Agenda

Executive

Thursday, 17 November 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	E. Humphreys
T. Archer	V. H. Lewanski
R. H. Ashford	C. M. Neame
R. Biggs	K. Sachdeva
N. J. Bramhall	

Mari Roberts-Wood
Managing Director

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

1. **Apologies for absence**

To receive any apologies for absence.

2. **Minutes** (Pages 5 - 12)

To approve the Minutes of the previous meeting on 20 October 2022.

3. **Declarations of interest**

To receive any declarations of interest.

4. **Service & Financial Planning 2023/24** (Pages 13 - 164)

To note and approve draft budget proposals for Service and Financial Planning 2023/24.

5. **Housing Assistance Policy - Financial Assistance for Adaptations and Repairs** (Pages 165 - 200)

To approve the revised Housing Assistance Policy - Financial Assistance for Adaptations & Repairs. This has been updated and revised to reflect current and future circumstances, particularly increases in the costs of works and to improve the scope where assistance may be provided.

6. **Governance of Council's charitable trusts** (Pages 201 - 208)

A recommendation to amend the terms of reference of CVESC to include governance of the Council’s charitable trusts (where the Council is the sole trustee).

7. **Statements**

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

8. Exempt business

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

(i) it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act; and

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

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

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

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

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

Minutes of a meeting of the **Executive** held at the **New Council Chamber - Town Hall, Reigate** on **Thursday, 20 October 2022** at **7.30 pm**.

Present: Councillors M. A. Brunt (Leader); T. Schofield (Deputy Leader), T. Archer, R. H. Ashford, N. J. Bramhall and V. H. Lewanski

Attended remotely: Councillors K. Sachdeva

Visiting Members present: Councillors Chandler, Chester, Essex, Harrison and Ritter

22 Apologies for absence

Apologies for absence were received from Councillor Biggs and Councillor Humphreys.

Councillor Sachdeva joined the meeting remotely and so was not able to vote.

23 Minutes

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

24 Declarations of interest

There were no declarations of interests.

25 The Purchase of Temporary & Emergency Accommodation

The Executive Member for Housing and Support, Councillor Neame, introduced the report setting out proposals to purchase temporary and emergency accommodation for homeless single people and homeless families in the borough.

There had been a substantial spend increase in securing emergency and temporary accommodation within the private sector which is expected to increase. This was compounded by the lack of void properties within the social housing sector since the pandemic, homeless applications from the Home Office overflow dispersal accommodation in Redhill and applicants from the Ukrainian household schemes.

The report requested £1m to be used to purchase and adapt a house of multiple occupancy to be used as emergency accommodation for 4 single homeless applicants on a rolling basis. This was equal to around 86% saving on costs for those applicants that utilise the accommodation. The report also asked for £3m to purchase around 8 family-sized temporary accommodation properties. This accommodation does not come under the Right-to-Buy scheme, so the properties will be retained as an asset on the Council's balance sheet.

Executive Members said the proposal was a good use of Council capital receipts received over the years. Over and above the financial saving, it enabled the Council to provide additional support and keep people closer to their network of friends and family in the borough. From experience of running accommodation for homeless families in Massetts Road, Horley, this saved money and improved the outcome for those families and single people.

Visiting Members welcomed the proposal. They asked whether the housing for families would be across the borough. It was confirmed that the most need was in the south of the borough which was where they would be looking for future accommodation.

In response to a question, the Head of Housing, confirmed that the end of Quarter 2 figures showed that there were 6 families housed in bed and breakfast accommodation outside the borough and 38 households in bed and breakfast in total. Larger households often ended up outside the borough as the Council struggled to secure larger emergency accommodation units locally.

Executive Members agreed the recommendations set out in the report as it was a high priority for the Council.

RESOLVED:

That the Executive:

(i) Approve investing up to £4.000m from Housing Capital Receipt Reserves to:

a) purchase and refurbish a property that will be designated as emergency accommodation for homeless single people; and

b) purchase and refurbish additional properties for use as temporary accommodation for homeless families

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

- **Chief Finance Officer**
- **Strategic Head of Legal & Governance**
- **Executive Member for Housing & Support**
- **Deputy Leader and Executive Member for Finance & Governance**
- **Executive Member for Investment & Companies**

a) To purchase a property that will be designated as emergency accommodation for homeless single people

b) To purchase a number of properties within the agreed budget envelope that will be designated for use as temporary accommodation for homeless families

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.

26 Environmental Sustainability Strategy: Annual Report

The Executive Member for Policy and Resources, Councillor Lewanski, introduced the Annual Environmental Sustainability Strategy Progress report – the second annual update.

The Borough's carbon emissions continued to decline and the Council's own carbon emissions – from our buildings and our fleet – were also falling. Work was underway to develop a programme of work to reduce the overall energy use and carbon emissions from its buildings. Fleet remained the largest source of the council's carbon emissions – 10 % of the fleet are electric or hybrid vehicles and emissions continue to fall, However, for much of the fleet, low carbon vehicles do not yet offer a viable or cost-effective alternative. In terms of infrastructure for charging electric vehicles, 400 new charging points last year were secured as part of new developments.

The Council had supported a number of residents in lower income hard-to-heat homes. Training on carbon literacy had been undertaken by 14 Councillors.

The annual report had been discussed at Overview and Scrutiny Committee on 13 October 2022. The Committee had asked questions and discussed topics such as tree planting and the use of weedkiller, retrofitting domestic properties, communications on energy saving and the electric vehicle charging infrastructure.

The Leader welcomed the report. He said that following Full Council, he had written to the Prime Minister and was waiting for a response on the support for local government funding on environmental sustainability issues.

The Chair of Overview and Scrutiny Committee, Councillor Harrison, thanked officers and Members for responding to the Committee's Advance Questions. He raised the issue of planting trees which were planted well away from residential areas so there was a need to make sure they were well-watered, particularly during the hot summer months. Councillor Lewanski confirmed that the trees were watered by the Greenspaces team for 2 years, but this summer had been challenging.

Visiting Members welcomed the report and the dedicated resource on the Council in this area now. Councillor Essex noted that 99% of carbon emissions were outside the control of the Council. These had dropped in 2020, however this was during the pandemic and residents were driving and flying again so the current statistics could be misleading. He welcomed the proposal to review the overall plan next year and asked how the Council could make substantial improvements to its buildings to improve carbon emissions and bring fuel costs down to be a leading example to residents.

Executive Member, Councillor Lewanski, said that the review will look at how the targets could be aligned and presented in next year's report. The Council was working with Surrey County Council and educating residents via its website and Borough news. The Council was reliant on government data which was available currently.

Cath Rose, Head of Corporate Policy, Projects and Performance said that there was a regular maintenance schedule for all council buildings and an energy audit is also being carried out. The outcomes of this report would be shared with Overview and Scrutiny as well as Executive when available. The audits are also considering use of solar PV on the Council's estate as well as other renewable energy generation.

Members agreed the recommendations set out in the report.

RESOLVED:

That the Executive:

(i) Agrees the Environmental Sustainability Strategy Annual Progress report at Annex 1 for publication on the Council website.

27 Local Plan - Local Development Scheme

The Leader, Councillor Mark Brunt, introduced the report on the Local Plan – Local Development Scheme, as Executive Member for Place Delivery & Planning Policy, Councillor Biggs, had sent his apologies. The current Local Plan Core Strategy was adopted in 2014 and was scheduled to run until July 2027 (subject to review in 2024). At that point it will become an out of date plan though some of the policies can continue to be used until they have been superseded by national policy changes. This report set out the approach to developing that Plan.

Since the Core Strategy was prepared, Redhill and Horley had seen noticeable change with new sustainable urban extensions and former brownfield sites redeveloped – providing nearly 4000 new homes. Key infrastructure funding had been secured to deliver new schools, cycle lanes, play spaces, outdoor gyms, bus stands and local funding to repair and modernise community facilities.

The Local Development Scheme was set out in Appendix 1 to the report including a timeline. A new Local Plan Communications Strategy was being developed to inform residents. The 2027 plan would take the Council through to the 2040s.

Executive members welcomed the report which was at the very start of the process and took a lot of work and time to complete. They noted that the plan helped to protect the environment and borough in future years.

Chair of Overview and Scrutiny Committee, Councillor Harrison, said the Committee had discussed the report at its meeting on 13 October 2022. They had asked whether it should be a two-stage plan rather than a one-stage plan. He urged the Executive to keep on top of the 5 year timescale and consider the risks of going forward with a single stage process.

Head of Planning, Andrew Benson, said that a single comprehensive plan was necessary to safeguard the Council's housing numbers and make sure the site allocations were not undermined.

The Leader noted that the Local Plan operated within a constantly changing environment. There was a greater risk to the Council if the process was split into two.

Executive Members noted that the Core Strategy in 2914 took 7 years to be adopted and the Development Management Plan (DMP) had taken 5 years to get to 2019. This was a significant and complicated project and needed close management to make sure the timeline did not slip.

Members asked when the Gypsy and Traveller Assessment would be made. Officers said formal evidence gathering had to wait so that evidence was not out of date and a study could take a year to complete. The timetable set out in the report was intended to be realistic and meet key stages throughout that period.

Executive Members agreed the report and recommendation set out below with two recommendations to go forward to Full Council.

RESOLVED:

That the Executive:

i) Approve the allocation of funding from the Corporate Plan Delivery Plan Reserve to fund 2022/23 expenditure.

28 Quarter 1 2022/23 performance report

The Executive Member for Policy and Resources, Councillor Lewanski, introduced the report which outlined the Council's performance up to the end of quarter 1 (April to June 2022). Of the 10 Key Performance Indicators reported on in quarter 1, nine were on target or within the agreed tolerance.

There was one Red-rated indicator which was KPI 10 – Recycling. Against a target of 60%, 52.4% was achieved. Despite not achieving the challenging target, the Council's cumulative 2021/22 performance of 55.6% was the highest ever recorded.

The report was considered by Overview and Scrutiny Committee on 13 October 2022 and the Committee made no formal observations or recommendations to the Executive. Chair of Overview and Scrutiny Committee, Councillor Harrison, said that O&S Members had discussed the cost of living and whether there was a way of measuring this.

The Leader said that while not a specific KPI then some measurements could be used to inform decision-making such as if there was a rise in the number of homeless people.

Visiting Members raised the issue of comparing the recycling KPI against the indicators in the pandemic.

Executive Members discussed the target on cost of living and the rapidly shifting national goalposts. Managing Director, Mari Roberts-Wood, said that the information on operational risk registers covered this area and was monitored monthly to support residents and work with partners. A report could supply the appropriate narrative.

Executive Member for Finance and Governance, Councillor Schofield, then introduced the second part of the report to Executive – Quarter 1 2022/23 Budget Monitoring. The Revenue Budget showed that the projected full year outturn was showing an underspend for the year of £504k (2.5%). The Capital Programme forecast was showing 45% below the approved programme for the year as a result of £30.18m slippage and a £0.05m net underspend. The reasons for this slippage was the substantial budgets previously allocated for investment in housing developments. Related business cases had not yet been developed but would follow in due course as strategies were implemented in these areas.

Visiting Member, Councillor Harrison, noted that the shortfall on rental income had improved and car parking income had also been favourable. New arrangements were in place to control headcount of staff.

Executive Members agreed the report and thanked the Chief Finance Officer, Pat Main, and her team for putting together the finance reports.

RESOLVED:

That the Executive:

- (i) **Note the Key Performance Indicator performance for Q1 2022/23 as detailed in the report and Annex 1;**
- (ii) **Note the Budget Monitoring forecasts for Q1 2022/23 as detailed in the report and at Annexes 2 and 3;**
- (iii) **Note the update on the Financial Sustainability Programme (FSP) at Annex 4.**

29 Risk Management - Quarter 1 2022/23

The Executive Member for Policy and Resources, Councillor Lewanski, gave an update on risk management in quarter 1 2022/23 (from April to June 2022). As set out in the report to the Committee, in quarter 1, no new strategic risks were identified, and no strategic risks were recommended for closure.

There was one Red-fated operational risk which was set out in the Part 2 Exempt Annex. There was no discussion on this by Executive Members.

The report was considered by the Audit Committee on 7 September 2022. The Committee made no formal observations or recommendations to the Executive.

The Executive agreed one recommendation.

RESOLVED:

That the Executive:

- (i) **Note the Q1 2022/23 update on risk management provided by the report.**

30 Treasury Management Strategy Outturn 2021/22

The Executive Member for Finance and Governance, Councillor Schofield, gave an overview of the report on an update on the performance of the Council's treasury management activities for the last financial year. The report formed part of formal reporting requirements under the CIPFA Code of Practice on Treasury Management. It confirmed that the Council had complied with legislative and regulatory requirements.

The report was considered by the Audit Committee in September for their comments and questions. Officers responded to their feedback including their observations on how the report content could be presented to provide more context which will be considered for future reports.

Executive Members supported the recommendations and agreed to submit the report to full Council for approval on 27 October 2022.

RESOLVED:

That the Executive:

(i) Note the Treasury Management Performance for 2021/22;
(ii) Recommend that Council approves the outturn against the 2021/22 Prudential and Treasury Management Indicators and the Annual Treasury Management Report (Annex 1).

31 Partner and Shareholder Actions EXEMPT

The Partner and Shareholder Actions EXEMPT report was noted by Executive Members.

32 Statements

There were no Statements received at the meeting.

33 Exempt business

RESOLVED:

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 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.

34 Any other urgent business

There was no urgent business.

The meeting finished at 9.04 pm

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Reigate & Banstead BOROUGH COUNCIL
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SIGNED OFF BY	Chief Finance Officer
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TO	Executive
DATE	Thursday, 17 November 2022
EXECUTIVE MEMBER	Deputy Leader and Portfolio Holder for Finance

KEY DECISION REQUIRED:	YES
WARD (S) AFFECTED:	ALL

SUBJECT:	**SERVICE & FINANCIAL PLANNING 2023/24**

RECOMMENDATIONS TO EXECUTIVE:

(i) That the national and local policy context (Annex 1) and significant financial uncertainties at this stage in the budget-setting process be noted.

(ii) That the service proposals set out in this report which seek to respond to this context and deliver our corporate priorities, be endorsed.

(iii) That the draft service business plans for 2023/24 to 2025/26 be approved, and that Heads of Service be authorised to finalise the plans for their service areas in consultation with the relevant Portfolio Holders.

(iv) That the following be approved for consultation under the Council's budget and policy framework:

a) **Medium Term Financial Plan Forecasts and proposed actions to address the forecast Revenue Budget gap (Annex 2);**

b) **Service Revenue Budget growth proposals totalling £0.442 million, savings of (£0.828) million and additional income of (£1.186) million (Annex 3);**

c) **Central Revenue Budget Savings proposals totalling (£0.897) million (Annex 3);**

d) **Revenue Issues, Risks and Opportunities totalling £2.407 million, to be funded from earmarked Reserves as necessary;**

e) **Revenue Reserve Balances at 1 April 2022 of £45.596 million (Annex 6.1);**

f) **A forecast balanced Revenue budget for 2023/24, subject to final confirmation of the outstanding items; and**

g) **Capital Programme Growth proposals totalling £7.683 million (Annex 4).**

(v) That the Fees & Charges Policy (Annex 5) be approved.

(vi) That the Reserves Policy (Annex 6.2) be approved.

(vii) That the Local Council Tax Support Scheme be reviewed during 2023/24 and the outcome reported as part of Service & Financial Planning for 2024/25.

REASONS FOR RECOMMENDATIONS:

Recommendations (i) to (vii):

- To ensure that the Council continues to plan and manage its resources well, deliver high standards of service and meet the aims and objectives of its Corporate Plan for 2020-2025 and supporting Strategies.

EXECUTIVE SUMMARY:

This report sets out draft Revenue Budget proposals for 2023/24 and Capital Programme proposals for 2023/24 to 2027/28.

The primary objectives of the service & financial planning process are to ensure that the Council continues to be financially sustainable, and that we are able to effectively deliver our services and corporate priorities.

Reigate & Banstead Borough Council is recognised as being a forward-looking local authority that delivers high quality services.

Our five year Corporate Plan looks to build on and further develop the work we have been doing, as well as expanding our efforts to support environmental sustainability, affordable housing and the wellbeing of our residents.

As always, we are seeking to ensure that the borough remains a great place to live and work, and to maintain and improve the quality of our services, all whilst securing savings and investment to remain financially sustainable.

The Council's Medium Term Financial Plan (MTFP) was updated and reported to Executive in July 2022. It covered:

- Objectives and priorities for the 2023/24 budget;
- Context to budget-setting, including updates on the national economic forecast, local government funding, Corporate Plan priorities and specific factors to be taken into account when developing budget proposals;
- Key budget information, including the 2021/22 budget outturn position, current year budgets and forecast new budget pressures and saving opportunities;
- Updates on the Capital Programme and treasury management;
- Information about the service & financial planning process and budget-setting timetables; and
- A summary of budget risks and sensitivities and how they will be managed.

Updated MTFP forecasts are presented in this report (Annex 2). They reflect the fact that the Council no longer receives Revenue Support Grant from Government and faces the prospect of a reduction in retained business rates, resulting in significant financial pressures over the medium term. It also explains the emerging the financial risks, issues and opportunities identified during service & financial planning over recent months.

The supporting Reserves and Fees & Charges policies are presented once again for approval.

The 2021/22 budget outturn position at year-end was more positive than initially feared, mainly due to the injection of additional Government funding to fund unplanned pandemic expenditure and income losses during the year.

The Revenue Budget for 2022/23 that was approved in February 2022, was agreed as the financial impacts of the COVID-19 pandemic were drawing to a conclusion. It therefore took into consideration the residual financial impacts on service income and expenditure budgets and on Collection Fund income forecasts for council tax and business rates.

At the time of preparing this report the budget impacts of the pandemic have, in the main, been mitigated with the exception of parking income which has not yet returned to pre-pandemic levels but has continued to recover during the year to date.

The Council now faces the prospect of further financial challenges as a consequence of the current economic crisis. Price inflation is a concern, in particular with regard to energy costs and potential pay demands.

