businesses		RED
Description	<p>A prosperous economy is essential for the wellbeing of the borough, creating employment and wealth that benefits local people and businesses. The Covid-19 pandemic has resulted in significant negative impacts upon the economy – including on sectors particularly impacted by restrictions – the effects of these will continue to be felt for some time.</p> <p>Prevailing economic conditions have a direct impact on the Council’s financial position and likewise impacts upon the demand for Council services, particularly in terms of income derived from fees and charges and the collection of monies owed.</p> <p>Challenging financial circumstances for residents may also increase their reliance on Council services which could result in cost pressures on the Council. The risk of the latter is exacerbated by household budgets being stretched by current high levels of inflation and rising consumer prices.</p>		
Owner	Portfolio Holder	Cllrs Humphreys, Neame and Ashford	
	Officers	Mari Roberts-Wood, Pat Main, Duane Kirkland, Richard Robinson, Simon Bland and Justine Chatfield	
Controls	<p>The UK and Global Economies are outside of the control and influence of the council. However, the Council is able to provide support to residents and businesses; both via direct service delivery and also through the disbursement of grants and other sources of funding.</p> <p>The Council’s Business Engagement Team provides a range of advice, support and networking opportunities for local business, allowing the Council to receive feedback on general economic performance and conditions.</p> <p>Early and regular engagement by the Community Development and Intervention teams to support residents.</p> <p>The operation of Council owned and operated emergency accommodation to reduce spend on temporary emergency accommodation.</p> <p>Applying for government grants to fund additional support services.</p> <p>Joint working and close collaboration with partners.</p>		
Mitigating actions/progress	<p>The removal of the government’s Covid-19 restrictions resulted in a marked uptick in economic activity in 2021/22, with the UK economy growing beyond its pre-pandemic size at the end of 2021.</p> <p>However, consumer price inflation has risen significantly across the world, including the UK where the consumer price index is forecast by the Bank of England’s Monetary Policy Committee to reach 13% in 2022/23. Consumer prices are rising due to sharp increases in global energy and commodity prices as well as tradable goods prices, the latter due to global supply chain disruption and bottlenecks.</p> <p>The UK economy is subsequently forecast to enter a recession in the latter part of 2022. The economic environment for residents and businesses is therefore inherently uncertain.</p> <p>The Council has released a communication campaign encouraging residents to buy local. Additionally, the Council is promoting the use of energy efficiency grants from SCC to support local businesses, highlighting energy saving and efficiency measures, such as solar panel installation, long life lights, etc to reduce the impact of rising costs.</p>		

SR4		Challenging economic conditions for residents and businesses		RED
		<p>The Council will continue to apply for business support grants to support local employment and businesses and distribute them as and when they become available.</p> <p>Following an increase during the height of the Covid-19 pandemic, the Council's Money Support service has seen referrals return to more 'normal' pre-pandemic levels. It is possible, however, that the rising cost of living will result in increased referrals. Additional resourcing has been identified to support the service if necessary. The Council also facilitates closer collaboration between the various other money and debt advice services operating in the borough.</p> <p>The Council continues to closely liaise with voluntary sector partners and to participate in the Surrey wide fuel poverty group, which will look to reduce incidents of and support residents at risk of fuel poverty. The Council administers grants to eligible householders to help them insulate their homes. The Council also provides grants to local voluntary sector organisations to provide utilities top-ups to residents living in fuel poverty.</p> <p>The Council is supporting those affected by food poverty in the borough by facilitating food club initiatives and facilitating coordination between food banks in the borough. Food clubs support residents experiencing financial hardship with access to food and basic supplies. They can help provide a sustainable solution to food poverty and reduce the need to use emergency food banks.</p> <p>In February 2022 the Chancellor announced that council taxpayers who live in a band A to D property will receive a one-off payment of £150 to support them with rising energy costs. The Council has administered this scheme on behalf of the government, with payments beginning in April 2022. The vast majority of payments to eligible residents have now been made.</p> <p>The Council continues to apply for government grants to support homeless residents, or those at risk of homelessness.</p> <p>The Council has commenced a study linking affordability of housing in the borough to the number of homelessness in Q1 of 21/22. This has continued into the 2022/23 financial year with additional data from the 1<sup>st</sup> quarter being added into the dataset.</p> <p>The Council also continues to administer the government's Household Support Fund. The first tranche of the scheme allocated the Council £382,000. This was used to support over 4,000 vulnerable households with accessing food and heating their homes. The Council also used the funds to support our voluntary sector partners and households to prevent homelessness. The government has announced the continuation of the scheme, with a further £500 million made available to local authorities across the country.</p>		
Score	Likelihood	More than likely	Direction of travel	-
	Impact	Significant		
Status		Treat/tolerate		
Last update		14 July 2022		

SR5		Organisational capacity and culture		AMBER
Description		<p>The Covid-19 pandemic has had a significant impact on the Council, with additional demands and challenges arising alongside the need to continue to deliver on corporate objectives. The pandemic has also drastically changed the way the Council operates, the context within which it does so, with a resultant shift in the organisational culture and ways of working.</p> <p>As we increasingly move into recovery, these factors underscore the importance of the Council prioritising its activities and being sustainably and efficiently resourced to meet the challenges ahead. In this new context, the embedding of a robust and resilient organisational culture that successfully supports officers and members and makes the Council an attractive place to work is similarly key. The failure to do will risk the delivery of the Council's objectives.</p>		
Owner		Portfolio Holder	Cllr Lewanski	
		Officers	Mari Roberts-Wood and Kate Brown	
Controls		<p>Implementation of the Organisational Development strategy (known as the Great People strategy).</p> <p>Development of an embedded Workforce Planning approach for the Council, with service and financial planning to appropriately resource the Council's staffing requirements.</p> <p>Recruitment, training and development.</p> <p>Ongoing consultation and engagement with staff.</p> <p>Succession planning.</p>		
Mitigating actions/progress		<p>Before the COVID-19 pandemic significant work was undertaken on the Council's Great People work programme (formerly known as the Organisational Development strategy) which has formed the solid basis for post-pandemic planning. The Council has developed and implemented an embedded Workforce Planning Approach with service and financial planning to ensure resource to meet the Council's staffing requirements.</p> <p>A proposal for the future structure of the Senior Management Team was presented to the Employment Committee and its recommendations approved, implementation has now commenced.</p> <p>Projects related to future ways of working, including 'hybrid working', are being taken forward by the Organisation Board.</p> <p>HR continue to proactively address staff wellbeing issues, with initiatives for helping support staff and their wellbeing progressing. Measures have also been implemented to support staff to come together and collaborate in a Covid secure way. A wider, strategic piece focusing on staff welfare is continuing to be developed. Staff are continuing to be encouraged to take annual leave and take suitable breaks away from work.</p>		
Score	Likelihood	Possible	Direction of travel	-
	Impact	Significant		
Status		Treat		
Last update		2 August 2022		

SR6		Cost pressures affecting the viability of Council developments		AMBER
Description		The UK construction sector has seen an increase in building material and labour costs arising from global supply chain disruption and inflationary pressures.  This disruption and increase in costs may impact the Council’s ability to deliver economically viable development projects. The effects of this are multifaceted but could result in negative financial implications as well as jeopardising the delivery of strategic corporate objectives.		
Owner		Portfolio Holder	Cllrs Biggs and Schofield	
		Officers	Mari Roberts-Wood, Luci Mould, Pat Main, Peter Boarder	
Controls		Robust, stress tested business cases for all development projects which are reported and monitored via established governance arrangements.  The Council will collaborate and seek external advice from external professional teams (quantity surveyors, employers’ agents, etc.) to attempt to resolve cost pressures.  Rigorous change management processes will be put in place for all development projects.  External grant funding opportunities will be pursued where available.		
Mitigating actions/progress		Cost pressures on Council development schemes are considered under the annual service and financial planning and budgeting process. Such cost pressures are also considered as part of business case stage of any development and are closely monitored throughout a projects lifecycle.		
Score	Likelihood	Possible	Direction of travel	-
	Impact	Significant		
Status		Treat		
Last update		8 August 2022		