Overall, the Council remains in a relatively strong position to respond to financial challenges. We have established ring-fenced revenue Reserves to manage financial risks and also continue to work towards generating new sources of income and reducing costs.

The budget proposals detailed in this report are based on analysis of a range of data and evidence, and the result of extensive discussions over recent months between the Executive and Management Team. This report provides a condensed version of those discussions, describing the national and local context and the service and budget proposals which have been put forward in response.

The draft budget proposals set out within this report include revenue budget savings, additional income-generation proposals, unavoidable budget growth and plans for mitigating significant risks if they arise.

While much of the detail is included in this report, as usual, work on some aspects of Central Budgets and confirming the sources of funding will continue and the outcome will be presented in the final budget proposals in January 2023 following the Government's Provisional Local Government Settlement Announcement which is expected in December. Work also continues on the potential budget risks and opportunities identified during service & financial planning.

At the time of preparing this report the Council is potentially able to balance the 2023/24 revenue budget after implementing the actions as described in this report. The extent to which any residual forecast budget shortfall will have to be funded from drawing on Reserves will be confirmed in the final budget report in January.

Over the medium term action will be required through the Financial Sustainability Programme to continue to pursue projects that generate new sources of income while continually seeking ways to use existing resources more efficiently. Reliance on one-off measures such as the use of Reserves is not without risks and is not sustainable over the long-term. Going forward, solutions that reduce costs or increase income on a permanent basis will have to be identified for 2024/25 onwards.

The Financial Sustainability Programme is focusses on four key areas:

- Income Generation;
- Use of Assets;
- Prioritisation of Resources; and
- Achieving Value for Money.

This report also confirms there are no significant new Capital Programme for proposals for consideration for 2023/24 to 2027/28; the focus remains on delivery of previously-approved capital projects and continuation of existing rolling programmes for asset refurbishment and replacement. The final Capital Programme will be confirmed in the January budget report; no further significant growth proposals are anticipated at the time of preparing this report.

In addition, this report seeks approval to the review the Local Council Tax Support Scheme during 2023/24.

If the Executive accepts the budget recommendations in this report, further work will be undertaken over the coming weeks to test and refine the proposals, including consultation with the Overview & Scrutiny Committee's Budget Scrutiny Panel and other stakeholder groups. This will help ensure that the Council adopts a balanced budget for 2023/24 and is in the best position to prepare for anticipated budget challenges in 2024/25 onwards.

In summary the Revenue Budget proposals are based on:

Service Budgets	• Savings proposals of (£0.828) million • Additional income of (£1.186) million from reviewing current income budgets and from updating charges in line with the Fees & Charges Policy; • Growth of £0.442 million due to unavoidable budget pressures and obligations.

Service Budget Issues, Risks & Opportunities	• Potential growth due to Government funding cuts (housing benefit subsidy and grants) of up to £0.564 million; • Potential growth of up to £0.650 million for property management costs; • Potential growth of up to £0.700 million for forecast energy cost increases; • Growth of £0.224 million (one-off costs) and £0.269 million (ongoing expenditure) for planned investment in the IT Strategy that was approved in 2022.
Call on Reserves for Service Issues, Risks & Opportunities	Forecast use of earmarked Reserves to fund Service Issues, Risks and Opportunities, if other mitigating actions are not sufficient: • Up to (£0.564) million from the Government Funding Risks Reserve to mitigate forecast housing benefit funding cuts; • Up to (£1.350) million from the Commercial Risks Reserve to fund forecast property management costs, voids and energy cost pressures; and • Planned use of (£0.493) million from the IT Strategy Reserve.
Central Budgets	• Provision of £1.500 million for pay growth (contractual increases and negotiated annual pay award); • Reduction of (£0.761) million in forecast Treasury Management net borrowing costs and investment income; • Other central budget net savings totalling (£0.136 million).
Council Tax	• £5 increase for Band D properties and a forecast 1.18% increase in the taxbase which will generate (£0.368) million additional income.
NNDR	• Forecast increase of (£0.590) million in this council's share of business rates.
Government Grants	• No change to the Lower Tier Services Grant, Services Grant and New Homes Bonus.
One -off use of Reserves and Grants in Previous Years	• Reversal of use of Reserves and one-off grants in 2022/23 £1.927 million

Resulting in a net Revenue Budget change, compared to the 2022/23 budget, of nil.

Executive has authority to approve recommendations (i) to (vii).

STATUTORY POWERS

1. The Local Government Act 1972 requires the Council to set the associated annual budget as part of proper financial management. This report is part of that process.

2. The Local Government Act 1992 requires councils to set a balanced budget and announce the Council Tax level by 11 March each year. Section 65 of the Act requires the Council to consult representatives of those subject to non-domestic rates in the Borough about its proposals for expenditure for each financial year.

3. The Chief Finance Officer has a key role to play in fulfilling the requirements of the statutory duty under the Local Government Act 2003 to keep the authority's finances under review during the year and take action if there is evidence that financial pressures will result in a budget overspend or if there is a shortfall in income.

4. Council Tax Reduction Scheme: Section 13A(2) of the Local Government Finance Act 1992 (as amended) requires billing authorities to make a reduction scheme for persons in financial need or classes of persons that the authority considers – in general – to be in financial need. Section 13A(1)(c) of this Act gives billing authorities the power to reduce a liability to an extent that is seen fit.

5. Local Council Tax Support Scheme allowances and premiums will be increased on 1 April in line with other national increases contained within the Housing Benefit Regulations 2006 and the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012.

SERVICE & FINANCIAL PLANNING

Service Context

1. It is important that our service plans respond to the context in which they will be implemented, in order to provide effective services that meet the needs of residents, communities and businesses. The local, national and regional context that has informed our service plans is summarised below.

Reigate & Banstead 2025 - Our five-year Corporate Plan

2. The Corporate Plan for 2020-25 sets out the organisation's vision, priorities, aims and objectives, and informs Council decisions at every level. The vision set out in 'Reigate & Banstead 2025' is to be recognised by our residents, businesses and partners as a leading Council. This means:

- Delivering quality services and support;
- Providing value for money;
- Making the borough a great place to live, work and visit;
- Being proactive about tackling climate change and reducing our environmental impact;
- Being flexible and sustainable, responding to the needs and demands of our borough, residents, businesses; and
- Operating as an increasingly commercial organisation.

3. The Corporate Plan seeks to deliver against the vision, with priorities grouped around the three themes of People, Place and Organisation. These priorities have been taken into account in developing the 2023/24 service & financial planning proposals.

Service Plans

4. Each Council service has reviewed its future direction in light of the wider context in which it operates, and its role in delivering our updated Corporate Plan priorities. These plans set out the direction of Council services, including key changes and priorities.

5. A particular focus of the service & financial planning process this year has been to review service budgets and the staff establishment to ensure that revenue funding is being appropriately spent, and that budgets and the staff establishment are ‘rightsized’ to the work undertaken in each service area.
6. This has resulted in the deletion of a number of vacant posts and other budget rightsizing savings being identified across a number of service areas (more detail on which is provided in Annex 3). In a small number of instances, a need for growth has been identified to rightsize budgets or move key posts into base budget. This includes in relation to key statutory responsibilities of data protection and emergency planning.
7. Reviews have also been undertaken resulting in non-pay efficiency savings, including in relation to the Council’s print and postage budgets, and where alternative sources of funding can be used to fund existing activities. Following work looking at how the Council supports voluntary and community sector organisations, it is proposed to reduce the grants provided to some of the nine organisations the Council currently supports, with an overall reduction of 13% compared to the current year.
8. Opportunities have also been taken to identify increased income targets for some of the more commercial elements of Council activity, most notably the Harlequin Theatre.
9. In some instances, unavoidable growth pressures have been identified, including in ICT, (resulting from both cost inflation and increase in software user numbers), in Property and in Revenues, Benefits and Fraud as a result of Government subsidies.
10. Other elements outside our direct control provide the opportunity for budget savings, including Surrey County Council taking the current highways verge maintenance contract back in house, and the Southern Building Control partnership no longer requiring subsidy.
11. Finally, in addition to the above, a range of changes are proposed to the Council’s non-statutory Fees & Charges, to ensure that they continue to cover the cost of providing the relevant service. More information about the approach taken to reviewing Fees & Charges is provided below.

<u>National and Regional Context</u>

12. Legislation, policies from national government, and decisions made by partner organisations (eg. Surrey County Council), will continue to have a significant effect on our residents, and therefore on the support and services that the Council provides. Annex 1 provides a summary of the international, national and sub-national context within which this Council will need to operate in 2023/24.
13. It should be noted that with recent changes at the highest tiers of Government (new Prime Minister and Cabinet) there is considerable uncertainty about the direction of various elements of national policy that impact on local government and the work that we do. However, the overarching context remains one where there is increasing demand for Council services, whilst simultaneously experiencing a reduction in funding and resources. The context of Brexit, COVID and global geo-politics mean that new challenges also continue to be faced, for example supply chain issues and an increasing cost of living for residents. The Council is continuing to work to respond to these challenges by increasing efficiencies and generating income, but this context continues to present an increasing pressure of work to meet the needs of our residents.

FINANCIAL CONTEXT

14. The Council continues to manage its finances well and has continued to deliver significant service improvements and priority projects despite increasing pressures on resources.

<u>Chancellor's Autumn Budget and Spending Review</u>

15. As explained at Annex 2, there is considerable uncertainty when the provisional local government funding settlement will be announced but it is assumed to be by the end of December.

- This is expected to be a 'rollover' settlement and there is little sector confidence that forecast inflationary pressures on council budgets will be funded;
- The last Spending Review in October 2021 was based on 3.3% real terms growth for local government in 202/23 and 2023/24 (based on inflation predictions at that time) whereas CPI is now running at 10.1%;
- The timing of the Fair Funding review is once again unknown; and
- The planned NNDR revaluation is expected to go ahead in April 2022 but there is no indication yet whether NNDR will increase in line with CPI.

16. Other points of note include:

Local Government Funding	• There is no confirmation yet about how the previously-awarded funding for the short-lived reduction in employer's National Insurance Contributions will be withdrawn; • There have been very mixed statements from Government Ministers over recent months about local government funding reforms (Fair Funding Review and business rates changes) – it is assumed they have now been pushed back to at least 2024/25; • Similar uncertainty surrounds whether local government will receive a multi-year funding settlement; • There has been no indication whether New Homes Bonus will cease in 2023/24 or 2024/25, or whether it will continue in some form for the rest of the spending review period; and • Continuation of the Lower Tier Services Grant and Services Grant (introduced in 2020/21 and 2022/23) are yet be confirmed.
Council Tax	• Council tax referendum limits are expected to remain at similar levels to recent years – assumed to be 1.99% or £5 per band D property for this Council (to be confirmed in the Settlement Announcement in December); and • The adult social care precept levied by Surrey County Council will remain (also to be confirmed in December);
Business Rates	• No announcements have been made regarding continuation of the additional reliefs introduced during the pandemic or about the planned baseline reset or any of the other business rates reforms; • No progress has been made regarding the intended consultation on an Online Sales Tax; and • No progress regarding other previously-announced reforms to business rates including: three yearly revaluations (from 2023) and investment reliefs to

		encourage green investment and premises improvements (any increase in rates payable will be delayed for 12 months).
Housing and Homelessness	•	The Rough Sleeping Initiative and Homelessness Prevention Grant will continue.

Government Funding Assumptions 2023/24 Onwards

17. The Council still expects to see a significant decline in Government funding support over the medium term as our retained business rates receipts are cut, a net reduction of up to £0.310 million, after loss of 'Negative RSG Grant'.

18. The table below summarises how Government funding is expected to change for this Council in coming years.

Table 1: BUSINESS RATES FORECAST	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Forecast Business Rates Resources	1.710	2.300	2.600	2.600	2.600	2.600
Forecast impact of removal of 'Negative RSG Grant'				(0.700)	(0.900)	(1.200)
Net Forecast	**1.710**	**2.300**	**2.600**	**1.900**	**1.700**	**1.400**
Annual Increase / (Reduction)		0.590	0.300	(0.700)	(0.200)	(0.300)
Cumulative Increase / (Reduction)		0.590	0.890	0.190	(0.010)	(0.310)

19. These forecasts will be updated when the Provisional Local Government Settlement is announced in December.

Specific Grants

20. There is still an expectation that these will be rolled into the funding system when 75% business rates retention is introduced (still expected as part of the longer-term Spending Review).

New Homes Bonus

21. At the time of preparing this report it remained unclear whether 2022/23 was the final year of New Homes Bonus allocations.

Council Tax Reform

22. No significant changes are expected following the autumn 2022 political changes and announcements. However council tax policy remains a mechanism that the Government may opt to use to assist households with the cost of living crisis.

Partner Funding

23. Like the majority of authorities, Surrey County Council continues to face financial constraints. The County implemented £20.0 million of budget efficiencies in 2022/23 with a further £32.0 million identified for delivery through to 2026/27.

24. County service reductions are likely to impact on residents in this borough, and make it more difficult for us to deliver on our own corporate priorities within the context of our already challenging financial position. Financial constraints at the county level mean that this Council needs to continue to work closely with the County Council and other partners to ensure that residents continue to receive the services they need, delivered in an efficient and cost-effective way.

COVID-19 Pandemic

25. During 2021/22 the pandemic had continued impacts on:

- Expenditure budgets – unbudgeted costs continued to be incurred during the early part of the year to deliver the Council's emergency response to the pandemic. They were funded through the pandemic grants received from the Government;
- Income budgets – there were continued shortfalls in income receipts, primarily in the parking service. This was addressed during budget-setting for 2022/23;
- Collection fund recovery performance – council tax and business rates income receipts continued to be distorted by short-term relief measures introduced by Government; and
- Financial responsibilities – local authorities were asked to take on further responsibilities at short notice to support Government in distributing new reliefs, grants and benefits. These included the Household Support Fund, Energy Rebates and the Homes for Ukraine payments which have continued into 2022/23.

26. The 2021/22 budget outturn position at year-end was more positive than initially feared, in part due to the ability to carry forward unspent Government funding to continue to fund pandemic expenditure and income losses during the year.

27. At the time of preparing this report the budget impacts of the pandemic have been mitigated with the exception of parking income which has not yet returned to pre-pandemic levels.

28. Looking forward to 2023/24 the Council is now facing new challenges arising from the national economic crisis and inflationary pressures. Several budgets are proving increasingly challenging to forecast accurately in the current economic situation. Therefore the budget-setting process has included consideration of how the risks will be funded if they crystalise, primarily by ensuring that adequate funding is held in Reserves to cover them. Examples include property rents, recyclate prices, Housing Benefit costs and funding, and energy costs.

29. Nevertheless, overall, the Council remains in a relatively strong position to respond to financial challenges. We have established ring-fenced revenue Reserves to manage financial risks; however, use of Reserves represents a short term tactic. We also continue to work towards generating new sources of income to secure our long-term financial stability.

<u>Medium Term Financial Planning</u>

30. The Council has been planning for the loss of Government funding, with the objective to become financially self-sufficient going forward. In order to achieve self-sufficiency the Council needs to continue to find budget efficiencies whilst also generating new sustainable sources of additional income.

31. The Council's MTFP, summarised and updated at Annex 2, was last approved in July 2022 and sets out the financial direction of the Council over the medium term to ensure that the Council plans and manages its resources effectively. It sets out the priorities that will be taken into account when preparing the draft budget for 2023/24.

<u>Medium Term Financial Plan Forecasts</u>

32. At the time of preparing this report, MTFP forecasts indicate that it will be possible to balance the 2023/24 budget through expected Government funding and planned use of earmarked Reserves with no further call on the General Fund Balance.

33. However there remains a forecast budget gap over the medium term: £1.374 million for 2024/25 rising to £3.222 million by 2027/28, the primary causes being anticipated Government funding reductions and ongoing service cost pressures.

34. The final position and MTFP forecasts for 2023/24 will be set out in the January budget report.

Financial Sustainability Programme

35. Reliance on one-off measures such as the use of Reserves is not without risks and will not be sustainable over the long-term. Going forward, solutions that reduce costs or increase income on a permanent basis will have to be identified for 2024/25 onwards.

36. A Financial Sustainability Programme has been implemented, focussing on four key areas:

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

37. The Corporate Governance Group (comprising statutory officers and Directors) oversees progress in the identification and delivery of initiatives in the Plan while delivery of individual projects is managed through officer management Boards.

38. Progress is reported to Executive, Overview & Scrutiny and individual Portfolioholders as part of quarterly performance reporting.

39. More information on the Programme is provided at Annex 2.

Commercial Strategy

40. While service efficiencies and council tax increases are important, their contribution to addressing the financial challenges faced by the Council is limited. It is therefore important that the Council also becomes an increasingly commercial organisation. This means maximising existing net income streams and generating new ones to support service delivery. This requires investment – and will have an element of commercial risk – but it will also enable the Council to develop and grow into a self-sustaining organisation. To guide its work in this area, the Council agreed its Commercial Strategy Part 2 in December 2021.

41. The Commercial Ventures Executive Sub-Committee, supported by other Executive Members, has been working to develop and implement the Council's commercial agenda. This has included (and will continue to include) consideration of the scale and appropriate type of investments and income generation opportunities, , including opportunities for partnership working – all in the context of the wider economic and policy framework within which the Council needs to operate.

42. The current MTFP financial model includes indicative forecasts for income from newly-constructed commercial units at the Cromwell Road and Marketfield Way (The Rise) developments. These are based on an early assessment of the level of rental income net of landlord overheads and handover expenses; they will be updated in future MTFS reports as these developments are handed over and tenancies are signed. Forecasts for other commercial projects will be included when individual business cases have been approved and delivery timescales are confirmed. An annual report on progress against the Council's Commercial Strategy will be provided in December 2022.

REVENUE BUDGET

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

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

- **Central Budgets**: These are costs incurred and income received that are not service-specific, eg. Pension Fund deficit contributions and treasury management costs and income;

- **Sources of Funding**: These income budgets are general, non-service specific income sources. They include other grant funding from Central Government and our share of Non-Domestic Rate income;

  For 2023/24 it includes the continued impact (benefit) of the one-off elimination of 'Negative Revenue Support Grant'. Over the medium term this is expected to cease resulting in a significant budget pressure;

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

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

Revenue Budget Outturn 2021/22

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

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

Table 2: REVENUE BUDGET MONITORING AT 31 March	Original Budget £m	In-Year Adjustments £m	Management Budget £m	Year-end Outturn £m	Year End Variance £m
Service Budgets	16.240	1.127	17.368	16.485	(0.883)
Central Budgets	1.155	-	1.155	1.545	0.390
Sub-Total	**17.395**	**1.127**	**18.523**	**18.030**	**(0.493)**
COVID-19 Income Losses	-	-	-	1.388	1.388
COVID-19 Sales, Fees & Charges Grant	-	-	-	(0.354)	(0.354)
Sub-Total	**17.395**	**1.127**	**18.523**	**19.064**	**0.541**
COVID-19 Pandemic – unplanned expenditure					1.249
COVID-19 Pandemic – Government funding					(1.249)
Total Revenue Budget Outturn 2021/22 inclusive of COVID-19 Pandemic Expenditure and Funding					**0.541**
Transfers from Reserves:					
Contribution from COVID-19 Pandemic Reserve					(0.541)
Net Outturn Position:					**-**

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

<u>Service Budgets</u>

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

48. The key variances leading to the underspend were:

Organisation:

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

Place:

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

- £0.287m overspend in Development Services driven by higher consultancy costs.

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

Senior Management Team
- £0.324m underspend pending the team restructure.

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

COVID-19 Expenditure and Funding

50. The additional expenditure of £1.249 million that was incurred during 2021/22 in delivery of ongoing activity relating to the pandemic was funded in full through calling on the Government grants that had been allocated to support the response.

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

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

Central Budgets

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

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

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

2022/23 Revenue Budget

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

Table 3: BUDGET SUMMARY 2022/23	Budget 2022/23 £m
1. Net Cost of Services[1]	17.898
2. Central Budgets[1]	2.082
NET EXPENDITURE 2022/23	**19.980**
3. Council Tax	15.222
4. National Non-Domestic Rates (NNDR)	1.710
5. Other Un-ringfenced Grants	1.271
6. Grants Transferred to Reserves:	
• Homelessness Prevention	0.668
• Transfer to Reserves	(0.668)

Table 3: BUDGET SUMMARY 2022/23	Budget 2022/23 £m
7. Call on Earmarked Reserves in 2022/23	1.565
8. Use of funds from the General Fund Balance to support the 2022/23 Revenue Budget[2]	0.212
NET SOURCES OF INCOME 2022/23	**19.980**

NOTES
1. After reallocation of the sum held in Central budgets for the 2022/23 pay award plus in-year budget transfers.
2. The actual sum to be drawn from Reserves to support the budget will depend on the budget outturn position for 2022/23. Over recent years the budget outturn has been an underspend position with no requirement to call on Reserves.

Service Budgets

57. Service budgets are summarised in the table below:

Table 4: SERVICE BUDGETS 2022/23	Budget 2022/23 £m
ORGANISATION	
Communications / Customer Service	1.151
Finance	1.244
ICT	1.810
Legal & Governance	2.281
Organisational Development & HR	0.816
Corporate Policy, Projects & Performance (including Environmental Sustainability)	0.449
Property & Commercial	(1.203)
PLACE	
Economic Prosperity	0.282
Neighbourhood Operations	5.324
Place Delivery	0.371
Planning	0.718
PEOPLE	
Community Partnerships	1.312
Housing	1.026
Revenues, Benefits & Fraud	0.806
Leisure & Intervention	0.538
SENIOR MANAGEMENT TEAM	0.973
TOTAL	**17.898**

58. In 2023/24 onwards the cost of housing benefit payments and associated government funding will be reported in budget monitoring as Central Budget item instead of within Service budgets (Revenues, Benefits & Fraud) on the basis that these are costs that are generally outside Council's direct control.

Grant-Funded Posts

59. An area for future consideration as part of budget-setting relates to posts that are currently funded through calling on the Homelessness Prevention grant that is held in an Earmarked Reserve. They comprise:

- Housing 6.9 FTE £0.247m
- Revenues, Benefits & Fraud 1.0 FTE £0.033m

60. The 2022/23 Homelessness Prevention grant allocation of £0.668 million was confirmed in December 2021 along with £0.011 million of new burdens funding This has been transferred to an earmarked Reserve until called upon to fund related expenditure. While there is currently sufficient grant funding available for these posts to continue in 2023/24 there remains a risk that the grant may cease and a decision will be required whether to continue to fund these posts through the Revenue budget as part of next years' service & financial planning process.

61. Other posts that are funded fully or in part from fixed term resources include**:**

- Community Partnerships 1.0 FTE £0.044m East Surrey Heartlands NHS
- Community Partnerships 0.4 FTE £0.018m Surrey County Council
- Economic Prosperity 1.0 FTE £0.034m DWP
- Leisure & Intervention 4.3 FTE £0.157m Refugee Support Grant
- Leisure & Intervention 3.0 FTE £0.131m East Surrey Partnership
- Place Delivery 1.0 FTE £0.071m Section 106 funding
- Planning & Development 2.0 FTE £0.087m CIL

2022/23 Service Budget Monitoring Forecasts

62. The full year forecast at the end of Quarter 1 (30 June) for Service budgets was £0.007 million lower than the management budget. The reasons for this forecast included:

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

- 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; and

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

Central Budgets

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

Table 5: CENTRAL BUDGETS 2022/23	Budget 2022/23 £m
Insurance	0.465
Treasury Management	0.813
Employer Pension Costs[1]	0.350
External Audit Fees	0.053
Budget for Pay Increases[2]	-
Preceptor Grants – Horley Double Taxation	0.038
Apprenticeship Levy[3]	0.078
Central Recruitment & Visa Expenses	0.045
Central Training Budget	0.082
Internal Audit Fees	0.059
Central Pay Cost Provision	0.099
TOTAL	**2.082**

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

64. As reported above, in 2023/24 onwards the cost of housing benefit payments and associated government funding will also be reported in budget monitoring as Central Budget item.

2022/23 Central Budget Monitoring Forecasts

65. The full year forecast at the end of Quarter 1 (30 June) for Central budgets £0.497 million lower than budget, mainly a result of higher net interest receivable on treasury investments than originally expected.

Revenue Budget Funding

66. The sources of funding for the revenue budget in 2022/23 are set out in the table below.

Table 6: REVENUE BUDGET FUNDING 2022/23	Budget 2022/23 £m
1. Council Tax	15.222
2. National Non-Domestic Rates (NNDR)	1.710
3. Other Un-ringfenced Grants	
• Lower Tier Services Grant	0.107
• Services Grant	0.164
• New Homes Bonus Grant	1.000
4. Call on Earmarked Reserves in 2022/23:	

Table 6: REVENUE BUDGET FUNDING 2022/23	Budget 2022/23 £m
• Government Funding Risks Reserve *(Housing Benefit subsidy reduction)*	0.115
• Pension Reserve	0.350
• COVID-19 Risks Reserve	1.100
5. Use of funds from the General Fund Balance to support the 2022/23 Revenue Budget[1]	0.212
NET SOURCES OF INCOME 2022/23	**19.980**

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

Revenue Budget-Setting Assumptions 2023/24

67. The following assumptions will be used during service & financial planning over coming months when preparing the draft Budget estimates:

Council Tax	• To increase by the referendum limit – assumed to be £1.99% or £5 per Band D property (subject to confirmation by Government); • Plus an increase due to growth in the taxbase of 1.18% per cent; this will be confirmed when preparing final council tax forecasts for the January budget report; • The impacts of local discounts, exemptions and the local council tax support scheme will be taken into account when preparing income forecasts. Also the ongoing impacts of the COVID-19 pandemic on collection performance and take up of the Local Council Tax Support Scheme;
Government Funding	• The Fair Funding Review and loss of Negative RSG Grant will not impact in 2023/24;
Retained Business Rates Income	• Reset of Business Rates will not impact in 2023/24; • The Business Revaluation in April 2023 will be 'cost neutral';
Fees & Charges	• The Fees & Charges Policy is attached at Annex 5. For budgeting purposes it is assumed that Fees & Charges will increase in line with the Policy and that all Fees & Charges will be reviewed to ensure they comply; • The Policy wording has been updated to reflect points of clarification identified when carrying out this year's review of charges;
Investment Income and Borrowing	• Investments and borrowing will be forecast in line with forecast balances and interest rates and Capital Programme investment plans;
Pay Inflation	• An allowance for a pay award has been included in the draft Budget, in addition to forecast contractual pay increases; • This provides the option for pay rises but the specific rate of increase will be subject to established consultation processes;

	• Adjustment to reflect the Government's decision to remove the 1.25% increase in Employer's NI contribution to fund the new Health & Social Care levy that was introduced in April 2022;
Employer Pension Costs	• The three yearly Pension Fund Revaluation took place during 2022/23 and the outcome will be implemented in April 2023. Current assumptions are: ○ To maintain the primary employer contribution rate at 15% of salaries. This has been factored into the 2023/24 base budget; and ○ As for the 2020 revaluation, there will be an option to pay the secondary employer contribution as a discounted advance lump sum in April 2023.
Employer National Insurance Contribution	• Pay forecasts have been prepared on the understanding that the increase of 1.25 basis points in April 2022 that was subsequently reversed in November 2022 will remain at the pre-April 2022 rate.
Price Inflation & Supplier Risks	• The general principle over recent years has been that services should first seek to cover price inflation from their existing budgets, unless tied contractually to significant cost increases that warrant additional funding; • In view of the current economic situation, this policy is now under review on a case by case basis; • Volatility in the energy supply market is an example.

2023/24 Service Budget Proposals

68. Service budget income, savings and growth proposals are detailed at Annex 3 and summarised below, along with the potential impacts of service budget issues, risks and opportunities:

Table 7: SERVICE BUDGET PROPOSALS 2023/24	Approved Budget 2022/23 £m	Proposed Budget 2023/24 £m	Net Service Budget Increase / Decrease £m
ORGANISATION			
Communications / Customer Service	1.151	1.104	(0.047)
Finance	1.244	1.219	(0.025)
ICT	1.810	1.850	0.040
ICT - Reserve-funded growth for Strategy implementation	-	0.493	0.493
Legal & Governance	2.281	2.393	0.112
Organisational Development & HR	0.816	0.716	(0.100)
Corporate Policy, Projects & Performance (including Environmental Sustainability)	0.449	0.429	(0.020)
Property & Commercial	(1.203)	(1.222)	(0.019)
Property & Commercial – growth for Reserve-funded issues & risks	-	1.350	1.350
PLACE			

Table 7: SERVICE BUDGET PROPOSALS 2023/24	Approved Budget 2022/23 £m	Proposed Budget 2023/24 £m	Net Service Budget Increase / Decrease £m
Economic Prosperity	0.282	0.277	(0.005)
Neighbourhood Operations	5.324	4.421	(0.903)
Place Delivery	0.371	0.326	(0.045)
Planning	0.718	0.593	(0.125)
PEOPLE			
Community Partnerships	1.312	1.184	(0.128)
Housing	1.026	0.926	(0.100)
Revenues, Benefits & Fraud	0.806	1.320	0.514
Revenues, Benefits & Fraud – growth for Reserve-funded government funding risks	-	0.564	0.564
Leisure & Intervention	0.538	0.335	(0.203)
SENIOR MANAGEMENT TEAM	0.973	1.018	0.045
TOTAL	**17.898**	**18.733**	**0.835**
Potential call on Reserves to Fund Budget Issues & Risks	-	(2.407)	(2.407)
REVISED TOTAL	**17.898**	**16.326**	**(1.573)**

Service Budget Issues, Risks and Opportunities – 2023/24 Onwards

69. In addition to the service budget growth proposals in this report there are other potential service budget pressures and opportunities that will have to be addressed in 2023/24 onwards:

Issues:

(i) Energy Prices

- Electricity and gas costs are currently forecast to be up to £0.700 million higher in 2023/24 compared to 2022/23 budgets;
- The current 12 month contracts are due to be renewed again in March 2023 (gas) and October 2023 (electricity) and it is challenging to forecast what prices will be at that time due to the volatility of the supply market;
- There is also uncertainty regarding the extent to which the Government's planned financial support mechanism for businesses and the public sector will reduce these pressures;
- It is therefore proposed to include budget growth for these costs in 2023/24 and to fund them through calling on Revenue Reserves if the costs cannot be covered by compensating savings in other budgets. Action will also be taken to reduce consumption wherever possible.

Risks

Budget risks are detailed at Annex 2 – the most significant include:

(i) Housing Benefit subsidy and funding

- £0.564 million budget growth is required to fund the reduction in housing benefit subsidy and grants from Government (DWP). There are several reasons why this funding is forecast to reduce including the continued transition of claims to Universal Credit, increased costs of supported housing claims, increased cost of discretionary housing payments.
- This will be funded in 2023/24 by calling on the Government Funding Reserve that has been established to help manage this type of risk.

(ii) Property Rental Income

- Excellent progress has been made over the past year to fill several of the Council's longstanding void commercial properties. This has the dual benefit of maintaining rental income levels and also avoiding having to fund the costs of managing empty buildings (energy, rates, insurance, etc). However there will always be periods of time when some units are vacant.
- It is now necessary to realign property budgets to ensure that there is sufficient funding to cover the costs of premises that are forecast to be void in 2023/24.
- It is proposed to include £0.650 million budget growth for these costs in 2023/24 and to fund them through calling on the Commercial Risks Reserve that has been established for this purpose if the costs and income shortfall cannot be covered by compensating savings in other budgets.

(i) Government Waste & Resources Strategy

- Proposals set out in the Waste & Resources Strategy, are still anticipated to be introduced via secondary legislation following enactment of the Environment Bill. The strategy sets out how the Government intends for the country to preserve material resources by minimising waste, promoting resource efficiency, and moving towards a circular economy.
- Three key measures from the strategy are proposed:
  - Invoke the 'polluter pays' principle and extend producer responsibility (EPR) for packaging;
  - Introduce a deposit return scheme (DRS) for drinks containers, to reward people for bringing back bottles and encourage them not to litter their empties; and
  - Improve recycling rates by ensuring consistency in household and business recycling.
- These measures will have a considerable impact on local authorities, particularly consistency in recycling, which will affect how kerbside recycling services are delivered in the near future.
- Timescales are subject to confirmation when the outcome of consultation is known.
- Recycling budgets are also currently experiencing significant volatility due to rapid pricing changes. There are times when the Council generates an income from recyclates while at others it has to pay to dispose of the same waste. This makes future budget planning challenging.

- There are no specific proposals at this time to adjust Service budgets for these risks in 2023/24 however the position will have to be kept under review.

Opportunities

(i) IT Strategy Implementation

- Following approval of the IT Strategy in March 2022, service budgets have been increased by £0.224 million (one-off costs) and £0.269 million (ongoing expenditure) for planned investment in disaster recovery, cyber defences and replacement telephony infrastructure.
- The costs will be funded in 2023/24 from the earmarked revenue Reserve that was established as part of budget-setting in 2022/23 for this purpose.

70. Service savings, additional income and growth proposals result in the following net budget movements:

TABLE 8.1: SERVICE BUDGET PROPOSALS FOR 2023/24		2023/24	
		FTE	£m
Budget Movements:			
Annex			
3.1	Services – Pay	(3.6)	(0.297)
3.2	Services – Non-Pay	-	(1.276)
NET BUDGET GROWTH / (SAVINGS)		**(3.6)**	**(1.573)**

TABLE 8.2: FORECAST SERVICE BUDGET ISSUES, RISKS & OPPORTUNITIES IN 2023/24		2023/24	
		FTE	£m
Annex			
3.3	Budget Risks – Government Funding Reductions	-	0.564
3.4	Budget Risks – Property & Commercial	-	1.350
3.5	Budget Opportunities – IT Strategy Implementation	-	0.493
BUDGET GROWTH FOR FORECAST ISSUES, RISKS & OPPORTUNITIES - FUNDED FROM RESERVES[1]		**-**	**2.407**

NOTE 1: Actual values to be confirmed through in-year budget monitoring

Service Fees & Charges

71. Income from Fees & Charges in 2022/23 contributes £16.2 million to support service delivery.

72. A review of Fees & Charges has been carried out during 2022/23 to support delivery of Medium Term Financial Plan and Commercial Strategy targets for increasing sustainable income streams to support the budget. Actions that have been taken include:

- Improving the Council's strategic approach to Fees & Charges;
- Ensuring that income budgets reflect forecast levels of demand;
- Charging for new services and for those not currently charged for; and
- Investing in expanding existing charges for services that have scope for growth.

73. The review was undertaken in accordance with the Council's Fees & Charges policy, and has included consideration of service delivery costs, benchmarking and published inflation rates. The table below provides headline information about the proposed changes. A full breakdown of changes to individual Fees & Charges is provided for members within the Modern.Gov portal. For the avoidance of doubt, the table below does not include statutory charges set outwith the Council's control.

Table 9: FEES & CHARGES Service Area	Activity	Change %	Forecast Additional Income £m
Community Partnerships	Community Centre room hire	11%	0.024
Neighbourhood Operations	Environmental Health - licensed mobile home sites – fee alignment	14%	(0.001)
	Greenspaces - allotments	3%	0.016
	Greenspaces - banner advertising	5%	
	Greenspaces - cemeteries	5%	
	Greenspaces - licensed activities	5%	
	Greenspaces - outdoor events	5%	
	Greenspaces - sports pitches	6%	
	Licensing - taxi and private hire licences, includes some new optional charges	9%	0.017
	Parking - charges increase and introduction of weekday parking charges at the Town Hall site	10%	0.181[1]
	Waste & Recycling - bins and containers	5%	£0.151
	Waste & Recycling - bulky waste	23%	
	Waste & Recycling - garden waste	4%	
	Waste & Recycling - trade waste	7%	
Planning	Pre-application fees	35%	To be confirmed
	Street naming/numbering applications	new charge	
Revenues & Benefits	Court summons and liability orders	9%	£0.029

NOTE
1. Town Hall weekday parking income TBC

74. It should be noted that amending some Fees & Charges requires statutory notification and consultation. Further information about the approach that is being taken to meet these statutory requirements in included in the Consultation section later in this report.