SR7		Local government reorganisation, devolution and Levelling Up		AMBER
Description		A reorganisation of local government could be prompted by a range of scenarios and circumstances, including the financial failure of an authority within Surrey or as part of the government's devolution and 'Levelling Up' agenda. The uncertainty surrounding, and subsequent results of, any local government reorganisation could adversely affect the Council and the delivery of services for residents.		
Owner		Portfolio Holder	Cllr Brunt	
		Officers	Mari Roberts-Wood	
Controls		Close working with neighbouring and partner authorities to develop alternative proposals for the future of local government in Surrey. Lobbying central government where appropriate and necessary.		
Mitigating actions/progress		<p>A government White Paper on devolution and 'Levelling Up' was published in February 2022. The White Paper set out the government's Levelling Up objectives as well as details and principles of a new devolution framework for England. In May 2022 the government published its Levelling Up and Regeneration Bill. The Bill creates the statutory basis for the new forms of devolution articulated in the earlier White Paper. The Bill is currently at the committee stage in the House of Commons.</p> <p>The Bill articulates three levels of devolution. 'Level 3' describes the creation of Combined County Authorities (CCAs) with directly elected mayors as recipients of newly devolved powers and funding. Whilst the existing legislative provisions for combined authorities require all local authorities within the area covered to be a full member, the CCAs introduced by the Bill may be setup with upper-tier authorities only (county and unitary authorities). The Bill would also permit the Secretary of State to transfer powers and functions away from a county or districts in an area to the newly established CCA. The Bill may therefore result in a substantial transference of powers and responsibilities in areas receiving a CCA.</p> <p>Surrey County Council are developing a proposal to secure a county deal for Surrey as described within the Bill's devolution framework. However, at this time Surrey is not thought to be pursuing a 'level 3' devolution deal.</p> <p>The Council will continue to seek to proactively influence the debate and proposals on potential devolution deals as well as the future structure of local government within Surrey.</p>		
Score	Likelihood	Possible	Direction of travel	-
	Impact	Significant		
Status		Treat		
Last update		12 July 2022		

SR8		ICT network capacity and resilience		AMBER
Description		<p>The Covid-19 pandemic has sparked a significant shift in the way that the Council works, with increasing demands placed on technology and the underlying supporting ICT infrastructure.</p> <p>As the reliance and demands placed upon technology continues to increase, there is a risk of significant disruption to service delivery in the event of network disruption and/or outage, particularly following a cyber-attack.</p> <p>It is therefore imperative that the Council continues to invest in robust systems, infrastructure, network security and disaster recovery capabilities to manage this risk and maintain the delivery of services.</p>		
Owner		Portfolio Holder	Cllr Lewanski	
		Officers	Darren Wray	
Controls		<p>ICT has in-place several layers of defences protecting core data and systems from Internet and locally introduced threats. Including email scanning, internet browsing controls; device and server based anti-virus software and whole disk encryption for laptops.</p> <p>Virus patterns are updated on a regular basis. Firewalls are placed at points on the network where external connections join the local network.</p> <p>Implementation of the new ICT strategy to further enhance the Council's network resilience and cyber security capabilities.</p> <p>Active contract with NCCGroup, a cyber security specialist organisation for the investigation of any incidents that may arise.</p> <p>A programme of cyber security training with all staff</p>		
Mitigating actions/progress		<p>The ICT service has put in place a Service Level Agreement (SLA) with the NCCGroup, who work on behalf of the Cabinet Office on heightening cyber security across local government. The SLA provides support and instant access to the NCCGroup's expertise in the event of a cyber security incident.</p> <p>In March 2022 a proposal for significant enhancements to the Council's cyber security capabilities was approved by the Executive and Full Council as part of the Council's new ICT strategy. Implementation of the new strategy has now begun, with procurement phase beginning in Q1.</p>		
Score	Likelihood	Unlikely	Direction of travel	-
	Impact	Significant		
Status		Treat		
Last update		13 July 2022		



SR9		Fraud		AMBER
Description		Due to the wide range of activities undertaken by the Council, there is a risk of fraud being committed. The risk of the latter is exacerbated by the new areas of activity as part of the Council’s response to the Covid-19 pandemic.		
Owner		Portfolio Holder	Cllr Schofield	
		Officers	Mari Roberts-Wood and Simon Rosser	
Controls		<p>The Council maintains robust control measures to protect public funds from fraudulent activity. This includes the Counter Fraud, Corruption and Bribery Policy, Whistleblowing Policy and Prosecution Policies.</p> <p>The Council has a Fraud and Financial Investigations Team that are proactive and reactive. Investigations can be external and internal and cover all areas of corporate fraud.</p> <p>Staff induction also includes fraud awareness training, as well as awareness of established policies and procedures.</p> <p>Internal audit undertaking reviews into fraud risk areas.</p>		
Mitigating actions/progress		<p>The Council’s in-house fraud team detected elevated levels of fraudulent activity during 2021/22. This had arisen from new activity areas as part of the pandemic response – for instance, business grants and Test and Trace payments – as well as the effects of the pandemic giving rise to increased attempts to commit fraud, such as in attempting to fraudulently join the Council’s housing register.</p> <p>The Council is making proactive fraud checks on all housing applications and action will be taken where appropriate.</p> <p>A staff wide fraud awareness programme has been implemented, with training of the relevant teams continuing to take place.</p>		
Score	Likelihood	More than likely	Direction of travel	-
	Impact	Moderate		
Status		Treat		
Last update		21 July 2022		



SR10		Gatwick airport		AMBER	
Description		Despite the impact of the Covid-19 pandemic on international travel, Gatwick Airport is continuing to pursue its plans for expansion. Whilst the airport is a key local employer and its operations and supply chains have a significant bearing on the borough’s economy, its expansion risks local environmental and infrastructural issues if not appropriately planned and managed.			
Owner		Portfolio Holder	Cllr Biggs		
		Officers	Luci Mould and Simon Bland		
Controls		This risk is largely outside of the Council’s control and is dependent on any possible support provided by the government to the aviation sector and the commercial decisions made by private companies.  The council will continue to regularly engage throughout the planning process to mitigate negative outcomes and maximise benefits.  Engagement with Gatwick via the formal planning process  Cooperation with neighbouring Local Authority partners affected by the expansion			
Mitigating actions/progress		Gatwick continues to pursue its plans for expansion. The Council responded to a consultation in advance of the airport’s application for a development consent order, which is expected to be made towards the end of 2022.  A new phase of engagement has commenced in Q1 of 2022/23, which the Council is continuing to participate in.			
Score	Likelihood	Possible		Direction of travel	-
	Impact	Moderate			
Status		Treat/tolerate			
Last update		14 July 2022			