75. The Policy on Fees & Charges is attached at Annex 5; this has been updated slightly from previous years to reflect the experience of undertaking the strategic review described above.

<u>Commercial Income</u>

76. The Medium Term Financial Plan includes the objective of:

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

77. Delivery of this objective is supported by the allocation of funds in the Capital Programme to purchase or develop assets that will generate new income streams as well as supporting delivery of corporate objectives. These purchases will be financed through prudential borrowing therefore provision will have to be made in the revenue budget for the costs of repaying that debt. It will also be necessary to ensure that borrowing for this purpose complies with Government and CIPFA guidance, specifically 'borrowing in advance of need' and enhanced restrictions on PWLB borrowing.

78. Following the refusal of planning permission for the Crematorium in 2021 (which was intended to deliver a new income stream to help fund services as well as being a valuable community facility), the main new sources of additional income that are being progressed are the commercial units at the new Cromwell Road development (Wheatley Court); and at the Marketfield Way (The Rise) development. This is in addition to the work that is already in progress to ensure maximum occupancy of existing property assets. Initial estimates for the income to be delivered have been included in MTFP forecasts; they are however subject to confirmation as tenancies are signed.

79. Other asst management priorities include maintaining high levels of occupancy in all other commercial properties and maximising their commercial attractiveness and therefore income receipts. Also to review underutilised assets on a regular basis to inform future plans for their use.

Central Budget Proposals 2023/24

80. Proposed changes to Central budgets are summarised in the table below.

Table 10: CENTRAL BUDGETS	Approved Budget 2022/23 £m	Proposed Budget 2023/24 £m	Net Central Budget Increase / Decrease £m
Insurance	0.465	0.467	**0.002**
Treasury Management	0.813	(0.052)	**(0.761)**
Employer Pension Costs[1]	0.350	0.350	**-**
External Audit Fees	0.053	0.150	**0.097**
Budget for Pay Increases[2]	-	1.500	**1.500**
Preceptor Grants – Horley Double Taxation	0.038	0.044	**0.006**
Apprenticeship Levy	0.078	0.080	**0.002**
Central Recruitment & Visa Expenses	0.045	0.045	**-**
Central Training Budget	0.082	0.082	**-**
Internal Audit Fees	0.059	0.065	**0.006**
Central Pay Cost Provision	0.099	-	**(0.099)**

Table 10: CENTRAL BUDGETS	Approved Budget 2022/23 £m	Proposed Budget 2023/24 £m	Net Central Budget Increase / Decrease £m
Central Vacancy Turnover Provision	-	(0.150)	**(0.150)**
TOTAL	**2.082**	**2.685**	**0.603**

NOTES:
1. Compensated Added Years Payments
2. The 2022/23 budget for pay increases has been allocated across service budgets.

81. The significant increases and reductions are as follows:

    - Reduction in forecast treasury management costs following a review of future borrowing requirements and investment balances – (£0.761) million; and
    - Inclusion of a budget for 2023/24 pay increases - £1.500 million;
    - Establishment of a central vacancy turnover provision in recognition that (based on previous experience) there is likely to be a number of vacant posts during the year – (£0.150) million along with deletion of a historic central pay cost provision of £0.099 million that is no longer required;
    - Forecast increase in external audit fees following the recent award of the new contracts by Public Sector Audit Appointments (PSAA) - £0.097 million.

    Other central budgets have been increased in line with agreed contract terms (insurance; preceptor grant; internal audit fees) or forecast costs (apprenticeship levy).

82. Central budgets include £0.038 million funding for a preceptor grant to Horley Town Council. This is the latest instalment under a 10-year agreement (2014/15 to 2023/24) to eliminate 'double taxation' whereby Horley residents pay direct to the Town Council for the local services that it provides. A decision will be required during budget setting for 2024/25 whether to continue this arrangement.

83. In 2023/24 onwards the cost of housing benefit payments and associated government funding will be reported in budget monitoring as Central Budget item instead within Service budgets on the basis that these are costs that are generally outside Council's direct control.

84. While the majority of Central Budgets have been reviewed while preparing this report, as highlighted in the table above, further work is in progress in order to confirm the remainder for inclusion in the final budget proposals in January 2022.

<u>Revenue Budget Funding 2023/24</u>

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

Table 11: REVENUE BUDGET FUNDING 2023/24	Approved Budget 2022/23 £m	Draft Budget 2023/24 £m	Net Increase / Decrease £m
Council Tax	15.222	15.590	0.368
National Non-Domestic Rates (NNDR)	1.710	2.300	0.590

<u>Use of Reserves</u>

86. Based on the outcome of service & financial planning work to date, as explained above, it is necessary to call on earmarked Reserves to fund potential budget risks but there is no call on the General Fund Balance to balance the budget.

87. The latest MTFP at Annex 2 is based on initial assumptions regarding use of Reserves. These figures will be updated in the final budget report in January when the outstanding budget items (as explained in this report) are confirmed.

88. Work is also still in progress to update the funding forecasts for inclusion in the final budget proposals. Factors to be taken into account will include:

Council Tax	• The final recommendation on the council tax increase will be included in the January budget report following confirmation of the referendum limit by Government; • Council tax income forecasts for 2023/24 will be dependent on the outcome of work that is currently in progress to forecast the council tax base for 2023/24.
National Non-Domestic Rates	• Includes retained Business Rates, Negative RSG Grant, Fees & Charges and Other Grants; • These are expected to be confirmed in the Provisional Settlement announcement in December; • The timing for removal of 'Negative RSG Grant' remains unclear but it will not be implemented in 2023/24.
Contributions To/From Reserves	• The call on Reserves will be finalised for inclusion in the January budget report;

Forecast Budget Gap at November 2022

89. The current forecast budget gap over the next five years is set out below. Further details are provided in the MTFP at Annex 2 (Appendix 2).

Table 12: MEDIUM TERM REVENUE BUDGET FORECAST	Approved Budget 2022/23 £m	Forecast Budget 2023/24 £m	Forecast Budget 2024/25 £m	Forecast Budget 2025/26 £m	Forecast Budget 2026/27 £m	Forecast Budget 2027/28 £m
FORECAST GAP	**Balanced**	**nil**	**1.374**	**3.032**	**3.082**	**3.222**
Annual Increase in Gap	-	nil	1.374	1.658	0.050	0.140
Gap as % of 2022/23 budget requirement	-	0.0%	6.9%	15.2%	15.4%	16.1%

90. The above forecasts confirm that there is potentially no budget gap to be addressed for 2023/24 however that will be subject to confirmation in the January budget report.

91. Over the medium term, the Financial Sustainability Programme will continue to be targeted to address the forecast budget gap and will be subject to regular monitoring and review, focussing on the four key areas:

- Income Generation;
- Use of Assets;
- Prioritisation of Resources; and
- Achieving Value for Money.

Further details are provided in this report.

USE OF RESERVES

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

93. Reserves can be held for four reasons:

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

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

95. The Council's Reserves Policy is attached at Annex 6.2

96. Current Revenue Reserves are summarised below and detailed at Annex 6.1

Table 13: RESERVES SUMMARY	Balance at 1 April 2022[1] £m
General Fund Balance	3.000
Other Earmarked Reserves	42.596
TOTAL	**45.596**

NOTE:
1: Balances after decisions made during budget setting for 2022/23 to redistribute funds between Reserves.

97. The legal requirement for the Council to agree a balanced budget means that Council may be required to draw on its Reserves to address any shortfall between forecast expenditure and forecast income.

98. The Council has set a minimum level for unallocated General Fund Reserves of 15% of the net revenue budget, which equates to £3.000 million (for 2022/23). The unallocated balance on the General Fund at 1 April 2022 is compliant with this limit.

NEW HOMES BONUS

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

100. New Homes Bonus was revised for the 2017/18 financial year with the length of time it is paid reducing from six to five years (for the 2017/18 award) and to four years from 2022/23 onwards. A new 'baseline' of +0.4% growth was also introduced before any Bonus is paid. The retained funds were used by the Government to support authorities with adult social care responsibilities.

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

102. In previous years this funding was set aside in an Earmarked Reserve for general use. During budget-setting 2020/21 a sum equivalent to the historic accumulated funds was transferred to an Earmarked Reserve to support implementation of the Housing Delivery Strategy. Details at Annex 6.2.

103. New Homes Bonus allocations for 2021/22 onwards have been transferred to general Reserves.

104. The allocation for 2023/24 is subject to confirmation in the Provisional Settlement Announcement in December.

105. Forecast New Homes Bonus allocations are set out in the table below:

Table 14: NEW HOMES BONUS	2023/24 £m	2024/25 £m
New Homes Bonus – 'legacy' payment for previous year's allocations	0.325	nil
New Homes Bonus – 2023/24 allocation	TBC In December 2022	TBC In December 2022

COUNCIL TAX

106. <u>Council Tax Precepts 2022/23</u>

Table 15.1: ANALYSIS OF COUNCIL TAX BY PRECEPTOR		
Authority	£000	% share
Surrey County Council	94,767.78	73.60
Surrey Police & Crime Commissioner	18,406.53	14.29
Reigate & Banstead Borough Council	15,099.12	11.72
Horley Town Council	464.79	0.36
Salfords & Sidlow Parish Council	42.62	0.03
	128,780.84	**100.00%**

Table 15.2: ANALYSIS OF COUNCIL TAX BY PRECEPTOR				
			Increase	
Authority	**2022/23**	**2021/22**	**£**	**%**
Surrey County Council	1,595.42	1,549.10	46.32	2.99%
Surrey Police & Crime Commissioner	295.57	285.57	10.00	3.50%
Reigate & Banstead Borough Council	242.46	237.46	5.00	2.11%
Horley Town Council	42.42	41.51	0.91	2.20%
Salfords & Sidlow Parish Council	30.37	29.72	0.65	2.20%

Table 15.2: ANALYSIS OF COUNCIL TAX BY PRECEPTOR				
			Increase	
Authority	2022/23	2021/22	£	%
	2,206.25	2,143.36	62.89	2.93%

107. The referendum cap is expected to be confirmed with the Provisional Local Government Funding Settlement Announcement in December. It is anticipated to be the higher of 1.99% or £5 per Band D property for district councils.

108. Final recommendations will be included in the January Budget and Council Tax reports when the referendum cap has been confirmed by the Government.

Local Council Tax Support Scheme

109. Under the Local Council Tax Support Scheme this Council, as the billing authority, awards council tax reductions to eligible working-age claimants. The cost of lost council tax income falls on the Collection Fund as a consequence of these claims resulting in a reduction in the Council Tax base which is calculated as part of budget-setting.

110. The precepting authorities collectively fund the cost of Local Council Tax Support Scheme claims as the costs fall on the Collection Fund and are distributed between authorities in line with their share of the council tax bill.

111. In addition, the full administration costs of processing awards, and of any discretionary awards, are met directly by this Council as the billing authority. Caution therefore has to be exercised when amending the Scheme to ensure that the cost to this Council of administering changes does not exceed any reduction in the cost of the Scheme overall.

112. There are several factors that make the annual cost of funding Council Tax Support very difficult to predict:

- Council tax increases by precepting authorities will increase overall Scheme costs;
- There was an increased number of claims during the COVID-19 pandemic. The number of claims has been steadily decreasing since then, and has reduced by 6% since April 2022, and is now at pre-pandemic levels;
- The scheme presently has 3,495 claims. Of these 54% are classed as vulnerable, through receiving related disability benefits and premiums. This group can receive support covering up to 100% of their Council Tax liability; 46% are either from employed households or those receiving other benefits. These groups can only receive support covering up to 90% of their Council Tax liability.

113. During 2022/23 the Scheme has been subject to an initial review to ensure that it reflects the current economic environment and to ensure that the design and operation of the Scheme remains fit for purpose:

- it should not be a barrier to work; it should help make work pay; and
- it should be easy to understand and at minimal cost to administer.

114. There have been no major changes to the Scheme since its introduction in 2013, other than to increase support in line with other national benefits. After seeking Member and Officer views during 2022/23 on potential scheme designs, the law requires extensive consultation with taxpayers and preceptors as well as advice groups and other stakeholder before any final decisions are made on changes.

Options for change would be to:

- Reduce the level of support to households, which would have negative impacts on household finances;
- Increase the level of support, by allowing all households receiving support to qualify for up to 100% of their Council Tax liability to be covered; or
- Maintain the existing scheme, and carry out a further review in 2023/24, with a view to changing the scheme (if appropriate) for 2024/25.

115. After considering the options the planned approach is to maintain the existing scheme for another year and to carry out a more detailed review during 2023/24, in order to confirm the scope for changing the scheme in 2024/25 onwards. This will allow time to consider the impacts of the current cost of living crisis on low income households in more detail and to assess the merits of ending the ending the 28 day disregard for Empty and unfurnished properties (details below) whereby the additional income generated might be used to offset the cost of changes to the Scheme.

Council Tax Collection Performance 2021/22

116. This Council's collection performance for council tax in 2021/22 was 98.17% (98.06% in 2020/21); 42nd highest performance compared to all English local authorities.

Council Tax Options 2023/24

117. Each 1% increase in Council Tax generates £0.153 million additional income for this borough. A £5 increase in 2023/24 would yield £0.493 million additional income.

118. For MTFP modelling purposes, based on a £5 increase and a 1.18% increase in the taxbase, the Council Tax income forecast at November 2021 is set out below:

Council Tax Forecasts

Table 16: COUNCIL TAX FORECAST	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Forecast Resources	15.222	15.590	16.070	16.550	17.050	17.560
Annual Increase in Income		0.368	0.480	0.480	0.500	0.510
Cumulative Increase in Income		0.368	0.848	1.328	1.828	2.338
Band D	£242.46	£247.46	£252.46	£257.46	£262.58	£267.81
Band D Increase	-	£5.00	£5.00	£5.00	£5.12	£5.23
Taxbase Increase	1.62%	1.18%	1.0%	1.0%	1.0%	1.0%
Annual Band D % Increase		2.11%	2.11%	2.06%	2.02%	1.99%

NOTE:

1. Subject to confirmation in the January Budget report when forecasts for the number of new homes and Local Council Tax Support claims are updated. Also subject to confirmation of the referendum limit by Government in December.

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

120. The forecast amount of council tax to be collected takes into account local decisions on discounts, exemptions and reliefs and Local Council Tax Support scheme claim numbers.

Council Tax Policy

121. Changes to council tax charges on empty homes were approved during 2019/20 and further updated in 2020/21:

- Homes that have been empty and substantially unfurnished for more than two years and less than five years are charged a Council Tax long term empty premium equivalent to 100% of the Council Tax in addition to their current Council Tax;
- Homes that have been empty and substantially unfurnished for more than five years and less than ten years are charged a Council Tax long term empty premium equivalent to 200% of the Council Tax; and
- Homes that have been empty and substantially unfurnished for ten years and more are charged a Council Tax long term empty premium equivalent to 300% of the Council Tax.

122. As these changes help deliver a county-wide initiative to reduce the number of empty properties throughout Surrey, the County Council has agreed to reallocate its share of the increased funding that results from changes in Empty Homes policies. Under this commitment the Boroughs and Districts receive reallocated funding where agreed conditions are met.

123. The County Council has distributed the funds during 2022/23: £0.070 million was distributed to this Council in 2021/22 and £0.085 million in 2022/23; proposals for use of these funds were included in the January 2021 budget report.

124. No new changes to council tax policy were introduced in 2022/23.

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

- Empty and unfurnished properties - removal of the 28-day council tax discount. This will mainly affect landlords and housing providers, in relation to the turnaround time between tenants;
- Empty and furnished second homes – charge 200% council after the first 12 months - this is part of the Levelling-up and Regeneration Bill therefore the changes are not likely to be enacted until at least 2024/25; and
- Long-term empty properties – commence charging the 100% premium after 12 months - instead of the current 24 months - this is also part of the Levelling-up and Regeneration Bill therefore the changes are not likely to be enacted until at least 2024/25.

126. In view of the current economic uncertainty no changes are proposed for 2023/24 but the options set out above will be revisited for 2024/25.

BUSINESS RATES (NATIONAL NON-DOMESTIC RATES)

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

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

129. The current expectation for the funding reforms to take effect no sooner than the financial year 2024/25.

130. The Government was previously undertaking a review of how business rates will operate going forward and had stated its intentions to achieve 75% localisation of business rates from 2022. However this is no longer the intention and further updates are awaited.

131. As explained above, in 2025/26 onwards, the Council expects to see further significant decline in Government funding support as retained business rates receipts and Negative RSG Grant' are phased out. It remains unclear how these reductions will be implemented but we are assuming this will be clearer when the outcome of the Fair Funding Review and Business Rates Reset are announced. Current MTFP forecasts are based on the information that is currently available.

Business Rates Pooling

132. A small number of Surrey authorities are once again planning to establish a voluntary Business Rates Pool for 2023/24 with Surrey County Council using the same methodology as in previous years. The Pool is not open to Reigate & Banstead due to the relative size of our business rates Tariff.

Business Rate Appeals

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

Business Rates Collection Performance 2021/22

134. Collection performance for business rates in 2021/22 was 99.8% (99.8% in 2020/21); this was the highest performance in the country of all English local authorities.

Table 17: NNDR FORECAST[1]	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Forecast NNDR Resources	1.710	2.300	2.600	2.600	2.600	2.600
Less 'Negative RSG Grant'				(0.700)	(0.900)	(1.200)
Net Forecast[1]	1.710	2.300	2.600	1.900	1.700	1.400
Annual Increase / (Reduction)		0.590	0.300	(0.700)	(0.200)	(0.300)
Cumulative Increase / (Reduction)		0.590	0.890	0.190	(0.010)	(0.310)

NOTE:
1. Subject to confirmation in the January Budget report following the Provisional Settlement announcement.

135. These forecasts take into account the impacts of spreading 2020/21 collection fund losses over three years and the removal of pandemic support measures after 2021/22.