SR11	Planning system reform		AMBER
Description	<p>The government is considering changes to the planning system in England. There is a risk that, if adopted in the form contained in the consultation White Paper, these changes could result in a loss of local democratic control over planning matters.</p> <p>Although the government have confirmed that they will not be increasing the threshold at which affordable housing is required from developments (which was included in a past consultation documents), there is a risk that the other proposed changes, if adopted into national policy, could result in a reduction in the delivery of affordable housing in the borough.</p>		
Owner	Portfolio Holder	Cllr Biggs	
	Officers	Luci Mould and Andrew Benson	
Controls	<p>Respond to the government's consultation as it develops, and as additional rounds of consultation are issued.</p> <p>To continue to pursue the delivery of affordable housing as detailed in the Council's housing strategy.</p>		
Mitigating actions/progress	<p>In May 2022 the Queen's Speech announced new proposed reforms to the planning system, as part of a Levelling Up and Regeneration Bill. The Bill is currently at the committee stage in the House of Commons.</p> <p>The Bill has not taken forward a number of measures set out in the previous Planning for the Future White Paper.</p> <p>The key highlights of these proposed reforms include:</p> <ul style="list-style-type: none"><li>• A new development plan system will be introduced at the local level. This may result in changes to the setting of local plans by local authorities.</li><li>• The Local Planning Authorities (LPAs) being required to make all planning decisions in accordance with their development plan (and any national development management policies) unless material considerations strongly indicate otherwise.</li><li>• A proposal to introduce street referenda on developments. These 'street votes' are intended to provide residents with the power to set their own development rules in suburban areas. As written, 20% of residents or around 10 homeowners, whichever figure is higher, could ask their local council to hold a referendum on a design code for their street.</li><li>• The introduction of a new infrastructure levy to be implemented by English local authorities to replace the Community Infrastructure Levy (CIL) and most developer contributions to local infrastructure and affordable housing via 'section 106 agreements. It is currently unclear whether this levy will be nationally or locally set.</li><li>• Amendments to provisions for neighbourhood planning by listing the policies and requirements that a neighbourhood plan may include with neighbourhood development orders being prohibited from preventing housing development proposed in the area's development plan.</li><li>• The document-based planning system currently in effect would move to a digital one. This is intended to improve the speed and efficiency of</li></ul>		

SR11		Planning system reform		AMBER
		<p>application decisions and allow residents to be more engaged in the development of their local area.</p> <p>The Bill is still at an early legislative stage. The implications arising will be closely monitored and any action taken as necessary. As the Bill progresses through Parliament it may require an amendment to the current risk description to fully capture the emerging potential impacts.</p>		
Score	Likelihood	Possible	Direction of travel	-
	Impact	Moderate		
Status		Treat		
Last update		21 July 2022		

SR12		Climate change impact		AMBER
Description		It is widely recognised that the Earth’s climate is changing, with this forecast to result in more extreme weather. This could have negative impacts, including on the built and natural environment, with vulnerable residents likely to be most severely impacted.  In response, the Council may encounter difficulties in delivering services and may similarly have additional demands placed upon it, particularly as climate change adaptation and mitigation becomes increasingly necessary.		
Owner		Portfolio Holder	Cllrs Lewanski and Brunt	
		Officers	Cath Rose, Frank Etheridge, Andrew Benson	
Controls		The Council’s multi-agency adverse weather emergency plan as well as service level business continuity plans.  Partnership work with Surrey County Council and the Environment Agency to mitigate flooding in local developments.  The creation of an internal Sustainability Team and the associated implementation of the recommendations of the Environmental Sustainability Strategy.  Supplementary planning document detailing climate change and sustainable construction for new developments in the borough. Consideration of climate change impacts requirements under the new local plan.		
Mitigating actions/progress		The Council continues to actively implement measures to reduce the impact of extreme weather on local developments. For example the installation of swales at Merstham Recreational Ground to improve drainage capacity. Further activity is taking place in the north of the borough to reduce the impact from flooding and other extreme weather events, with the Council actively engaging in local flood action groups.  The Council has recently introduced a Household Emergency Plan, which details what activities households can take to minimise impact from flooding or other extreme weather events. The plan will shortly be published on the Council’s website.  The Council’s emergency planning team continues to proactively engage at the Surrey Local Resilience Forum for preparing for and responding to extreme weather events.  The heatwaves experienced in July 2022 required the Council to implement measures to safeguard business continuity and staff welfare. This included issuing staff working outside with sunscreen, hats and water as well as altering refuse collection times to avoid staff working in the hottest part of the day. Service delivery continued despite the heatwave’s impacts.		
Score	Likelihood	More than likely	Direction of travel	—
	Impact	Moderate		
Status		Tolerate/Treat		
Last update		27 July 2022		



<b>SIGNED OFF BY</b>	<b>Chief Finance Officer</b>
<b>AUTHOR</b>	Jacquie Aboagye, Finance Manager
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<b>TO</b>	Audit Committee Executive Council
<b>DATE</b>	Wednesday, 7 September 2022 Thursday, 15 September 2022 Thursday, 22 September 2022
<b>EXECUTIVE MEMBER</b>	Portfolio holder for Finance & Governance

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

<b>SUBJECT</b>	Treasury Management Outturn Report 2021/22
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<b>RECOMMENDATIONS</b>
<p><b>RECOMMENDATIONS:</b></p> <p><b>That Audit Committee:</b></p> <ul style="list-style-type: none"> <li>(i) Note the Treasury Management Performance for 2021/22 and provide any feedback for consideration by Executive;</li> </ul> <p><b>That Executive:</b></p> <ul style="list-style-type: none"> <li>(i) Note the Treasury Management Performance for 2021/22;</li> <li>(ii) Recommend that Council approves the outturn against the 2021/22 Prudential and Treasury Management Indicators and the Annual Treasury Management Report (Annex 1).</li> </ul> <p><b>That Council</b></p> <ul style="list-style-type: none"> <li>(i) Approves the outturn against the 2021/22 Prudential and Treasury Management Indicators and the Annual Treasury Management Report (Annex 1)</li> </ul>
<b>REASONS FOR RECOMMENDATIONS</b>

# Agenda Item 9

This report confirms compliance with the requirements of the regulatory framework for treasury management.

The Council is required to receive and approve, as a minimum, three treasury reports each year, which incorporate relevant policies, estimates and actuals:

- (i) **Prudential and Treasury Indicators and Treasury Strategy** – sets the framework for treasury management activities in the following financial year.

The Treasury Management Strategy and Performance Indicators for 2021/22 were approved by Council on 8 April 2021.

- (ii) **Mid-Year Treasury Management Report** – updates Members on the current borrowing and investment position, whilst amending prudential indicators and revising policies where necessary.

The mid-year report for 2021/22 was reported to Executive on 16 December 2021 and approved by Council on 10 February 2022.

- (iii) **Annual Treasury Management Outturn Report** – a backward-looking review focussing on the previous year's performance. This report.

## EXECUTIVE SUMMARY

This report sets out treasury management performance for 2021/22 including performance against the Prudential and Treasury Management Indicators.

It will be presented to Audit Committee on 7 September 2022 and Executive on 15 September 2022. Council will be asked to approve the recommendations on 22 September.

**Council has authority to approve the recommendations in this report.**

## STATUTORY POWERS

1. The Council operates its Treasury Management activity as an integral part of its statutory obligation to effectively manage the Council's finances under the Local Government Act 2003 and associated regulations.
2. Treasury Management activities are undertaken in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice on Treasury Management, the Prudential Code for Capital Finance in Local Authorities and the Government's Investment Guidance.  
CIPFA published revised Prudential and Treasury Management Codes on 20th December 2021. The formal reporting requirements of the revised Codes will be implemented in 2023/24.

## BACKGROUND

3. Regulations issued under the Local Government Act 2003 require local authorities to produce an annual review of its treasury management activities for the previous year, including performance against the Prudential and Treasury Management Indicators.

## KEY INFORMATION

### Treasury Management Strategy

4. Performance during 2021/22 is reported at Annex 1.

Audit Committee has two options

**Option 1** – note the report and provide any feedback for consideration by Executive.

**Option 2** – note the report but ask officers to provide more detail on specific issues contained in the report before it can be submitted to Executive.

Executive has three options:

**Option 1** – note the report and recommend its approval by Council.

**Option 2** – note the report but ask officers to provide more detail on specific issues contained in the report before it can be submitted to Council for approval.