CAPITAL PROGRAMME 2023/24 ONWARDS

Capital Investment Strategy and Capital Programme

136. The latest Capital Investment Strategy was approved by Executive in July 2022 and sets out how the Council plans to invest in assets to generate income.

2022/23 to 2026/27 Approved Capital Programme

137. The Capital Programme that was approved in January 2022 and the unspent balance on previously-approved schemes is summarised below:

Table 18: CAPITAL PROGRAMME 2021/22 to 2026/27 by SERVICE	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	
	BFWD £m	Projected £m	Projected £m	Projected £m	Projected £m	Projected £m	TOTAL £m
ORGANISATION SERVICES:							
Property Services	5.223	1.657	1.373	1.267	0.049	1.594	**11.164**
IT Services	0.224	0.200	0.260	0.250	0.200	0.200	**1.334**
Organisational Development	0.452	0.250	0.250	0.250	-	-	**1.202**
Environmental Strategy	0.250	-	-	-	-	-	**0.250**
PEOPLE SERVICES:							
Housing	0.519	1.304	1.304	1.304	1.304	1.304	**7.039**
Leisure & Intervention	0.172	0.100	0.100	0.100	0.100	0.100	**0.672**
Community Partnerships	0.075	0.030	-	-	-	-	**0.105**
PLACE SERVICES:							
Neighbourhood Operations	0.659	1.542	0.774	0.891	0.929	0.913	**5.708**
Place Delivery	9.410	15.100	-	-	-	-	**24.510**
Economic Prosperity	-	0.100	0.100	0.100	-	-	**0.300**
TOTAL APPROVED CAPITAL PROGRAMME	**16.983**	**20.283**	**4.161**	**4.162**	**2.581**	**4.110**	**52.280**

138. In addition to the sums included in the approved Capital Programme the Council has previously committed to invest.

- £64.0 million for investment in Commercial income-generating assets; and
- £30.0 million for investment in Housing projects.

Proposals for use of these funds will be subject to approval of reports by Executive or the Commercial Ventures Executive Sub Committee when the business cases are developed.

Capital Programme Growth 2023/24 onwards

139. Capital Programme growth proposals totalling £7.683 million for 2023/24 to 2027/28 are detailed at Annex 4.

Table 19: CAPITAL PROGRAMME GROWTH 2023/24 to 2027/28	2023/24	2024/25	2025/26	2026/27	2027/28	
	Projected £m	Projected £m	Projected £m	Projected £m	Projected £m	TOTAL £m
Organisation	0.046	0.040	0.860	0.003	0.589	**1.538**
People	0.108	0.115	0.115	0.115	1.519	**1.972**
Place	0.034	0.016	0.259	-	3.864	**4.173**
TOTAL	**0.188**	**0.171**	**1.234**	**0.118**	**5.972**	**7.683**

140. The primary reason for this growth is the addition of ‘rolled-forward’ allocations for 2027/28 (also 2025/26 for Property Services) and some small-scale rescheduling of previously-approved allocations to match spending plans. No other significant growth

proposals are anticipated. The final Capital Programme proposals and funding requirement will be presented in January budget report.

141. The Capital Programme for 2023/24, including previously-approved schemes and the recommended growth, will therefore be £59.963 million.

Capital Programme Funding

142. Sources of funding for the 2022/23 Capital Programme are summarised below:

Table 20: CAPITAL PROGRAMME FUNDING 2021/22 to 2026/27	2021/22 BFWD £m	2022/23 Projected £M	2023/24 Projected £M	2024/25 Projected £M	2025/26 Projected £M	2026/27 Projected £M	TOTAL
TOTAL CAPITAL EXPENDITURE 2022/23 to 2026/27	**6.983**	**10.283**	**4.161**	**4.162**	**2.581**	**4.110**	**52.280**
FUNDED BY:							
Capital Reserves	-	-	-	-	-	-	**-**
Capital Receipts	-	28.938	2.816	2.817	1.236	0.017	**35.824**
Capital Grants & Contributions	0.327	1.345	1.345	1.345	1.345	1.382	**7.089**
Prudential Borrowing	6.656	-	-	-	-	2.711	**9.367**
TOTAL CAPITAL FUNDING 2021/22 to 2026/27	**16.983**	**30.283**	**4.161**	**4.162**	**2.581**	**4.110**	**52.280**

143. The sources of funding for the Capital Programme are explained below:

Table 21: CAPITAL PROGRAMME FUNDING	
Capital Reserves	• Previously the Council benefitted from access to significant capital Reserves following the sale of its housing stock. Over recent years these Reserves have been utilised to invest in the capital programme. The remaining balance was nil at March 2022.
Capital Receipts	• Sale of capital assets results in a capital receipt that can be used to invest in new capital assets or to repay prudential borrowing. • The main source of capital receipts over the duration of this Capital programme relate to delivery of major schemes including the Marketfield Way (The Rise) redevelopment. These capital receipts have been factored into forecast funding requirements. • Flexible use of capital receipts – there are no current plans for use of this funding option.
Capital Grants & Contributions	• Forecasts of the future grant funding allocation for Disabled Facilities works have been updated to reflect forecast allocations. • They also include the Council's share of Section 106 and CIL funding. • Revenue funding equivalent to the historic New Homes Bonus grant allocation up to 2020/21 has been allocated to support implementation of the Housing Delivery Strategy.

Table 21: CAPITAL PROGRAMME FUNDING	
Prudential Borrowing	• The primary source of long-term funding for the Capital Programme is now prudential borrowing, primarily from the Public Works Loans Board (PWLB). • Loans are managed through the approved Treasury Management Strategy and policies. • Interest on borrowing is paid to the PWLB and charged to the annual revenue budget along with the Minimum Revenue Provision that is necessary to set aside funds for eventual repayment of the loan principal. These costs have to be taken into account when setting a balanced Revenue Budget. • There are increasing restrictions on the type of capital expenditure that is eligible for prudential borrowing. Borrowing to fund investment solely for commercial gain is no longer permitted.
Revenue Budget Contributions	• There is no expectation that significant capital expenditure will be funded from the revenue budget in 2023/24.

Capital Programme – Revenue Budget Implications

144. As explained above, with the exception of earmarked Section 106 funds and some earmarked Housing capital receipts, the Council no longer has significant capital Reserves, therefore, while a small number of schemes will be continued to be funded from capital grants and other contributions, the majority of the approved Capital Programme must be funded through prudential borrowing. The costs of repaying this borrowing fall on the revenue budget as treasury management costs in Central budgets.

145. Treasury management budgets will be updated to reflect the costs of borrowing for the approved Capital Programme for 2023/24 onwards net of interest on forecast balances. Details will be confirmed in the Treasury Management Strategy for 2023/24 that is reported to Audit Committee, Executive and Full Council for approval in March/April each year.

146. The costs of managing and maintaining new capital assets will have to be taken into account in the revenue budget as new assets come into use. Budgets will also have to be established for any new income streams generated.

Capital Programme – Policy on Capitalisation of Salaries.

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

BUDGET SETTING TIMETABLE

148. The timetable for approval of the 2023/24 budget is summarised below:

Date	Event	Purpose
June/July 2022	Management Team away day	Consider service position and initial forecasts
	Executive away day	Discuss budget setting priorities and 'direction of travel'

Date	Event	Purpose
14 July 2022	Overview & Scrutiny	Medium Term Financial Plan Update & Capital Strategy Update
21 July 2022	Executive	
September 2022	Management Team away day Executive away day	Consider draft Budget proposals
October 2022	Executive away day	Agree draft Budget proposals
17 November 2022	Executive	Agree draft Budget
21 November to 16 January	Consultation on draft budget	To gather feedback
29 November 2022 8 December 2022	Budget Scrutiny Panel Overview and Scrutiny	Review of draft Budget
15 December 2022	Executive	Receive Scrutiny Panel Feedback
26 January 2023	Executive	Final Budget and Council Tax proposals
9 February 2023	Full Council	Approve Budget and Council Tax

OPTIONS

149. Service & Financial Planning: the following options are available to the Executive:

OPTION 1 - Approve the proposed budget and financial planning changes set out within the report, for consultation under the terms of the Constitution.

This option is recommended for approval, to ensure that service and financial plans are agreed in good time to adopt a balanced budget for 2023/24.

OPTION 2 - Only approve some of the proposed budget and financial planning changes set out within the report, for consultation under the terms of the Constitution.

This option is not recommended, as it would undermine the service plans and would present a risk to closure of the forecast budget gap for 2023/24.

OPTION 3 - Reject the proposed budget and financial planning changes set out within the report, and request that further work be undertaken to develop new proposals for consultation under the terms of the Constitution.

This option is not recommended as it would delay the budget consultation process, undermine service planning and leave the Council and risk of failing to adopt a balanced budget for 2023/24.

LEGAL IMPLICATIONS

150. Service & financial planning: there are no direct legal implications arising from the recommendations in this report subject to the Council adopting a balanced budget for 2023/24 by 11 March 2022 to meet the requirements of the Local Government Finance Act 1992.

151. Local Council Tax Support scheme: consultation during 2023/24 on any potential changes to the scheme will be conducted in a way that ensures compliance with relevant regulations.

FINANCIAL IMPLICATIONS

152. Service & financial planning: these are addressed throughout the report.

EQUALITIES IMPLICATIONS

153. An Equalities Impact Assessment of the final service & financial planning proposals will be undertaken and will be provided as a background paper to the January budget report.

154. An initial assessment of the proposals presented in this paper has indicated that the following proposals could potentially have an equality impact on one or more of the groups protected under the Equality Act 2010. These proposals include:

- Proposals to increase the Borough Council’s element of Council tax by the referendum limit
- Proposals to reduce some funding to some Voluntary and Community Sector Partners
- Proposals to increase some community centre room hire charges
- Proposals to increase car park charges
- Proposals to increase fees for the issuing of summons and obtaining liability orders for Council Tax and Business Rates non-payment

155. Draft equality impact assessments for these proposals have been undertaken. In all instances, consideration has been given to impact mitigation measures and ongoing impact monitoring proposals to reduce or avoid any potential impact. These are provided for members on the modern.gov portal.

156. As part of the budget setting process, consultation on these proposals will be undertaken (see below). The draft equality impact assessments will be published alongside the consultation, and the results of the consultation taken into account before any proposals are finalised. As appropriate, this will include consideration of alternative courses of action and/or actions that could be taken to reduce any potential negative impacts on those with protected characteristics or who are otherwise vulnerable.

157. The Local Council Tax Support Scheme is designed to help low-income council taxpayers, who are largely unemployed, or disabled, or low-income earners or pensioners. There are no changes proposed for the next financial year which would impact on a specific group of taxpayers.

ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS

158. The environmental sustainability implications of individual proposals within the draft budget have been considered. For the majority of proposals no environmental sustainability impact has been identified. Where potential impact has been identified this is as follows:

- Positive impact from proposals to move the emergency planning post into base budget, assisting the Council to respond to the increasing risk and impact of extreme weather events resulting from climate change; and
- Potential positive impact from the proposed increase in parking fees, encouraging car users to consider alternative modes of transport.

159. It is not known whether there will be any sustainability implications from the proposed fee increases in relation to allotments, garden waste and bulky waste. It is not anticipated that the relatively small increases will adversely affect customer numbers but impact on levels of service usage will be kept under review.

160. More generally, the proposed approach for funding the Council's environmental sustainability activity is as follows:

- Base budget funding within the corporate policy team for one sustainability project officer, with non-base budget funding for a second sustainability project officer;
- Retention of the Environmental Sustainability Reserve to progress corporate sustainability project activity;
- Service-specific initiative costs funded within the relevant Council departmental budgets (for example, Fleet, Facilities), with the above sustainability budgets serving to provide 'top up' funding in some instances; and service-level capital funding requests progressed on a project-specific basis; and
- Drawing on external or third party funding opportunities wherever possible, either by the Council working alone or in partnership

COMMUNICATION IMPLICATIONS

161. The Council continues to offer value for money for Council residents – in 2022/23, the average household pays just £4.66 per week to the Borough Council in Council Tax, which pays for the wide range of services that the Council delivers, including household waste and recycling collections, street cleaning, greenspaces maintenance, leisure and community centres, and statutory and regulatory services such as licencing, environmental health and planning.

162. Central to the Council's communications and engagement strategy is not only to promote the good work that the Council does and the great services it provides, but also to make sure that our annual service & financial planning process reflects what our residents and businesses need. Development of the 2020-2025 Corporate Plan was supported by extensive consultation with residents and other partners to ensure that our priorities remain relevant up to 2025.

RISK MANAGEMENT CONSIDERATIONS

163. The Council has strong risk management arrangements in place to ensure that any risks are identified and managed, with regular reports provided to the Audit Committee and the Executive.

164. The risks relating to the long term financial sustainability of the Council remain on the strategic risk register and controls and mitigating actions are regularly reviewed. They are set out in the MTFP at Annex 2.

165. Service & financial planning risks: the service and financial plans contained within this report are aimed at minimising risks and ensuring that the Council continues to deliver great services whilst managing budgets and other resources well.

166. Local Council Tax Support scheme risks: there are ongoing risks associated with not carrying out a review of the Scheme. It needs to current circumstances and the costs of processing claims have to be managed as they all fall on this authority. The window of opportunity for consultation is growing ever smaller and significant changes will require wide consultation to avoid the risks of legal challenge, which again are borne entirely by this authority. This does not however prevent the Council from managing

and controlling other areas of the Council Tax base, such as discounts and exemptions.

HUMAN RESOURCE IMPLICATIONS

167. The Council will need to maintain workforce capacity and skills to enable the organisation to diversify and deliver again Corporate Plan ambitions.

168. The service & financial planning proposals for 2023/24 set out in this report result in an overall change in FTE numbers as set out in the table below; the final position will be confirmed in the January budget report

Table 22: STAFF ESTABLISHMENT – FORECAST FTE MOVEMENTS 2022/23 TO 2023/24		
STAFF ESTABLISHMENT 2022/23 (including fixed term posts)		**533.6**
Net Permanent Posts to be created / (deleted) as part of 2023/24 Service & Financial Planning Savings and Growth proposals:		
Annex		
3.1	Organisation	(4.6)
3.1	Management Team – Emergency Planning	1.0
FORECAST STAFF ESTABLISHMENT 2023/24		**530.0**
NET INCREASE / (DECREASE)		**(3.6)**

169. The final budget proposals and Medium Term Financial Plan forecasts will include provision for an annual cost of living pay award for staff. This award is subject to negotiations with staff representatives and will depend on a variety of factors, including economic conditions, inflation levels and staff recruitment and retention considerations. The budget forecast also includes an allocation for contractual pay increases for some staff (primarily incremental pay rises linked to achieving appraisal targets).

CONSULTATION

170. Consultation will be carried out in line with the Council’s budget and policy framework. This includes consideration by the Overview & Scrutiny Committee.

171. Budget and policy framework consultation: The Constitution requires a consultation of 8 weeks on the draft budget. The budget consultation will run from 21 November 2022 to 16 January 2023. Publicity will be produced following this meeting explaining how to submit comments in writing or via email. Key partners and stakeholders will also be notified about the budget consultation, and any interested parties will be able to respond to the consultation by way of a survey or written response. A summary of consultation responses received will be provided to the Executive in January 2023 alongside the final proposed budget.

172. As part of the budget and policy framework consultation, the Overview & Scrutiny Committee has established a Budget Scrutiny Panel. The Panel is scheduled to meet on 29 November 2022. It is anticipated that the Panel’s report will be considered by the Overview & Scrutiny Committee on 8 December 2022. Any comments or recommendations will be reported to the Executive meeting on 15 December 2022.

173. Statutory consultation/notification: Section 65 of the Local Government Finance Act 1992 requires the Council to consult representatives of those subject to non-domestic rates in the borough about its proposals for expenditure for each financial year. General

consultation with local businesses on the proposal in this report will be achieved as in past years through activities coordinated by the Economic Prosperity Team, including business networking events and using the Council's business e-newsletter.

174. Section 70 of the Local Government (Miscellaneous Provisions) Act 1976 establishes requirements for the charging of Fees & Charges in respect of vehicle and operator licences and the making of changes to such charges. Consultation and notification of proposals to amend these charges will therefore be carried out in accordance with this legislation.

175. Section 35 of the Road Traffic Regulation Act 1984 (and associated enabling legislation) establishes requirements in relation to charging for off-street parking charges and the making of changes to such charges. Consultation and notification of proposals to amend these charges will therefore be carried out in accordance with this legislation.

POLICY FRAMEWORK

176. The budget proposals within this report form part of the Council's budget and policy framework. The annual budget is developed to ensure that the Council can deliver its Corporate Plan and services to residents and businesses.

Background Papers:

Medium Term Financial Plan Update, report to Executive on 21 July 2022

Capital Investment Strategy 2023/24, report to Executive on 21 July 2022

Draft Service Plans, 2023/24 to 2025/26 can be viewed in the Members' Section of the Modern.Gov Library (via the 'Draft Budget November 2022 folder)

Full list of proposed changes to Fees & Charges can be viewed in the Members' Section of the Modern.Gov Library (via the 'Draft Budget November 2022 folder)

Draft Equality Impact Assessment findings can be viewed in the Members' Section of the Modern.Gov Library (via the 'Draft Budget November 2022 folder)

List of Annexes:

1	Policy Context
2	Medium Term Financial Plan - Summary
3	Revenue Budget – Growth, Income and Savings Proposals
4	Capital Programme - Growth Proposals
5	Fees & Charges Policy
6.1	Revenue Reserves
6.2	Reserves Policy

POLICY CONTEXT

The international, national and sub-national context in which the Council will need to operate in 2023/24

1. International Context

1.1 The UK and the Council are part of a global economic, political and environmental system. The state of this system therefore shapes and influences the context in which the Council must operate. This includes factors such international political stability, global productivity, international finance, and commodity prices and supply chains. Whilst the Council is a very small part of the system, the macrotrends shaping the global situation also have local implications, awareness of which is important for informing the work of the organisation.

Global Economy

1.2 The global economy has recently faced a number of headwinds, limiting productivity and prosperity. These have most significantly manifested in elevated costs of energy, food and shipping, seemingly caused by a combination of the effects of the coronavirus (COVID-19) pandemic, political instability including the invasion of Ukraine, and climate factors.

1.3 The combination of these factors has manifested significant supply-side cost pressures across the globe. This has driven major increases in inflation in many countries and hindered the recovery of economies from the disruption of the pandemic.

1.4 The effect of these costs pressures has been felt unevenly. With pressures particularly effecting essential commodities such as food and energy, the effective cost increases have been greater where those components make up a greater proportion of spending – generally the least wealthy. By contrast, factors including loose monetary policy in the wake of the pandemic enabled corporate profits to remain generally strong.

1.5 A number of these supply-side factors are now stabilising or diminishing, with shipping and food costs reducing. However, energy prices remain elevated, and there are continued shortages in some key goods, such as semiconductors. Combined with the feed through of cost pressures reducing demand and potential market disruption from declining stock prices, this may hinder economic activity in the coming year.

1.6 The short term outlook for the global economy is therefore uncertain, with significant risks present. A number of indicators suggest the risk of recession – whilst this may be staved off, it is likely that real growth will be relatively weak in the near future. This may place additional pressures on the Council where residents require additional support.

International Relations

1.7 The invasion of Ukraine by Russia is perhaps the most visible factor in current international relations. The conflict has contributed meaningfully to the adverse economic conditions identified. With fighting ongoing and questions over its implications for the stability of Russia, a major nuclear power, the war is necessarily a significant risk factor for many nations.

1.8 More widely, broader trends of increased international tensions, the resurgence of more nationalist and authoritarian politics, and the retreat from the overarching trend towards globalisation of recent decades have continued. These trends have manifested relatively locally with the withdrawal of the UK from the European Union (EU) and challenges faced by the EU around the government policies of nations such as Hungary. The relatively recent election victory of strongly nationalist government in Italy may exacerbate these factors.

1.9 Across other areas, there are questions about the future international policy of the United States of America (USA), the role of China in global events and tensions between it and the USA, and a range of more regional concerns. These combination of these factors is likely to reduce international stability and may have adverse consequences for global prosperity in the coming years.

Climate and Environment

1.10 The effects of climate change and environmental degradation are both increasingly evident, and increasingly harmful. The planet continues to experience a wide range of threats to the environment, including air pollution, waste plastics, loss of habitats and biodiversity, water scarcity, and, in particular, global warming and climate change due to human-led carbon emissions. These risks have been highlighted by the increased prevalence of extreme weather events, flooding and wildfires across the globe.

1.11 Regardless of other economic factors, if determined action is not taken to address this crisis, the wellbeing and prosperity of everyone on the planet are likely to suffer greatly. The Paris agreement, adopted by the UK and 195 other countries in 2015, sets out a plan to address carbon emissions and global warming, but this will need to be supported and delivered by practical action at a national and more local level. Even where action is taken, the climatic changes that we are already seeing will continue to cause disruption, with wide ranging implications to food and resource security, migration, and international tensions, further exacerbating other global economic pressures.

Recyclate Markets

1.12 An international economic factor of particular note to the Council is the price of recycled materials. The Council is a supplier of these, using recycling collected locally, and the value of these materials is therefore a considerable income consideration for the organisation. Recyclate prices, although reduced from their peak following the pandemic, are currently expected to remain at reasonable levels in the near future, and income from this source is therefore currently expected to be maintained in the coming year.

1.13 However, prices in this sector have been historically highly volatile, and if demand diminishes again, due to either temporary pressures causing longer term economic slowdown, or alternatives becoming more readily available, then this income may not be realised. In parallel, cost associated with the processing and disposal of materials are expected to increase, reducing the net surplus of the Council's operations. On this basis, recyclate costs are identified as an operational risk for the organisation, and this risk will continue to be monitored and managed as far as possible.

2. National Context

2.1 As with global conditions, whilst the Council is only a small piece of the national context, the general situation of the UK shapes the environment in which it must operate.

Cost of Living

2.2 Significantly influenced by those global conditions, the current national context for the UK is dominated by the cost of living crisis facing much of the population. Whilst the UK as a whole is a wealthy nation, the unequal distribution of resources has left many of the population facing challenging financial circumstances as costs of essential items such as food, energy and housing have undergone sudden increases.

2.3 Energy prices have risen significantly in the past year. This has presented both households and businesses with challenges around affordability of heating and other uses. These cost factors are now being mitigated through a combination of price caps, but the cost to consumers remains significantly higher than previously. Where this continues, it is likely to continue to effect the wellbeing of population, particular in coming winter conditions, and the viability of businesses.

2.4 Other goods and services have also been affected by cost increases, with the CPI measure of inflation peaking at 10.1% in July. Due to some of the causal factors, such as shipping costs, applying a relatively fixed uplift to goods prices, low-cost staple commodities have been disproportionately affected. This has therefore led to a significantly higher effective rate of inflation for those relying upon such goods. The least wealthy UK households have therefore generally been worst afflicted by current conditions.

2.5 Housing costs in the UK have also been at record levels, both in terms of absolute cost and relative to unaffordability. Whilst there have been a range of mitigating measures to support access to housing, there has not been a systematic effort towards addressing the limited supply, and this trend is therefore likely to continue in at least the near future. Costs to homeowners have been further pressured by recent increases in the Bank of England base rate leading to increases in mortgage interest rates.

2.6 These pressures are likely to increase demands upon Council services as residents struggle to afford essential items and turn to the public sector for assistance. They may also reduce Council income as additional persons may require Council Tax support measures, and uptake of discretionary services may be lower.

Central Government and the Public Sector

2.7 The leadership of the national Government has recently changed, following the departure of previous Prime Minister Boris Johnson. The new administration, under Prime Minister Liz Truss, had signalled a change in approach in many areas, particularly including fiscal policy. However, at the time of writing and following a change of Chancellor of the Exchequer, many of the proposed elements have been withdrawn and information on the updated approach is awaited. There is therefore considerable uncertainty as to the Government's emerging approach.

2.8 With this uncertainty, it is unclear what effect the policies of the national Government may have on the country and its economy. The previous proposals had prompted concerns regarding the stability of the UK's public finances as they appeared to be potentially dependent on significant economic growth to meet spending commitments. However, the pressures on cost of living facing much of the population continue to apply, and it is not yet clear how these will be addressed by national policy. If developing proposals lead to reductions in economic activity or cuts to essential services, there would be the potential for the financial and wellbeing pressures on the population to continue or even worsen. If plans are able to improve economic conditions, then this would be expected to help address these pressures.

2.9 Public sector efforts more broadly continue to operate within challenging conditions. Health and social care services in particular have faced major budgetary pressures in the last fifteen years, and with the recent effects of the COVID-19 pandemic, patients and those relying on care services are facing heightened levels of delay and limitations on services. Other public sector elements, such as education and local authorities have also been dealing with increasing financial pressures, which is likely to continue to hamper their efforts. With the likelihood of further cuts to Government departments having been indicated, these factors are anticipated to continue or worsen in the near term.

2.10 If Government policies to encourage growth are successful in the medium term, then the strengthening economy would expected to help to improve standards of living and support the population through the challenging global economic environment. If the policies are ineffectual or counterproductive, this may lead to a further decline in circumstances, particularly in the event of any wider downturn in economic conditions.

Environmental Policy

2.11 In 2019, the UK government amended the Climate Change Act 2008 to commit the country to a target of net-zero greenhouse gas emissions by 2050. This target is supported by a range of current and emerging legislation.

2.12 The new Environment Act was given royal assent in November 2021.The act set long-term legally binding environmental targets, both with regard to and beyond climate change mitigation. This included targets regarding air quality, biodiversity and waste reduction, which relevant to the Council's activity.

2.13 In October 2021 the previous Government published its Net Zero Strategy setting out policies and proposals to decarbonise all sectors of the UK economy to deliver the national net zero target. The Net Zero Strategy was accompanied by a Heat and Buildings Strategy focusing specifically on change in relation housing, commercial, industrial and public sector buildings.

2.14 The Independent Committee on Climate Change, in June 2022, in their annual progress report, concluded that while the Net Zero Strategy was ‘solid’, important policy gaps still remain, and tangible progress is lagging the policy ambition.

2.15 At the time of writing, the new Secretary of State for Business, Energy and Industrial Strategy has commissioned an independent review of the Government’s approach to delivering its net zero target, looking specifically at the relationship between the strategy and the pro-business, pro-growth agenda. How the outcomes of this review influence future Government policy in this area remains to be seen.

Planning Policy

2.16 There have been a number of potential changes to national planning policy raised by central Government in recent years. At the time of writing, it is unclear as to which of the proposals are likely to be further pursued or implemented. Given this high level of uncertainty, this is an area which will need to continue to be monitored in the coming year.

2.17 Depending on the scope of any changes implemented, there might be implications for the nature and location of future development in the borough and for the Council’s ability to secure planning gain benefiting local communities. As any information emerges or is confirmed, these implications will be considered.

Waste and Recycling

2.18 In addition to monitoring recyclate prices, as identified above, there remains a significant degree of uncertainty for the Council’s waste and recycling services around the government’s forthcoming Resources and Waste Strategy. Emerging from legislation tied to the Environment Bill, this has the potential to impose additional requirements on local councils for the collection of waste and its composition.

2.19 The strategy has the potential to require the Council to undertake additional activity, whilst both providing no certainty of additional resources, and removing or reducing the Council’s current options for generating related income. This would apply significant additional pressure to the Council’s budget. Additionally, the ongoing uncertainty constrains the organisation’s capacity to make decisions on investments in services. The Council will therefore need to continue to monitor the implementation and finalisation of this strategy as it progresses.

Levelling Up and Devolution

2.20 The previous Government formalised its approach in February 2022 to drive national prosperity and address regional inequalities, described as ‘Levelling Up’. As the borough and the wider county of Surrey are within the more prosperous areas of the country, they fall outside of the primary focus of the programme. However, there are smaller funds available across the country, and any successes in strengthening the wider national economy would be anticipated to have secondary benefits for other areas, including the South East. Again, the recent change in leadership of the national Government introduces some uncertainty as to future support for the levelling up approach, and any developments in this regard will need to continue to be carefully monitored.

2.21 The Government has also been exploring a range of options for devolution of some powers, in conjunction with local authorities. Aside from the established arrangements in Scotland, Wales and Northern Ireland, the most extensive of these have been undertaken in regional metropolitan areas, such as Greater Manchester, associated with the levelling up approach. The previous Government was also investigating agreeing County Deals with additional areas, with the potential to devolve a selection of powers to the upper tier authorities. More information on the potential for Surrey is presented in the local context section below.

3. Local Context

Economic Prosperity

3.1 The borough of Reigate & Banstead continues to be a prosperous area, with local business activity and resident incomes higher than average for the UK. Compared to the UK average it has a higher proportion of jobs within the sectors of financial and insurance activities and human health and social work activities, and a lower presence in manufacturing. The nearby presence of Gatwick Airport is also influential for the south of the borough, particularly Horley. The borough falls within the Coast to Capital Local Enterprise Partnership, although it is anticipated that the role of the partnership may be devolved to a county level in future, should the current Government continue to pursue related proposals associated with the ‘levelling-up’ agenda.

3.2 The COVID-19 pandemic presented challenges for local businesses in recent years. These were mitigated through a range of measures, including business support grants administered by the Council, and local campaigns and activity to support local enterprises. However, the rate of business closures overtook the rate of business openings, with a reduction in the business population of approximately 3% between 2019 and 2022, with losses concentrated among the smallest businesses. Footfall levels have now largely, but not completely recovered, relative to pre-pandemic levels, which may benefit high-street businesses.

3.3 Figures for overall gross value added (GVA) are not yet available for the most recent years, but the years between 2015 and 2019 had shown an approximate 15% decline within the borough; this may have been influenced by one-off factors such as changes in company headquartering, but there is a risk that recent conditions may have perpetuated the trend.

3.4 Local unemployment levels are at historically low levels, mirroring the wider national status, although they have increased slightly relative to pre-pandemic levels. Correspondingly, local vacancies are at an elevated level, with businesses reporting challenges in recruiting, and facing the need to offer increased salaries and other benefits. This has been particularly evident in Reigate, significantly influenced by the financial sector, with an increase of over 10% in average salaries reported since March 2022 – other areas of the borough have been less affected, with incomes remaining relatively flat.

3.5 Businesses are also reporting difficulties related to the increases in costs around energy and supply chains. Some measures to address the energy concerns were announced by the Government in September, but further detail is awaited, and they are expected to go only some way to addressing the pressures faced.

3.6 With the rising cost of living affecting disposable income levels, there is a risk that demand for goods and services may reduce in the near future. If this takes place it will place further pressures on businesses in the local area, and may consequentially also lead to increases in unemployment. It may also cause reductions in Council income as facilities such as parking receive lower levels of use. The Council will therefore need to continue to monitor the local and national economy and be ready to respond if conditions worsen and demand on its business support services increases.

Housing

3.7 Housing affordability in the borough and surrounding areas is such that local residents, young families and local employees on moderate incomes are often unable to buy their own homes. 2021 saw average house prices in excess of 13 times local wages. Similarly, private rents in the borough remain high, with the average 2 bed monthly rent being around £1,100. This compares to a maximum local housing allowance rate of just under £950. With mortgage prices currently increasing, along with other costs on households, housing affordability is likely to suffer further in the coming year, although the rate of increase in prices may also reduce.

3.8 Local demand for housing support is currently heightened, and the Council has been experiencing increased numbers of homeless approaches and emergency accommodation placements in 2022/23. Recent years during the pandemic saw an increased level of homelessness amongst the single person client group and a drop in family homelessness, but the numbers of households with children facing homelessness have risen again, whilst the level of single homeless persons remains elevated.

3.9 Cost of living pressures are anticipated to increase through the winter and spring, and the number of approaches and placements is therefore likely to continue to increase. The impact will be a higher spend on nightly paid emergency accommodation and, as it becomes harder to source all types of accommodation, households are being placed further away from the borough which can cause further hardship at a time of crisis. Suppliers of nightly paid accommodation have also started to increase their charges due to their energy costs increasing.

3.10 Additional pressures apply due to the observed reduction in vacant social tenancies over the last two years, at the same time as an increasing number of applicants on the waiting list for social housing. This has the knock on effect of increasing wait times for social housing for all those in need, including those homeless households in temporary and emergency accommodation. It is also becoming more difficult to source affordable private rented accommodation as there are more potential tenants than properties, leading to landlords adopting a selective approach and frequently preferring tenants not receiving benefit income.

3.11 The Council has plans to mitigate some of the challenges by purchasing more Council owned and managed family size temporary accommodation, as well as an emergency accommodation unit for single homeless applicants. Plans are also being worked up for a pilot downsizer scheme to make it easier for social housing tenants that are under-occupying family size homes to transfer to more manageable smaller homes, which would also make more family size units available for nominating homeless households. These measures are in addition to an established suite of options to assist households from becoming homeless and secure alternative housing whenever possible.

Health

3.12 Whilst, as a lower tier authority, the Council does not have a statutory responsibility for health or social care, several of our services do impact on the wider determinants of health, such as local environmental health and licensing matters, the provision of high quality greenspaces, planning policy, intervention services (including family and money support) and our community development activities. With the statutory establishment of Integrated Care Systems (ICS) in July 2022 and the associated focus on more integration between the health service and other public and voluntary sector organisations, we are committed to strengthening our already robust collaboration with all health sector and wider partners in the borough.

3.13 The borough falls within the Surrey Heartlands Integrated Care System area, with parts of the borough within both the East Surrey Place and Surrey Downs Place partnerships. At present, the Council has substantial strategic and operational collaboration in place with East Surrey Place (which covers the areas around Redhill, Reigate and Horley), from being a signatory to the East Surrey Place Alliance Agreement to collaboration between local GPs and our community development team. Our involvement in Surrey Downs Place is less developed, although there is strong frontline collaboration between the Banstead Primary Care Network and our community development team. We remain keen to achieve closer strategic collaboration with Surrey Downs Place in future.

Welfare and Support

3.14 As identified above, unemployment levels are currently low, having reduced following an increase during the pandemic. The economic inactivity rate is also particularly elevated at present, particularly influenced by long-term sickness. Whilst vacancies remain high, it is possible that the cost pressures being faced by businesses will lead to reductions in staffing demand, potentially causing unemployment to increase. This would require additional administration to support and would be likely to increase demand for other Council services.

3.15 At the time of writing, it is unclear if benefit levels will continue to be maintained in line with inflation. If the Government were to decide to increase benefits at a level below inflation, this would cause additional hardship for those in receipt of public support, and would likely cause additional local cost pressures and rising demand for auxiliary support, such as the Council's money support service and hardship support measures.

3.16 A number of national support measures to address cost of living have been administered by the Council's Revenue and Benefits service. Administering these items requires additional activity by the service, and if continued pressures on cost of living lead to further support measures, these may in turn place further demands upon the service.

Commercial Property

3.17 The local commercial property market both influences the Council's income from its property portfolio and is indicative of wider economic factors.

3.18 Despite changes to working behaviour presenting questions over longer-term demand for office space, property demand has remained at a good level in recent years. The borough has a historic undersupply of high-quality office space, and there is therefore expected to be continuing interest in this sector.

3.19 Retail property continues to face some challenges, particularly in respect of high-street premises, relating to the continued move of customers towards online purchasing. Retail warehousing has recently been performing strongly by counterpoint, but this trend may now be diminishing as disposal income levels become more limited.

3.20 There is relatively little local industrial property, but this sector will continue to be monitored for wider consequences and implications.

3.21 Increasing rates of interest may lead to reductions in investment activity, or investors seeking higher rates of return on properties. Wider economic uncertainty may also lead to delays in potential investments until circumstances become clearer. Rising costs for business and customers may also reduce demand for property, including rental elements, as demand reduces and businesses seek to minimise costs. The Council will need to continue to monitor these potential developments with regard to their implications for the local area and Council income.