**Option 3** – reject the report. This would result in non-compliance with the Treasury Management Code of practice and associated regulations.

Executive is asked to approve Option 1.

## LEGAL IMPLICATIONS

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

## FINANCIAL IMPLICATIONS

6. The financial implications of the Treasury Outturn 2021/22 were reflected in the budget section of the Quarter 4 Performance Report to Executive on 23 June 2022. There are no additional direct financial implications that arise from this report.

## EQUALITIES IMPLICATIONS

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

## COMMUNICATION IMPLICATIONS

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

# Agenda Item 9

## **ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS**

9. Investment decisions take into account the counter-party's environmental, social and governance (ESG) performance where possible.

## **RISK MANAGEMENT CONSIDERATIONS**

10. Key risks are managed in accordance with Prudential Code indicators, including ensuring Security, Liquidity and Yield for investments. Further details are provided at Annex 1.

## **CONSULTATION**

11. The report will be presented to the Audit Committee on 7 September 2022 for their observations.

## **POLICY FRAMEWORK**

12. This report is submitted in accordance with the Council's Treasury Management Policy.

## **BACKGROUND PAPERS**

- Executive 25 March 2021 – *Treasury Management Strategy 2021/22*
- Executive 16 December 2021– *Half Year Treasury Management Report for 2021/22*
- Executive 23 June 2022 – *Quarter 4 Performance Report 2021/22*



## **ANNUAL TREASURY MANAGEMENT OUTTURN REPORT**

### **2021/22**

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## 1. Purpose

The purpose of this report is to present the Council's Annual Treasury Management Outturn report for 2021/22.

The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for the previous financial year as reported at Appendix 1. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2021/22, the minimum reporting requirements were that Council should receive the following reports:

1. The Treasury Management Strategy Statement (TMSS) Report;
2. A mid-year, (minimum), Treasury Update report.  
This is presented to Council in February each year and updates Members on the Treasury Management activity of the authority with the context of the approved TMSS; and
3. An Annual Review following the end of the year (this report).

The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is important in that regard, as it provides details of the outturn position for treasury activities and highlights compliance with the policies previously approved by Council. It will also be presented to the Audit Committee for scrutiny and review.

Member training on treasury management was undertaken in March 2022 in order to support them in their scrutiny and oversight role.

Link Asset Management continued to provide services as the Council's treasury advisors. Their latest commentary is attached at Appendix 2.

## 2. Summary

During 2021/22, the Council complied with legislative and regulatory requirements. The key prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are set out below:

<b>Table 1: PRUDENTIAL AND TREASURY INDICATORS</b>	<b>2020/21 Actual £000</b>	<b>2021/22 Original Budget £000</b>	<b>2021/22 Actual £000</b>
<b>Capital Expenditure:</b>			
General Fund (see Table 2)	25,786	41,279	35,683

<b>Table 1: PRUDENTIAL AND TREASURY INDICATORS</b>	<b>2020/21 Actual £000</b>	<b>2021/22 Original Budget £000</b>	<b>2021/22 Actual £000</b>
<b>Total</b>	<b>25,786</b>	<b>41,279</b>	<b>35,683</b>
<b>Capital Financing Requirement: In year change</b>			
General Fund	22,108	35,729	20,541
<b>Total</b>	<b>22,108</b>	<b>35,729</b>	<b>20,541</b>
<b>Gross Borrowing:</b>			
Long Term credit arrangements	-	-	-
External Debt	9,000	-	-
<b>Total</b>	<b>9,000</b>	<b>-</b>	<b>-</b>
<b>Investments:</b>			
Under 1 year	36,000	-	19,300
Longer than 1 year	-	-	-
<b>Total</b>	<b>36,000</b>	<b>-</b>	<b>19,300</b>
<b>Net Borrowing / (Net Investment)</b>	<b>(27,000)</b>	<b>-</b>	<b>(19,300)</b>

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

### 3. Introduction and Background

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

- Capital investment activity and the impact of this activity on the Council's underlying indebtedness (the 'Capital Financing Requirement' - CFR); and
- Performance against Prudential and Treasury Management indicators (Appendix 1).

### 4. Treasury Management Audit

The Council's treasury management function is audited on a cyclical basis by the Southern Internal Audit Partnership (SIAP) as part of the Audit Plan. The most recent audit took place in 2020/21 and the audit report was issued in May 2021.

The audit objective was to confirm the effectiveness of key controls in the following areas:

- Treasury Management arrangements are formalised through effective strategies, policies and procedures, and roles and responsibilities are clearly documented and understood, with the segregation of duties considered wherever possible throughout the Treasury Management process.
- Investment and borrowing decisions are based upon sound information, and are clearly documented, together with the rationale and are approved.
- Investment and borrowing transactions are made accurately, and securely, and appropriately recorded and accounted for.
- Management information enables adequate Treasury Management monitoring and reporting.

At the outcome of the audit SIA reported a Reasonable Assurance opinion and concluded that: *‘There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited’.*

Two low priority management actions were reported and were completed by 31 May 2021. They both related to adding reviewer comments and signature to the bank reconciliation control sheet to help evidence that the review had been carried out.

The audit has therefore confirmed that there are no identified control weaknesses in the systems and processes that have been used to produce the information in this report.

## 5. Capital Expenditure and Financing

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

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

The table below sets out the capital expenditure during 2021/22 and how it was financed.

<b>Table 2: CAPITAL FINANCING</b>	<b>2020/21 Actual £000</b>	<b>2021/22 Original Budget £000</b>	<b>2021/22 Actual £000</b>
Total Capital Expenditure	25,786	41,279	35,683
<b>Financed By:</b>			
Capital Grants	1,957	4,187	2,812
Capital Receipts	1,476	2,385	11,764
Revenue Contribution	-	9,520	-

<b>Table 2: CAPITAL FINANCING</b>	<b>2020/21 Actual £000</b>	<b>2021/22 Original Budget £000</b>	<b>2021/22 Actual £000</b>
Capital Reserves	-	-	-
<b>Total Grants &amp; Receipts</b>	<b>3,433</b>	<b>16,092</b>	<b>14,577</b>
unfinanced capital expenditure	22,353	25,187	21,106
<b>Total Finance</b>	<b>25,786</b>	<b>41,279</b>	<b>35,683</b>

## 6. Overall Borrowing Need

The underlying need to borrow for capital expenditure is the 'Capital Financing Requirement' (CFR). The CFR increase within any net financing need for the year and reduces through the application of resources, including an annual charge to revenue budget, the Minimum Revenue Provision (MRP).

The Council's CFR for the year is set out below and represents a key prudential indicator.

<b>Table 3: CAPITAL FINANCING REQUIREMENT (CFR)</b>	<b>2020/21 Actual £000</b>	<b>2021/22 Original Budget £000</b>	<b>2021/22 Outturn £000</b>
Opening balance	31,105	49,875	53,214
Add unfinanced capital expenditure	22,353	36,023	21,106
Less MRP	(245)	(294)	(565)
Less PFI & finance lease repayments	-	-	-
In year change in CFR	<b>22,108</b>	<b>35,729</b>	<b>20,541</b>
<b>Cumulative Capital Financing Requirement (CFR)</b>	<b>53,214</b>	<b>85,604</b>	<b>73,754</b>

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

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

repayment of the associated borrowing.

The CFR can also be reduced by:

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

The 2021/22 MRP Policy (as required by MHCLG Guidance) was approved by Council as part of the Treasury Management Strategy for 2021/22 on 8 April 2021.

**Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and that borrowing is only used for a capital purpose, the Council has to ensure that its gross external borrowing does not, except in the short term, exceed the total of the CFR in the preceding year (2020/21) plus the estimates of any additional capital financing requirement for the current (2021/22) and next two financial years. This confirms that the Council is not borrowing to support revenue expenditure. The table below sets out the Council's gross borrowing position against its CFR and confirms that the Council has complied with this prudential indicator.