Local Environmental Sustainability

3.22 In 2020 Surrey County Council (SCC) published its Climate Change Strategy. This sets out an ambitious plan for the county to achieve zero net carbon by

2050, and includes a range of actions and activities that will need to be implemented at the borough level, in conjunction with measures outlined in our own Environmental Sustainability Strategy.

3.23 It is important that the Council continues to work closely with Surrey County Council (and other local partners) to deliver on shared environmental and climate objectives, to lobby for further policy clarity, powers and funding from central government and to deliver maximum benefits from the resources that are available. At the same time, local authorities need to work to ensure resilience within communities and the built environment to the physical impacts of climate change, such as hotter summers, more extreme weather events and increased flood risk.

Transport and Infrastructure

3.24 There continues to be a high level of demand for infrastructure improvements and maintenance in the local area. Whilst this is primarily not a borough-level responsibility, it remains relevant in informing the context in which the Council operates.

3.25 The Council has and will continue to work with Surrey County Council across a range of transport and infrastructure topics, including the jointly developed Local Cycling and Walking Infrastructure Plan, which will enable bidding for additional government funding. This aligns with Surrey's wider Local Transport Plan, which includes ambitions for improved environmental sustainability along with economic and community benefits.

3.26 The Council continues to collect the Community Infrastructure Levy (CIL), which is allocated to assist with the delivery of a range of infrastructure projects across the borough. At the time of writing, bids for strategic CIL funding for the 2023-2027 period are being reviewed, and funding will then be allocated for projects in this period. This funding will not be sufficient to address all local demands, but will support a number of identified locally significant priority projects.

3.27 Gatwick Airport is progressing plans for expansion of use of its northern standby runway, increasing airport capacity. This has potential local implications for transport capacity, along with wider concerns regarding environmental factors, although there are also potential economic benefits. The airport is anticipated to seek to further progress its proposals, which will require a Development Consent Order from the national government. The most recent consultation on the proposals was during Summer 2022, regarding highways implications, to which the Council responded with a range of points around matters such as traffic, capacity, foot and cycles access, noise matters, biodiversity and vegetation.

3.28 The Council will need to continue to monitor local transport and infrastructure considerations as the emerge and develop. It is not anticipated that the infrastructure context will have significant financial implications for the Council in the coming year, but may influence the prosperity and wider conditions of the borough in the longer term.

Devolution and County Deals

3.29 The previous Government's levelling up strategy included proposals for potential 'County Deals' with upper-tier authorities in a number of areas across the country, subject to local interest. These proposals would include devolution and/or concentration of a number of powers to the local authority level, which – in the event that a county deal were to be implemented locally - would be through Surrey County Council. There would also be the potential for additional funding where there was agreement to adopt a structure including a directly elected mayor for the region. SCC was not selected to be in the first phase of County Deals identified in the levelling up white paper, and the timeframe for the next phase is currently unclear.

3.30 Surrey County Council has announced an interest in securing a County Deal for Surrey as part of the levelling up proposals. This would not lead to any changes in borough and district level structures, but would potentially change the routes for accessing some funding, such as that currently allocated by the Local Enterprise Partnership. SCC is not currently believed to be interested in moving to a directly elected mayor, which would limit the scope of changes which would secure additional local funding. The Council will need to continue to monitor and seek to engage with emerging proposals for a County Deal as they develop, and consider any resultant implications for local practices and funding.

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MEDIUM TERM FINANCIAL PLAN - SUMMARY
2022/23 to 2027/28
November 2022

APPENDICES

1. Revenue Budget 2022/23
2. Medium Term Revenue Budget Forecast 2023/24 to 2027/28
3. Capital Programme 2022/23 to 2026/27
4. Strategic Financial Risks
5. Financial Sustainability Programme

GLOSSARY

1. Introduction

This Medium-Term Financial Plan (MTFP) is a summary of the Council's key financial information, including the budget challenges faced, over the period 2022/23 to 2027/28 and our approach to addressing them.

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

In July 2022 the Executive approved the previous version of the MTFP which was based on the objectives of the Corporate Plan 2020-2025. It set out the latest resource projections and estimates of expenditure. This document refreshes and updates MTFP forecasts in anticipation of service & financial planning for 2023/24.

Key changes since the July 2022 MTFP report include:

- Service budget savings, income and growth proposals;
- Updated forecasts for council tax and business rates income;
- Updated forecast for borrowing and investment income costs to reflect Capital Programme and balances forecasts; and
- The latest position Government funding announcements.

2. Medium Term Financial Plan Objectives

The objectives of this MTFP are to help us:

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

- Ensure that fees and charges are set at an appropriate level and that they take into account comparative levels of charge and ability to pay, in line with the Policy;
- Demonstrate probity, prudence and strong financial control;
- Manage financial risks;
- Continually review budgets to ensure resources are targeted on key objectives;
- Continue to improve our approach to commissioning and procurement to ensure value for money for local taxpayers;
- Support new ways to ensure financial sustainability and maximise income to deliver our priorities. This includes the development of commercial projects to capture both revenue income and capital growth opportunities;
- Pursue opportunities for securing external funding; and
- Support opportunities for working in collaboration with partners where this will support our priorities and improve service value for money.

3. Medium Term Financial Plan Priorities

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

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

- Government **Finance Legislation**. There are key pieces of Government legislation which will impact upon the future financial position of the Council. In particular the impact of the localisation of business rates and any additional responsibilities will need to be fully evaluated as well as the Government's current Fair Funding Review of local Government finance which has been delayed but is still is due to be introduced at some point in the future;

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

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

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

- **Commercial Ventures**: The Council will seek to take advantage of commercial opportunities wherever possible to cover costs and to review our fees and charges in order to maximise income in line with corporate objectives. Commercial opportunities will be pursued in line with the guiding principles set out in the Commercial Strategy;

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

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

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

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

4. Medium Term Financial Plan Context

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

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

The Economy and Public Spending

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

- *UK general government gross debt was £2,436.7 billion at the end of June 2022, equivalent to 101.9% of gross domestic product (GDP.*
- *UK general government deficit (or net borrowing) was £43.9 billion, equivalent to 7.2% of GDP.*
- *The general government gross debt and deficit figures published here (for 1997 onwards) are fully consistent with those published in our public sector finances august 2022, published on 21 September 2022.*

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

In October 2022, following various prior announcements, the Office for Budget Responsibility (OBR) confirmed:

- *The Chancellor has announced that the publication of our autumn forecast will be set to a later date of 17 November. That day our latest outlook for the economy and public finances will accompany the Chancellor's Autumn Statement.*

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

Interest Rates

The Bank of England's Monetary Policy Committee (MPC) has increased Bank Rate at each of its meetings since December 2021, when it rose from 0.1% to 0.25%. Throughout the first four MPC meetings of 2022, Bank Rate increased at 0.25% increments. However, the August and September MPC meetings each resulted in 0.5% uplifts to Bank Rate bringing it currently to 2.25%, alongside expectations of continued upwards movements to follow as inflation continues to rise. Inflation now stands at 10.1% compared to the MPC's target of 2%. The MPC has continued to reiterate that it will 'respond forcefully' to persistent inflationary pressures within the economy.

Table 1: FORECAST INTEREST RATES	September 2022 %	December 2022 %	March 2023 %	June 2023 %
Forecast Bank Rate	2.25	4.00	5.00	5.00

Source: *Link Asset Management October 2022*

Inflation

The consumer price inflation (CPI) rate in the United Kingdom increased to 10.1% in October year on year. Inflation is expected to peak at 11% in the next few months before starting to fall back. This peak is lower than previously forecast due to the Government intervention in respect of energy bills, which while reducing previous expectations may result in it remaining elevated for longer. The MPC have recognised in the minutes of the September meeting that the economy has been subject to a succession of very large shocks and that "monetary policy will ensure that, as the adjustment to these shocks continues, CPI inflation will return to the 2% target sustainably in the medium term."

Table 2: FORECAST INFLATION (CPI)	2022/23 %	2023/24 %	2024/25 %	2025/26 %	2026/27 £%
Forecast CPI	9.3	6.0	2.5	2.6	2.5

Source: *Link Asset Management October 2022*

Economic Growth

The Growth Plan 2022 makes growth the government's central economic mission, setting a target of reaching a 2.5% trend rate. Sustainable growth will lead to higher wages, greater opportunities and provide sustainable funding for public services.

The United Kingdom currently faces a period of high inflation. The government has already taken significant steps to address high energy bills, the biggest challenge, by announcing the Energy Price Guarantee. This will mean the average household will pay no more than £2,500 per year for a period of two years from October 2022. The government has committed to a new six-month Energy Bill Relief Scheme for businesses and other non-domestic energy users, including charities and public sector organisations, providing them with a discount on energy prices.

Taken together, these policies will significantly reduce inflation and support growth in the short term.

The government will also make significant interventions in the energy market to help reduce costs and improve resilience, over the longer term. Agreements will be negotiated with major gas producers and electricity generators to bring down wholesale prices. The new Energy Markets Financing Scheme, delivered with the Bank of England, will help to reduce disruption to the UK's wholesale gas and electricity market. The North Sea Transition Authority will launch a new oil and gas licensing round.

To drive higher growth, the government will help expand the supply side of the economy. The Growth Plan sets out action to unlock private investment across the whole of the UK, cut red tape to make it quicker to deliver the UK's critical infrastructure, make work pay, and support people to get onto the property ladder. New Investment Zones will provide time-limited tax reliefs, and planning liberalisation to support employment, investment, and home ownership.
The Growth Plan makes good the government's commitment to cut taxes for people and businesses. The government will cut National Insurance contributions from November and cancel the Health and Social Care Levy.

The government is going further to deliver tax cuts. From 23 September the threshold from which Stamp Duty Land Tax (SDLT) must be paid will be doubled … the threshold at which first-time buyers begin to pay SDLT will increase … and the maximum value of a property on which first-time buyers' relief can be claimed will also increase.

The government is committed to fiscal sustainability and reducing debt as a proportion of Gross Domestic Product (GDP) over the medium-term. The government will take the responsible decisions that are needed to achieve this aim, including keeping spending under control. The Chancellor has commissioned the Office for Budget Responsibility to produce a forecast before the end of the calendar year.

Taken together, reforming the supply side of the economy, cutting and simplifying tax, and maintaining fiscal discipline will drive efficiency, enhance UK competitiveness, and help to boost growth sustainably in the long term.
HM Treasury, UK Growth Plan (Revised) – September 2022

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

- It may be harder to collect sums due, for example for council tax and business rates. Despite these increasing pressures, to date performance on income collection remains consistently strong;
- Increased demand for services to assist residents falling into hardship;

- Reduced demand for some services, eg. car parks;
- Suppliers and contractors being at risk of liquidation, potentially affecting delivery of services;
- Cost inflation pressures greater than previously-assumed; and
- Impacts on the Council's supply chain eg. price increases, impacts on operational delivery of capital schemes, supplier workforce impacts.

Potential impacts of inflation for budget-setting:

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

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

This means that the framework for local government funding has been subject to a sustained period of change and uncertainty:

- April 2011 – New Homes Bonus introduced
- April 2013 - Business Rates Retention introduced
- October 2015 – 100% BRR and Funding Review announced
- April 2016 – Government and LGA working groups set up and start meeting
- Early 2017 - Call for evidence on Fair Funding and Business Rates Retention consultation
- April 2017 – New Homes Bonus scheme changes
- May 2017 election – Business Rates Retention primary legislation falls; Fair Funding Review to continue

- Summer 2017 – announcement of move to 75% Business Rates Retention; confirmation of new Business Rates Baseline and continuation of Fair Funding Review – all expected at that time to go ahead in 2022/23
- July 2018 – new simplified Business Rates Reset first suggested
- December 2018 – no figures beyond 2021/22 were available; indications that 'Negative Revenue Support Grant' would result in significant funding reductions for councils like Reigate & Banstead
- December 2018 – new consultations on Fair Funding Review, Business Rates Retention and confirmation of a full Reset of Business Rates growth
- Spending Round19 – one-year settlement for 2020/21 only
- Spending Review20 (SR20) – delayed to autumn 2020 due to the Government's COVID-19 pandemic response - focussed on prioritising funding to support the ongoing response to the pandemic to:
  - control and suppress the virus;
  - increase support to public services; and
  - support jobs and businesses.
- Provisional Local Government Finance Settlement 2021/22 - published in December 2020. Covered one year only; based on Spending Review20 (SR20) funding levels. There remained a commitment from the Government to return to multi-year settlements at some point but that would depend on whether COVID-19 continued to have significant impacts on local government finances during 2021/22.
- The 2022/23 Provisional Local Government Finance Settlement, published in December 2021, was for one year only and was based on Spending Review 2021 (SR21) funding levels that were announced in November. Once again, the emphasis was on providing stability by rolling forward key elements of 2021/22 funding alongside extra cash for priority areas, such as social care. The approach was designed to maximise the scope for manoeuvre in implementing finance reform in later years by keeping open options for years 2 and 3 of the SR21 period. The main points are set out below:
  - **Council Tax** – the council tax referendum limit would be 2% for lower tier authorities; it was confirmed that districts would be allowed to apply increases of the higher of the referendum limit or £5.

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

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

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

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

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

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

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

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

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

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

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

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

- **September 2022** – the former Chancellor's Fiscal Event on 23 September 2022 included a number of measures with a potential impact on local government:

  - The Health and Social Care Levy, due to be introduced from April 2023, and the increases to National Insurance contributions that had been implemented from April 2022 were cancelled while the Government committed to maintaining the additional spending on health and social care that was associated with the introduction of the Levy;

- There was a commitment to streamlining local growth funds and giving local government more flexibility over the next two years;

- Introduction of a Planning and Infrastructure Bill to streamline and speed up the planning process for major infrastructure projects;

- Introduction of Investment Zones across the UK, including:
    - tax incentives (in tax sites) and liberalisation of planning rules (in development sites);
    - 100% business rates relief for 10 years;
    - Councils to retain 100% of business rates growth above an agreed baseline for 25 years in designated sites;
    - liberalised planning;
    - Zones to be delivered in partnership with upper tier local authorities and mayoral authorities working in partnership with lower tier councils.
    - Zones to be chosen following a rapid expression of interest process;

- Energy Bill Relief Scheme to assist businesses and other non-domestic energy users, including public sector organisations, including:
    - Discounted wholesale gas and electricity prices for six months;
    - Review of the scheme in three months to inform decisions on future support after March 2023.

- **October 2022** - the September Fiscal Event was followed by a period of significant political and economic turmoil and appointment of a new Prime Minister and Chancellor:

    - Many of the measures proposed in September were revoked to reduce the forecast gap resulting and on 17 October the new Chancellor announced a set of measures ahead of the rescheduled November announcement of the Medium Term Fiscal Plan.

        - The abolition of the health and social care levy (or reductions in stamp duty) would not be reversed.

        - The Energy Bill Relief Scheme (for non-domestic customers, including public organisations) would no longer last for two years. Instead, these schemes will continue until April 2023, with a Treasury-led review to decide the parameters for a support scheme after that.

        - There would be more difficult decisions to be made on public finances and Government departments would be asked to find efficiencies within their budgets.

- The Chancellor planned to make further changes to fiscal policy to put public finances on a sustainable footing and address the remaining £40bn fiscal gap. It was expected that this would through be a combination of tax increases and public sector spending cuts.

- In October 2022 the Institute for Fiscal Studies (IFS) published a report on local government funding which it described as being 'out-of-date and arbitrary' and a threat to the Government's levelling up agenda. It outlined that the main estimates of councils' spending needs have not been updated since 2013, which themselves were predictions based on old data, in some cases as far back as the 2001 census.

  - 'As a result, funding allocations are increasingly out-of-date and arbitrary in relation to local socio-economic circumstances'.
  - Their research found that local government funding does not consider the differences in population growth since it was last updated. In addition, the spending needs and revenue-raising capacity of authorities are taken into account in an ad-hoc way, which in the case of council tax is 'arguably unfair'.
  - They highlighted that 'in recognition of the unsatisfactory state of the council funding system' the Government had detailed plans to reform it in 2015 under the Fair Funding Review. However, no firm date has been set for the implementation of reforms.

- In summary, there remains considerable uncertainty when the provisional local government funding settlement will be announced but it is assumed to be by the end of December.

  - This is expected to be a 'rollover' settlement and there is little sector confidence that forecast inflationary pressures on council budgets will be funded;
  - The last Spending Review in October 2021 was based on 3.3% real terms growth for local government in 202/23 and 2023/24 (based on inflation predictions at that time) whereas CPI is now running at 9.9%;
  - The timing of the Fair Funding review is once again unknown; and
  - The planned NNDR revaluation is expected to go ahead in April 2022 but there is no indication yet whether NNDR will increase in line with CPI.

  This MTFP has been prepared against a backdrop of Treasury warnings of 'inevitable' tax rises as the Prime Minister tries to address the shortfall in public finances. They have said that 'tough decisions' are needed on tax increases, as well as on spending. Separately, it is reported public sector workers face pay rises of no more than 2 per cent across the board.

BBC Online: Treasury warns of tax rises to fill financial hole

Hunt's dismal choices as he faces £40bn black hole
An article explores how the Chancellor Jeremy Hunt could be weighing up reductions in benefits and departmental budgets in his Autumn Statement. Councils have pushed back on the prospect of cuts to funding amid ongoing demand and cost pressures. Cllr James Jamieson, LGA Chairman said: "Without certainty of adequate funding for next year and beyond, and given the funding gaps they face, councils will have no choice but to implement significant cuts to services including to those for the most vulnerable in our societies."

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

- No changes to total local government funding as a result of the two-year roll-over settlement;
- The most far-reaching funding changes will be delayed until at least 2025/26;
- When implemented, the funding changes are forecast to reduce this Council's Government funding by £1.230m in total. This is as a consequence of the removal of 'Negative RSG' grant and the Business Rates reset. The forecast assumes there will be no other transitional funding arrangements for these changes;
- A 'roll-over' settlement for 2023/24 means that the Settlement Funding Assessment (SFA) and grants are unlikely to change, and there will be no additional funding allocated for local government next year;
- A further New Homes Bonus (NHB) award is more likely than not – this will be confirmed in the provisional settlement announcement in December;
- It is assumed that the Lower Tier Services Grant and Services Grant will continue for another year – also to be confirmed in the Provisional Settlement;
- The Settlement announcement will confirm how the previously-awarded funding for the short-lived reduction in employer's National Insurance Contributions will be withdrawn;
- Council taxbase growth of up to 1.0% per annum and council tax increases continue to be capped at a maximum of 1.99% or £5; and
- The business rates baseline reset will be delayed until 2025/26.