<b>Table 4: GROSS BORROWING POSITION</b>	<b>2020/21 Actual £000</b>	<b>2021/22 Original Budget £000</b>	<b>31 March 2022 (2021/22) Actual £000</b>
<b>Gross External Borrowing Position (Table 1)</b>	<b>9,000</b>	-	-
Cumulative CFR (Table 3)	53,214	85,604	73,754
<b>(Under) / Over Funding of CFR</b>	<b>(44,214)</b>	<b>(85,604)</b>	<b>(73,754)</b>

**The Authorised Limit** - the Authorised Limit is the 'affordable borrowing limit' required by section 3 of the Local Government Act 2003. Once this has been approved, the Council does not have authority to borrow above this level without formal adoption of a revised Limit. The table below confirms that the Council has maintained gross borrowing within its Authorised Limit during 2021/22

**The Operational Boundary** – the Operational Boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the Boundary are acceptable subject to the Authorised Limit not being breached.

**Actual financing costs as a proportion of net revenue stream** - this indicator confirms the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the 'Net Revenue Stream' (the Council's revenue budget).

<b>TABLE 5: COST of CAPITAL AGAINST NET REVENUE STREAM</b>	<b>2021/22</b>
Authorised Limit	£123m
Maximum gross borrowing position during the year	-

<b>TABLE 5: COST of CAPITAL AGAINST NET REVENUE STREAM</b>	<b>2021/22</b>
Operational Boundary	£113m
Average gross borrowing position	-
Net financing costs as a proportion of Net Revenue Stream	(2.63)%

## 7. Treasury Position at 31 March 2022

The Council's debt and investment position is organised by the treasury management team in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks across all treasury management activities. Procedures and controls to achieve these objectives are well established both through officer and Member reporting and through officer activity as set out in the Council's Treasury Management Practices. At the end of 2021/22 the Council's treasury position was as follows:

<b>Table 6: DEBT PORTFOLIO</b>	<b>31 March 2021 Principal £000</b>	<b>Rate / Return %</b>	<b>Average Life (years)</b>	<b>31 March 2022 Principal £000</b>	<b>Rate / Return %</b>	<b>Average Life (years)</b>
<b>Fixed rate funding:</b>						
PWLB	-	-	-	-	-	-
Portsmouth City Council	5,000	1.20%	3 months	-	-	-
Elmbridge Borough Council	4,000	1.70%	9 months	-	-	-
<b>Total</b>	<b>9,000</b>	<b>1.45%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Variable Rate Funding:</b>						
PWLB	-	-	-	-	-	-
Market Loans	-	-	-	-	-	-
<b>Total Debt</b>	<b>9,000</b>	<b>1.45%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CFR (Table 3)</b>	53,214	-	-	73,754	-	-
<b>Over / (Under) Borrowing</b>	<b>(44,214)</b>	<b>-</b>	<b>-</b>	<b>(73,754)</b>	<b>-</b>	<b>-</b>

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

<b>Table 7: MATURITY STRUCTURE OF BORROWING 2021/22</b>		
<b>Fixed &amp; Variable Rate Borrowing</b>	<b>Lower</b>	<b>Upper</b>
Under 12 months	100%	
12 months to 2 years		
2 years to 5 years		
5 years to 10 years		
10 years to 20 years		
20 years to 30 years		
30 years to 40 years		
40 years to 50 years		

The authority does not currently have any external borrowing; the limit will be reviewed and

refined as borrowing takes place.

<b>Table 8: INVESTMENT PORTFOLIO</b>	<b>31 March 2021 Principal £000</b>	<b>Rate/ Return %</b>	<b>Average Life (years)</b>	<b>31 March 2022 Principal £000</b>	<b>Rate/ Return %</b>	<b>Average Life (years)</b>
<b>Investments:</b>						
- In-House	23,000	0.01%	1 year	19,300	0.03%	1 year
- With Brokers	13,000	1.58%	5 months	-	-	-
<b>Total Investments</b>	<b>36,000</b>	<b>0.69%</b>	<b>0.75 years</b>	<b>19,300</b>	<b>0.03%</b>	<b>1 years</b>

<b>Table 9: INVESTMENT PORTFOLIO</b>	<b>Actual 31 March 2021 £000</b>	<b>Actual 31 March 2021 %</b>	<b>Actual 31 March 2022 £000</b>	<b>Actual 31 March 2022 %</b>
<b>Treasury investments</b>				
Banks	-	-	800	4%
Building Societies - rated	13,000	36%	-	-
Local authorities	-	-	-	-
Money Market Funds	23,000	64%	18,500	96%
<b>Total</b>	<b>36,000</b>	<b>100%</b>	<b>19,300</b>	<b>100%</b>
Bond funds	-	-	-	-
Property funds	-	-	-	-
<b>Total managed externally</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL TREASURY INVESTMENTS</b>	<b>36,000</b>	<b>100%</b>	<b>19,300</b>	<b>100%</b>

<b>Table 10: INVESTMENT PORTFOLIO</b>	<b>Actual 31 March 2021 £000</b>	<b>Actual 31 March 2021 %</b>	<b>Actual 31 March 2022 £000</b>	<b>Actual 31 March 2022 %</b>
<b>Non-Treasury Investments</b>				
Third party loans <sup>1</sup> & share capital:				
Subsidiaries – Greensand Property Holdings Ltd	14,410	15%	15,223	20%
Companies – Horley Business Park Development LLP	877	1%	975	1%
Associate – Pathway for Care Ltd	1,100	1%	1,100	1%
Investment Property	43,373	45%	40,989	53%
<b>Non-Treasury Investment Total</b>	<b>59,760</b>	<b>62%</b>	<b>58,287</b>	<b>75%</b>
Treasury investments	36,000	38%	19,300	25%
<b>TOTAL – ALL INVESTMENTS</b>	<b>95,760</b>	<b>100%</b>	<b>77,587</b>	<b>100%</b>

NOTE1: principal plus accrued interest

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



<b>Table 11: ALL TREASURY INVESTMENTS</b>	<b>2020/21 Actual £000</b>	<b>2021/22 Budget £000</b>	<b>2021/22 Actual £000</b>
Investments:			
Up to 1 year	36,000	-	19,300
Longer than 1 year	-	-	-
<b>Total</b>	<b>36,000</b>	<b>-</b>	<b>19,300</b>

## 8. Borrowing Outturn 2021/22

No external borrowing was undertaken in 2021/22. The Council has maintained an internal borrowing strategy for 2021/22, using its cash balances to fund capital expenditure and avoid borrowing costs. This will be kept under review to plan for the time when the Authority may not be able to avoid new borrowing to finance its capital expenditure plans.

## 9. Investment Outturn 2021/22

**Investment Policy** – the Council's investment policy is governed by MHCLG investment guidance and was implemented in the Treasury Management Strategy approved by the Council on 8 April 2021. The Policy sets out the approach for choosing investment counterparties based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, such as rating outlooks, credit default swaps and bank share prices etc.

Investment activity during the year conformed to the approved Policy and the Council experienced no liquidity difficulties.

**Resources** – the Council's cash balances comprise revenue and capital resources and cash flow monies. Core cash resources comprised usable reserves as follows:

<b>Table 13: USABLE RESERVES</b>	<b>2020/21 Actual £000</b>	<b>2021/22 Actual £000</b>
General Fund Balance	3,000	3,000
Earmarked Reserves	49,172	37,978
Usable Capital Receipts	5,885	7,271
Capital Grants Unapplied Reserve	27,912	27,912
<b>Total</b>	<b>85,968</b>	<b>76,161</b>

**Investments** - the Council maintained an average balance of £19.3m of investments in 2021/22 which earned an average rate of return of 0.03%. The comparable external performance indicator is the average 12-month SONIA rate, which was 1.64%. The Council's average rate of return of 0.03% was mainly driven by the money market fund investments made during the pandemic where interest rates were less favourable.

## 10. Other Treasury Management Matters

**Pooled Investment Funds.** The Council had no pooled investment funds during the year.

**Non-treasury management investments.** The Council's current approach to making property investment decisions is set out in its Capital Investment Strategy which explains how investment decisions are made, how delivery is approached and how risks are managed. In order to support investment decisions, the Council relies on the principles established in its Commercial Investment Strategy and powers under the Localism Act 2011.

## PRUDENTIAL AND TREASURY INDICATORS

1.1 PRUDENTIAL INDICATORS	2020/21 Actual £000	2021/22 Original Budget £000	2021/22 Actual £000
<b>Capital Expenditure (Table 2)</b>			
General Fund	25,786	41,279	35,683
<b>Ratio of net financing costs to net revenue stream (Table 5)</b>			
General Fund	(2.76) %	(4.13) %	(2.63) %
<b>Gross Debt (Table 4)</b>			
Brought forward 1 April	12,000	9,000	9,000
Carried forward 31 March	9,000	-	-
In year borrowing requirement	(3,000)	(9,000)	(9,000)
<b>Capital Financing Requirement (Table 3)</b>			
Opening CFR	31,105	49,875	53,214
In year CFR change	22,108	35,729	20,541
Closing CFR	53,214	106,029	73,754
<b>Annual change in Capital Financing Requirement (Table 3)</b>			
General Fund	22,108	35,729	20,541

1.2 TREASURY MANAGEMENT INDICATORS	2020/21 Actual £000	2021/22 Original Budget £000	2021/22 Actual £000
<b>Authorised Limit for External Debt</b>			
Borrowing	115,735	122,566	122,566
Other long-term liabilities	500	500	500
<b>Total</b>	<b>116,235</b>	<b>123,066</b>	<b>123,066</b>
<b>Operational Boundary for External Debt</b>			
Borrowing	105,735	112,566	112,566
Other long-term liabilities	500	500	500
<b>Total</b>	<b>106,235</b>	<b>113,066</b>	<b>113,066</b>
<b>Actual External Debt</b>	<b>9,000</b>	<b>-</b>	<b>-</b>

## LINK TREASURY SERVICES COMMENTARY

### ECONOMIC UPDATE (June 2022)

The second quarter of 2022 saw:

- GDP fall by 0.1% m/m in March and by 0.3% m/m in April;
- An easing rather than a collapse in the composite Purchasing Managers Index (PMI);
- A further rise in Consumer Price Index (CPI) inflation to a new 40-year high of 9.1% in May;
- The first signs that the weakening in economic activity is filtering into a slightly looser labour market;
- Bank Rate rise to 1.25%, taking it to its highest level since the Global Financial Crisis;
- Gilt yields caught up in the global surge in bond yields triggered by May's strong rise in US inflation;
- Rising global bond yields and concerns over growth drive a global sell-off in equity markets.
- Following the 0.1% m/m fall in GDP in March and the 0.3% m/m contraction in April, the economy is now moving towards a recession (two quarters of falling output in a row). Indeed, GDP would need to rise by 0.4-0.5% m/m in both May and June to prevent the economy from contracting in Q2 as a whole. That said, without the joint wind down of the COVID-19 Test and Trace and vaccination programme, GDP would have risen by 0.2% m/m and 0.1% m/m in March and April respectively. That's hardly strong, but it suggests the underlying momentum is not quite as weak as the headline figures imply.
- There is not much evidence that higher inflation and higher interest rates have yet become a big drag on activity. Services output did fall by 0.3% m/m in April. But output in consumer-facing services, conversely, rose by a solid 2.3% m/m in April. And although the Office for National Statistics (ONS) said that some of the 1.0% m/m fall in manufacturing output was linked to the drag on activity from higher prices, it also said that some of the 0.4% m/m drop in construction output in April was a drop back after the boost in the wake of February's Storm Eunice.
- The fact that the composite PMI didn't fall in June also suggests that in Q2 (Apr – June) real GDP has softened rather than collapsed. The S&P Global/CIPS all-sector PMI for June was unchanged from its level of 53.1 in May, signalling tepid but positive growth. According to the Lloyd's barometer, business confidence in May also remained remarkably resilient.
- Despite the fall in the GfK composite measure of consumer confidence to a new record low of -41 in June, April's £1.4bn rise in consumer credit suggests households appear to have turned to credit to support their spending as the cost-of-living squeeze has intensified. Meanwhile, the household saving rate held steady at 6.8% in Q1 in line with its long-term average and we expect households to lower their saving rate further when the bigger falls in real incomes come in Q2 and Q3 to cushion the blow to spending.
- The Chancellor's latest fiscal support of £10.3bn (0.5% of GDP), which comprised £15.3bn of handouts to households, partly funded by a £5bn tax on the profits of oil and gas producers, will help support GDP in the second half of the year. And with the Prime Minister and the Chancellor desperately needing to boost their popularity, some tax cuts may be announced in the Autumn Budget.
- There have been early signs that the recent weakening in economic activity is filtering through into a slightly looser labour market. The unemployment rate edged up from 3.7% in the three months to March to 3.8%. The single-month data showed that employment fell by 254,000 in April and the unemployment rate rose from 3.5% to 4.2%. And the upward march in the number of job vacancies slowed, with the three-month average only rising from 1.296m in April to 1.300m in May. A seasonal adjustment of the single-month data implies that vacancies fell in May for the first time since COVID-19 was rife in December.

- *At the same time, a 1.8% m/m fall back in average earnings in April meant that the 3myy rate of earnings eased from 7.0% in March to 6.8% in April. And a lot of the 0.5% m/m rise in earnings excluding bonuses was probably due to the 6.6% rise in the National Living Wage on 1st April. The 3myy rate of earnings excluding bonuses stayed at 4.2%.*
- *That said, conditions in the labour market remain exceptionally tight. The unemployment rate is still close to its recent 47-year low, and there is the same number of unemployed people as job vacancies and at 6.8% in April, the 3myy rate of average earnings is at a 10-year high (although it is still falling in real terms) and is well above the 3.0-3.5% that is broadly consistent with the 2.0% inflation target (assuming that productivity growth is 1.0-1.5%).*
- *CPI inflation rose from 9.0% in April to a new 40-year high of 9.1% in May and it is not yet close to its peak. The increase in CPI inflation in May was mainly due to a further leap in food price inflation from 6.7% to a 13-year high of 8.5%. With the influence of increases in agricultural commodity prices yet to fully feed into prices on the supermarket shelves, we think that food price inflation will rise above 10% in September. And with two-thirds of the observation period for the Ofgem price cap having now passed, something like a 40% rise in utility prices is pretty much baked in the cake for October. The further rise in core producer price inflation, from 13.9% to 14.8%, suggests that core goods CPI inflation will probably rise to 14% before long. We think that will take CPI inflation to a peak of around 10.5% in October.*
- *The rise in services CPI inflation from 4.7% in April to 4.9% in May suggests that domestic price pressures are still strengthening.*
- *There now seems to be an even greater likelihood that second-round effects, whereby high inflation feeds back into higher price and wage expectations, keep inflation higher for longer. For some time, the Monetary Policy Committee (MPC) has placed a lot of weight on the results of the Bank of England's monthly Decision Maker Panel which asks businesses how they expect to change their prices and wages over the next year. May's survey revealed that businesses still expect to raise their selling prices by 6.0% and their wages by 4.8% over the next year. Meanwhile, XpertHR said that pay settlements across the economy stayed at a 30-year high of 4.0% in May. The government appears to be contemplating raising public sector pay by up to 5%. And the 7.1% pay rise granted to some railway workers sets a high bar for the negotiations that led to train strikes across large parts of the country in mid-June.*
- *The MPC has now increased interest rates five times in as many meetings and raised rates to their highest level since the Global Financial Crisis. Even so, coming after the Fed raised rates by 75 basis points (bps) in June and a handful of other central banks have recently raised rates by 50bps, the Bank of England's action is relatively dovish. The MPC's decision not to follow the Fed and raise rates by more makes some sense. The UK's status as a larger importer of commodities, which have jumped in price, means that households in the UK are now facing a much larger squeeze on their real incomes.*
- *But the MPC's new guidance is that if there are signs of "more persistent inflationary pressures" it will, "if necessary act forcefully in response". We expect the MPC to continue to raise rates in steps of 25bps rather than 50bps. We think the MPC will raise rates from 1.25% now to a peak of 2.75% next year. That's higher than the peak of 2.00% forecast by economists, but lower than the peak priced into the financial markets.*
- *Gilt yields have been caught up in the global surge in bond yields triggered by the surprisingly strong rise in CPI inflation in the US in May. The rises in two-year gilt yields (to a peak of 2.37% on 21st June) and 10-year yields (to a peak of 2.62%) took them to their highest level since 2008 and 2014 respectively. And in response to signs that central banks (particularly the US Fed) are going to raise interest rates faster to get on top of inflation, we now think that 10-year gilt yields will reach a peak of 2.70% (up from 2.39% currently) this year and into 2023.*
- *While the S&P 500 is 8.4% below its level a month ago, the FTSE 100 is 5.7% below it. Part of the sell-off has been driven by the rapid rise in global bond yields and the resulting downward pressure on equity valuations as well as concerns over economic growth.*
- *Finally, the pound has already weakened from \$1.37 and €1.21 earlier this year to \$1.21 and €1.16. A lot of these moves have been driven by concerns over the outlook for the global economy and the resulting poor performance of risky assets, which has increased the demand for the dollar relative to sterling. If*

interest rates rise faster and further in the US than in the UK, rate differentials and a worsening in risk appetite will push the pound even lower, from \$1.21 now to \$1.18 by the end of 2022. We don't expect the pound to fall by as much against the euro (from €1.16 to €1.14 next year). But once global inflation and global interest rates peak, the pound will probably benefit from the return of risk appetite. It may rise to \$1.25 by the end of 2023 and to \$1.30 by the end of 2024.

### INTEREST RATE FORECAST (August 2022)

Comparison of forecasts for Bank Rate today v. previous forecast													
Bank Rate	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
09.08.22	2.25	2.50	2.75	2.75	2.75	2.50	2.50	2.25	2.25	2.25	2.25	2.25	2.00
21.06.22	1.75	2.25	2.75	2.75	2.75	2.75	2.50	2.50	2.25	2.25	2.25	2.25	-
Change	0.50	0.25	0.00	0.00	0.00	-0.25	0.00	-0.25	0.00	0.00	0.00	0.00	-

- Since our last update in June, central banks in the developed economies have significantly quickened the pace of their monetary policy tightening. Although their policies are bespoke and reflect the economic backdrop in each of their countries, that is not to say there has not been a similar approach to dampening inflationary pressures that are still spiking upwards. In that respect, the US FOMC has led with increases of 225bps in the year to date, whilst the Bank of England's MPC has increased its Bank Rate by 150bps to 1.75%.
- The latest Bank Rate increase was implemented last Thursday. After an 8-1 vote in favour, Bank Rate shifted up 50bps from 1.25% to 1.75%, but the MPC was careful to keep its options open regarding future decision-making (also note that one vote was for only a 25bps increase). It tweaked its forward guidance in a couple of ways. First, it added that "policy is not on a pre-set path" and that the MPC will decide the "appropriate level of Bank Rate at each meeting". Second, it now says that "further changes" rather than "further increases" in Bank Rate "will reflect the Committee's assessment of the economic outlook and inflationary pressures". The first change suggests that rates will not automatically rise by 50bps at the next few meetings and that the higher rates go, the more important the level. The second change appears to open the door to rate cuts further ahead.
- In addition, the MPC surprised the market with its candidness in respect of its UK economic growth forecast assumptions. It stated that the UK is in for five quarters of recession starting in Q4 2022 and running all the way through to the end of 2023. In the interim, it is projected that CPI inflation will exceed 13% in Q4 2022. Half of this increase can be attributed directly to gas/electricity price inflation and a further 2% - 2.5% to the indirect knock-on effects of higher energy on production/services.
- Furthermore, the MPC said that it is "provisionally minded" to commence gilt sales of £10bn per quarter from the end of September. That means the balance sheet will soon start to shrink at a faster pace.
- However, that said, the MPC appeared also to be sending dovish signals further ahead as the forecast recession involves a 2.2% decline in GDP and if interest rates rise to 3.00%, as the markets currently expect, inflation will be below the 2% target in three years' time. That appears to imply that rates don't need to rise as far as 3.00% and/or that at some point in the next three years rates will need to be cut again to boost inflation.
- The Bank also acknowledged it has not taken account of the prospect of a change in Government policy regarding the potential tax cuts offered up by both Conservative leadership candidates vying to be the next Prime Minister. If this policy change occurs, regardless of whether it is to a lesser or greater extent, it is likely to add to inflationary pressures and will be an additional issue for the MPC to consider in full at its November meeting.
- You will already have concluded there is a lot to digest from what the MPC has said and done but as has been apparent for some time, there is also a huge influence on UK gilt yields and their movements emanating from what happens with US Treasuries. Therefore, in putting together our interest rate forecasts it is worth noting that should US inflation continue to be stubbornly high (currently the CPI reading is 9.1%) and the jobs reports continue to surprise on the upside (528,000 new jobs reported on Friday and unemployment at a record low of 3.5%), there is the prospect that any downward momentum in UK yields could be offset by Treasury yields shifting higher. Conversely, yield falls could also be supported by the Fed's determination to get inflation down in the US through robust monetary policy tightening.

- So, what revisions have we made to our forecasts? First, overall, we have quickened the pace of the Bank Rate increases. We still have a peak of 2.75% in Q1 2023 but that is now based on a 50bps hike in September followed by two 25bps increases in Q4 and Q1. At this juncture, we feel the MPC will want to be seen to be remaining tough on inflation, but they will also be cognisant of the cost-of-living squeeze accelerating, following 60%+ gas/electricity price increases in October. Therefore, after Bank Rate moves up to 2.25% in September, we forecast the pace of rate increases will fall back again from Q4. However, the MPC could also reach 2.5% at the end of the year by implementing equal 25bps hikes in September, November and December. A further 25bps increase in Q1 2023 is our best estimate, but by then we should have a better understanding of whether inflation has peaked, how fast it is falling and what is happening in the broader economy following the important Christmas retail sales data and monthly jobs and wages data.
- Regarding gilt yields, these have been on a march upwards since the turn of the year, but that march has been accompanied by significant bouts of volatility that have sometimes been not only hard to explain but also difficult to predict, including the direction of travel. Our best judgment is that gilt yields across the curve have a little further to rise but only by 20 – 30bps, so a lower peak than we were forecasting back in June.
- However, given the volatility we have witnessed in recent months, we are forecasting more of the same over the next couple of quarters at least. So, those clients looking to borrow will need to ensure they can act nimbly when the opportunity arises for locking out some interest rate certainty at attractive levels, whilst those looking to repay borrowing should take advantage of upward momentum in yields when that arises.
- In terms of our forecast, LIBOR and LIBID rates ceased at the end of 2021. In a continuation of our previous forecasts, our money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.
- Our forecasts for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short-term cash at any one point in time.
- Our current and previous PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

Link Group Interest Rate View 09.08.22													
	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
BANK RATE	2.25	2.50	2.75	2.75	2.75	2.50	2.50	2.25	2.25	2.25	2.25	2.25	2.00
3 month ave earnings	2.50	2.80	3.00	2.90	2.80	2.50	2.40	2.30	2.30	2.30	2.20	2.20	2.20
6 month ave earnings	2.90	3.10	3.10	3.00	2.90	2.80	2.70	2.60	2.50	2.50	2.40	2.30	2.30
12 month ave earnings	3.20	3.30	3.20	3.10	3.00	2.90	2.80	2.70	2.40	2.40	2.40	2.40	2.40
5 yr PWLB	2.80	3.00	3.10	3.10	3.00	3.00	2.90	2.90	2.80	2.80	2.80	2.70	2.70
10 yr PWLB	3.00	3.20	3.30	3.30	3.20	3.10	3.10	3.00	3.00	3.00	2.90	2.90	2.80
25 yr PWLB	3.40	3.50	3.50	3.50	3.50	3.40	3.40	3.30	3.30	3.20	3.20	3.20	3.10
50 yr PWLB	3.10	3.20	3.20	3.20	3.20	3.10	3.10	3.00	3.00	2.90	2.90	2.90	2.80
Link Group Interest Rate View 21.06.22													
	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	
BANK RATE	1.75	2.25	2.75	2.75	2.75	2.75	2.50	2.50	2.25	2.25	2.25	2.25	
3 month ave earnings	2.00	2.50	2.80	2.80	2.80	2.80	2.60	2.50	2.30	2.30	2.20	2.20	
6 month ave earnings	2.50	2.80	3.00	3.00	2.90	2.90	2.80	2.70	2.60	2.50	2.40	2.30	
12 month ave earnings	3.10	3.20	3.20	3.20	3.00	2.90	2.80	2.60	2.50	2.40	2.40	2.40	
5 yr PWLB	3.20	3.30	3.30	3.30	3.30	3.20	3.10	3.00	3.00	3.00	2.90	2.90	
10 yr PWLB	3.40	3.50	3.50	3.50	3.50	3.40	3.30	3.20	3.20	3.20	3.10	3.10	
25 yr PWLB	3.70	3.70	3.70	3.70	3.70	3.70	3.60	3.50	3.50	3.40	3.40	3.30	
50 yr PWLB	3.40	3.40	3.50	3.50	3.40	3.40	3.30	3.20	3.20	3.10	3.10	3.00	

#### SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- Our central forecast for interest rates was previously updated on 21 June and reflected a view that the MPC will be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases, including in August. Now we expect a further 0.5% increase in September; another 0.25% increase in November and a further 0.25% hike in February. But the timing and size of the hikes will be data dependent and, potentially, influenced by the actions of the US FOMC.



- *Further down the road, we anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and the forecast recession may be prolonged.*
- *The CPI measure of inflation will peak at upwards of 13% in Q4 2022 and the MPC will note the influence gas/electricity price hikes have on this number, and whether wages data is behaving itself. Currently wages are rising at above 4%, excluding bonuses, and above 6%, including bonuses. Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market, where employers are out-bidding each other to ensure they have the pick of a limited labour pool.*
- *Regarding the “provisional” plan to sell £10bn of gilts back into the market each quarter, starting in September, this will undoubtedly have an impact on the pricing of gilts to some degree, but we believe it will pale into insignificance against the other factors we have already outlined as influencing gilt yields.*
- *Notwithstanding the MPC’s clear desire to increase Bank Rate through the remainder of 2022, negative real earnings, the upcoming 60%+ hike in the Ofgem energy price cap from October (to be followed by a potential 10%+ further increase from January), at the same time as employees (and employers) have incurred a 1.25% Health & Social Care Levy, growing commodity and food price inflation plus council tax rises - all these factors will hit households’ finances hard. However, lower income families will be hit disproportionately hard despite some limited assistance from the Government to postpone the full impact of rising energy costs.*
- *In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies, but the on-going conflict between Russia and Ukraine, including the manner in which the West and NATO respond through sanctions and/or military intervention. Currently, oil, gas, wheat and other mainstream commodities have risen significantly in price and central banks will have to balance whether they prioritise economic growth or try to counter supply-side shock induced inflation. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)*
- *On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above increases. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income before these increases hit and have few financial reserves.*

#### **PWLB RATES:**

- *The yield curve has fluctuated since our June update and PWLB 5 to 50 years Certainty Rates are, generally, in the range of 2.5% to 3.25%.*
- *We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the poor inflation outlook.*
- *It is difficult to say currently what effect the Bank of England starting to sell gilts at a rate of £10bn per quarter, from September, will have. But our judgment is that US Treasury yield influences (driven by inflation and jobs/pay data) will affect gilt yields more than the gilt sales.*

#### **BALANCE OF RISKS TO THE UK ECONOMY:**

- *The overall balance of risks to economic growth in the UK is to the downside.*



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

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).
- **The Bank of England** acts too quickly, or too far, over the next two years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Geopolitical risks**, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

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

- **The Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly and for a longer period within the UK economy, which then necessitates an even more rapid series of increases in Bank Rate faster than we currently expect.
- **The Government** acts too quickly to cut taxes and/or increases expenditure in the light of the cost-of-living squeeze.
- **The pound weakens on the back of UK/EU trade friction** resulting in investors pricing in a risk premium for holding UK sovereign debt.
- **Longer term US treasury yields** continue to rise strongly and pull gilt yields up higher than forecast.

#### LINK GROUP FORECASTS:

- We now expect the MPC to swiftly increase Bank Rate during the remainder of 2022 and into Q1 2023 to combat the sharp increase in inflationary pressures. We do not think that the MPC will embark on a series of increases in Bank Rate that would take it to more than 2.75%, but it is possible.

#### GILT YIELDS AND PWLB RATES:

- The general situation is for volatility in bond yields to endure as investor fears and confidence ebb and flow between favouring relatively more “risky” assets i.e., equities, or the safe haven of government bonds, despite material inflationary concerns. The overall longer-run trend is for gilt yields and PWLB rates to rise moderately in the near-term, given the extent to which market expectations are already priced in and then to fall back once inflation starts to fall through 2023.
- Our target borrowing rates and the current PWLB (certainty) borrowing rates are set out below:-

PWLB debt	Current borrowing rate as at 09.08.22 a.m.	Target borrowing rate now (end of Q3 2022)	Target borrowing rate previous (end of Q3 2022)
5 year	2.61%	2.80%	3.20%
10 year	2.81%	3.00%	3.40%
25 year	3.23%	3.40%	3.70%
50 year	2.99%	3.10%	3.40%

#### BORROWING ADVICE:

Our long-term (beyond 10 years) forecast for Bank Rate stands at 2.25%. As all PWLB certainty rates are now above this level, borrowing strategies will need to be reviewed in that context. Better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered out to 5 years. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive as part of a balanced debt portfolio.

- In addition, there are also some alternative sources of long-term borrowing if a client is seeking certainty within their portfolio and wishes to avoid a “cost of carry”, or simply wishes to mitigate future re-financing risk. Please speak to your CRM to discuss options.

- *Our suggested budgeted earnings rates for investments up to about three months' duration in each financial year are as follows:*

<b>Average earnings in each year</b>	<b>Now</b>	<b>Previously</b>
2022/23	2.40%	2.20%
2023/24	2.70%	2.75%
2024/25	2.30%	2.30%
2025/26	2.15%	2.10%
Years 6 to 10	2.15%	2.00%
Years 10+	2.30%	2.25%

- *As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts. The general expectation for a trend of moderately rising gilt yields is unchanged.*
- *Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.*