5. Corporate Plan Priorities

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

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

The Corporate Plan includes objectives in relation to Housing, Vulnerable People, Communities & Community Safety, Leisure & Intervention, Towns & Villages, Economic

Prosperity, Shaping our Places, Clean & Green Spaces, Environmental Sustainability, Financial Sustainability, Commercial Activities, Operational Assets and Skills & Great People.

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

- Ensure that our budget setting process is transparent and well-managed to deliver a balanced budget outcome each year;
- Run an effective collection team to recover money owed to us;
- Operate in an efficient and rigorous way across all our day-to-day financial operations;
- Publish and keep up-to-date our Capital Investment Strategy; and
- Need to increase Council Tax every year to reflect increasing costs, but the Council will review this position annually.

Commercial Strategy

Following the Member task group review of commercial activity in 2018, and the establishment of the Commercial Ventures Executive Sub Committee in 2019, Part 1 of the Commercial Strategy was developed in consultation with Commercial Ventures Executive Sub Committee members and approved by the Executive in November 2020 and Part 2 was approved in December 2021.

The definitions and principles that the Strategy includes, and the categories of activities it sets out, are intended to assist in the understanding of why this Council needs to undertake commercial activity, and how such activity will be approached, and future investment focused.

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

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

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

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

Part 2 explains that the main elements of our commercial approach will be:

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

The Commercial Strategy includes a Commercial Activity Action Plan, progress on which will be reported annually. The Action Plan will support delivery of new income generation opportunities for inclusion in future MTFP forecasts.

6. Budget-Setting Priorities

The Priorities that will be taken into account when preparing the draft Budget for 2023/24 are set out below:

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

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

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

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

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

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

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

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

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

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

7. The Revenue Budget

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

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

- **Central Budgets**: These are costs incurred and income received that are not service-specific, eg. treasury management costs and income and audit fees;

- **Sources of Funding**: These income budgets are general, non-service specific income sources. They include other grant funding from Central Government and this Council's share of Non-Domestic Rate income which includes the continued impact (benefit) of the one-off elimination of 'Negative Revenue Support Grant' that was announced by the Government in September 2019 and has continued in subsequent years pending the outcome of local government funding reforms;

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

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

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

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

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

Service Budgets

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

Table 3: REVENUE BUDGET MONITORING AT 31 March	Original Budget £m	In-Year Adjustments £m	Management Budget £m	Year-end Outturn £m	Year End Variance £m
Service Budgets	16.240	1.127	17.368	16.485	(0.883)
Central Budgets	1.155	-	1.155	1.545	0.390
Sub-Total	**17.395**	**1.127**	**18.523**	**18.030**	**(0.493)**
COVID-19 Income Losses	-	-	-	1.388	1.388
COVID-19 Sales, Fees & Charges Grant	-	-	-	(0.354)	(0.354)
Sub-Total	**17.395**	**1.127**	**18.523**	**19.064**	**0.541**
COVID-19 Pandemic – unplanned expenditure					1.249
COVID-19 Pandemic – Government funding					(1.249)
Total Revenue Budget Outturn 2021/22 inclusive of COVID-19 Pandemic Expenditure and Funding					**0.541**
Transfers from Reserves:					
Contribution from COVID-19 Pandemic Reserve					(0.541)
Net Outturn Position:					**-**

The key variances leading to the underspend are:

Organisation:

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

Place:

- £0.326m underspend in Planning Policy driven by vacancies in the team.
- £0.265m underspend in Refuse & Recycling driven by higher garden waste income.

- £0.142m underspend in Fleet driven by lower fuel consumption compared to budget.
- £0.287m overspend in Development Services driven by higher consultancy costs.

People:

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

Senior Management Team:

- £0.324m underspend pending the team restructure.

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

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

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

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

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

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

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

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

Table 4: BUDGET SUMMARY 2022/23	Budget 2022/23 £m
1. Net Cost of Services[1]	17.898
2. Central Budgets[1]	2.082

Table 4: BUDGET SUMMARY 2022/23	Budget 2022/23 £m
NET EXPENDITURE 2022/23	**19.980**
3. Council Tax	15.222
4. National Non-Domestic Rates (NNDR)	1.710
5. Other Un-ringfenced Grants	1.271
6. Grants Transferred to Reserves: • Homelessness Prevention • Transfer to Reserves	 0.668 (0.668)
7. Call on Earmarked Reserves in 2022/23	1.565
8. Use of funds from the General Fund Balance to support the 2022/23 Revenue Budget[2]	0.212
NET SOURCES OF INCOME 2022/23	**19.980**

NOTES:
1. After reallocation of the sum held in Central budgets for the 2022/23 pay award plus in-year budget transfers.
2. The actual sum to be drawn from Reserves to support the budget will depend on the budget outturn position for 2022/23. Over recent years the budget outturn has been an underspend position with no requirement to call on Reserves.

Service Budgets

Service budgets are summarised in the table below:

Table 5: SERVICE BUDGETS 2022/23	Budget 2022/23 £m
ORGANISATION	
Communications / Customer Service	1.151
Finance	1.244
ICT	1.810
Legal & Governance	2.281
Organisational Development & HR	0.816
Corporate Policy, Projects & Performance (including Environmental Sustainability)	0.449
Property & Commercial	(1.203)
PLACE	
Economic Prosperity	0.282
Neighbourhood Operations	5.324
Place Delivery	0.371
Planning	0.718

Table 5: SERVICE BUDGETS 2022/23	Budget 2022/23 £m
PEOPLE	
Community Partnerships	1.312
Housing	1.026
Revenues, Benefits & Fraud	0.806
Leisure & Intervention	0.538
SENIOR MANAGEMENT TEAM	0.973
TOTAL	**17.898**

Central Budgets

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

Table 6: CENTRAL BUDGETS 2022/23	Budget 2022/23 £m
Insurance	0.465
Treasury Management	0.813
Employer Pension Costs[1]	0.350
External Audit Fees	0.053
Budget for Pay Increases[2]	-
Preceptor Grants – Horley Double Taxation	0.038
Apprenticeship Levy[3]	0.078
Central Recruitment & Visa Expenses	0.045
Central Training Budget	0.082
Internal Audit Fees	0.059
Central Pay Cost Provision	0.099
TOTAL	**2.082**

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

Central budgets include £0.038m funding for a preceptor grant to Horley Town Council. This is the latest instalment under a 10-year agreement (2014/15 to 2023/24) to eliminate ‘double taxation’ whereby Horley residents pay direct to the Town Council for the local services that it provides. A decision will be required during budget setting for 2024/25 whether to continue this arrangement.

In 2023/24 onwards the cost of housing benefit payments and associated government funding will be reported in budget monitoring as Central Budget item instead of within

Service budgets (Revenues, Benefits & Fraud) on the basis that these are costs that are generally outside Council's direct control.

8. Revenue Budget Funding

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

Table 7: REVENUE BUDGET FUNDING 2022/23	Budget 2022/23 £m
1. Council Tax	15.222
2. National Non-Domestic Rates (NNDR)	1.710
3. Other Un-ringfenced Grants	
• Lower Tier Services Grant	0.107
• Services Grant	0.164
• New Homes Bonus Grant	1.000
4. Call on Earmarked Reserves in 2022/23:	
• Government Funding Risks Reserve *(Housing Benefit subsidy reduction)*	0.115
• Pension Reserve	0.350
• COVID-19 Risks Reserve	1.100
5. Use of funds from the General Fund Balance to support the 2022/23 Revenue Budget[1]	0.212
NET SOURCES OF INCOME 2022/23	**19.980**

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

Factors taken into account include:

Retained Business Rates Income and Negative RSG Grant	• Includes continued funding for 'negative RSG', as confirmed in the November 2021 Spending Review and December Provisional Settlement; • Reset of Business Rates will not impact in 2023/24; • The Business Revaluation in April 2023 will be 'cost neutral';
Council Tax	• The 2022/23 increase is based on a £5.00 Band D equivalent increase and the forecast tax base;
New Homes Bonus	• Includes updated forecasts for New Homes Bonus based on the December 2021 Provisional Settlement announcement, comprising £0.325 million for 'legacy' payments from previous years'

	allocations plus a £1.169 million allocation for 2022/23. £0.495 million was transferred to the COVID-19 Risks Reserve to help fund forecast parking income losses. The remaining grant is used to help fund the annual budget;
Contributions (To)/From Reserves	• Includes the net contribution of £0.212 million that will be required from the General Fund Balance to address the forecast remaining Revenue Budget gap in 2022/23; • Also includes calls on other earmarked Reserves for specific purposes as detailed in the table.

9. Council Tax

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

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

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

Council Tax 2022/23
The referendum cap was confirmed with the Provisional Local Government Funding Settlement Announcement in December 2021, being the higher of 1.99% or £5.00 for district councils. £5.00 (2.20%) is to this Council's advantage as it yields a higher level of income. This was the approved recommended increase.

The Council Tax increase of £5.00 increased a Band D charge from £237.46 to £242.46, an increase of 10 pence per week.

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

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

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

Council Tax Policy

No new changes to council tax policy were introduced in 2022/23.

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

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

Council Tax Precepts 2022/23

Table 8: ANALYSIS OF COUNCIL TAX BY PRECEPTOR		
Authority	£000	% share
Surrey County Council	94,767.78	73.60
Surrey Police & Crime Commissioner	18,406.53	14.29
Reigate & Banstead Borough Council	15,099.12	11.72
Horley Town Council	464.79	0.36
Salfords & Sidlow Parish Council	42.62	0.03
	128,780.84	**100.00%**

Table 8.1: ANALYSIS OF COUNCIL TAX BY PRECEPTOR				
			Increase	
Authority	2022/23	2021/22	£	%
Surrey County Council	1,595.42	1,549.10	46.32	2.99%
Surrey Police & Crime Commissioner	295.57	285.57	10.00	3.50%
Reigate & Banstead Borough Council	242.46	237.46	5.00	2.11%
Horley Town Council	42.42	41.51	0.91	2.20%
Salfords & Sidlow Parish Council	30.37	29.72	0.65	2.20%
	2,206.25	**2,143.36**	**62.89**	**2.93%**

Local Council Tax Support Scheme

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

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

Table 9: LOCAL COUNCIL TAX SUPPORT SCHEME Category	Number of Claims	Annual Cost £m
Vulnerable	1,875	2.923
Working Age – employed	601	0.552
Working Age – not employed	1,178	1.512
Annual Cost to Preceptors		**£4.987m**

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

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

Council Tax Collection Performance 2021/22
This Council's collection performance for council tax in 2021/22 was 98.17% (98.06% in 2020/21); 42nd highest performance compared to all English local authorities.

Council Tax Options 2023/24
Each 1% increase in Council Tax generates £0.153m additional income for this borough. A £5 increase in 2023/24 would yield £0.493m additional income.

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

Table 10: COUNCIL TAX FORECAST	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Forecast Resources	15.222	15.590	16.070	16.550	17.050	17.560
Annual Increase in Income		0.368	0.480	0.480	0.500	0.510
Cumulative Increase in Income		0.368	0.848	1.328	1.828	2.338
Band D	£242.46	£247.46	£252.46	£257.46	£262.58	£267.81
Band D Increase	-	£5.00	£5.00	£5.00	£5.12	£5.23
Taxbase Increase	1.62%	1.18%	1.0%	1.0%	1.0%	1.0%
Annual Band D % Increase		2.11%	2.11%	2.06%	2.02%	1.99%

NOTE:
1. Subject to confirmation in the January Budget report when forecasts for the number of new homes and Local Council Tax Support claims are updated. Also subject to confirmation of the referendum limit by Government.

10. Business Rates (National Non-Domestic Rates)

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

While this scheme was broadly welcomed by the sector, there remain concerns over the potential volatility of this income stream due to the level of appeals; even a small variation in the overall revenue generated can result in a significant financial impact.
The current expectation for the funding reforms to take effect no sooner than the financial year 2024/25.

The Government was previously undertaking a review of how business rates will operate going forward and had stated its intentions to achieve 75% localisation of business rates from 2022. However this is no longer the intention and further updates are awaited.

As explained above, in 2024/25 onwards, the Council expects to see further significant decline in Government funding support as retained business rates receipts and Negative RSG Grant' are phased out. It remains unclear how these reductions will be implemented but we are assuming this will be clearer when the outcome of the Fair Funding Review and Business Rates Reset are announced. Current MTFP forecasts are based on the information that is currently available.

Business Rates Pooling
A small number of Surrey authorities are once again planning to establish a voluntary Business Rates Pool with Surrey County Council using the same methodology as in previous years. The Pool is not open to Reigate & Banstead due to the relative size of our business rates Tariff.

Business Rate Appeals
Business rate forecasts include an assessment of the likelihood of successful appeals following consideration by the Government's Valuation Office Agency.

'Negative Revenue Support Grant'
The Council expects to see a further significant decline in Government funding support as retained business rates receipts and 'Negative RSG Grant' are phased out. It remains unclear how these reductions will be implemented but we are assuming this will be clearer when the outcome of the Fair Funding Review and Business Rates Reset are announced. MTFP forecasts are based on the information that is currently available.

Business Rates Collection Performance 2021/22
Collection performance for business rates in 2021/22 was 99.8% (99.8% in 2020/21)); this was the highest performance in the country of all English local authorities.

Business Rates Forecast at November 2022

Table 11: NNDR FORECAST[1]	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Forecast NNDR Resources	1.710	2.300	2.600	2.600	2.600	2.600
Less 'Negative RSG Grant'				(0.700)	(0.900)	(1.200)
Net Forecast[1]	1.710	2.300	2.600	1.900	1.700	1.400
Annual Increase / (Reduction)		0.590	0.300	(0.700)	(0.200)	(0.300)
Cumulative Increase / (Reduction)		0.590	0.890	0.190	(0.010)	(0.310)

NOTE:
1. Subject to confirmation in the January Budget report following the Provisional Settlement announcement

These forecasts take into account the impacts of spreading 2020/21 collection fund losses over three years and the removal of pandemic support measures after 2021/22.

11. New Homes Bonus

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

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

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

12. Revenue Reserves

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

Reserves can be held for four reasons:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;
- A contingency to cushion the impact of unexpected events or emergencies;

- A means of building up funds to meet known or predicted liabilities; and
- A means of setting aside sums for future identified uses and / or investments

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

The Reserves Policy is set out in the budget report with details of forecast revenue Reserve balances held at 31 March 2022. The level of Reserves be reviewed during service & financial planning over the summer with the aim of presenting the recommended use of Reserves in 2023/24 onwards as part of the November budget report. This will include an assessment of the adequacy and allocation of current Reserves and the associated risks and opportunities.

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

The Council's Section 151 Officer advised in the January 2022 budget report that a working balance of £3.0 million is considered the minimum level required. This represents just over 15% of the net budget for 2022/23. This minimum level will be reviewed again as part of 2023/24 service & financial planning.

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

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

Table 12: USEABLE REVENUE RESERVES	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
General Fund Balance	6.717	8.737	5.912	12.547	12.547	8.949	3.000	3.000
Earmarked Reserves	10.963	13.485	19.075	21.703	25.042	32.646	38.738	42.596
Total Reserves	**17.680**	**22.222**	**24.987**	**34.250**	**37.589**	**41.595**	**41.738**	**45.596**
Reserves as a % of the Net Revenue Budget	135.01%	169.70%	190.81%	261.55%	287.05%	255.26%	240.00%	230.28%

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

Opportunity Cost of Holding Reserves

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

Assessing the Adequacy of Reserves

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

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

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

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

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

Finally, there is a need to look at the assumptions made in setting the budget, not just for the coming year but also under the MTFP. The budgetary assumptions cover:

- Inflation and interest rate projections;
- Estimate and timings of capital receipts;

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

It is likely that the current allocation of funds to Reserves will have to be reviewed as part of the Financial Sustainability Programme.

Capital Reserves
In addition the Council holds Capital Reserves to help fund delivery of the Capital Programme. At 1 April 2022 they comprised:

- Section 106 contributions £14.074 million
- Community Infrastructure Levy £12.738 million
- Other Capital Grants & Contributions £4.263 million

13. Medium Term Financial Plan Forecast

The latest review of Medium-Term Financial Plan budget forecasts has identified a number of pressures that will need to be addressed through service & financial planning in 2023/24 onwards.

They include:

- Making budget provision for future pay and pensions increases at a time of escalating inflation;
- Budgeting for the costs of approved borrowing to fund planned Capital Programme commitments;
- The impacts on available resources of Government funding reductions in future years, including the loss of Negative RSG Grant, the Fair Funding Review and Business Rates Reset; and
- Revenue and capital budget growth to deliver priorities in the new Corporate Plan – details to be confirmed during service & financial planning; and

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

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

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

Income Generation	• Pursuing opportunities to generate new income streams.

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

Further details are provided in in Appendix 5.

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

Council Tax	• To increase by the referendum limit – assumed to be £5 for this report. • Plus an increase to reflect forecast growth in the taxbase. • The impacts of local discounts, exemptions and the local council tax support scheme will be taken into account when preparing income forecasts.
Government Funding	• Fair Funding Review and loss of Negative RSG Grant will not take place until 2025/26.
Retained Business Rates Income	• Reset of Business Rates will not take place until 2025/26.
Fees & Charges	• For budgeting purposes it is assumed that fees and charges will increase in line with the Policy and that all fees and charged will be reviewed to ensure they comply.
Investment Income and Borrowing	• Investments and borrowing will be forecast in line with forecast balances (Reserves) and capital spending plans.
Pay Inflation	• An allowance for a pay award will be included in the draft Budget, in addition to forecast contractual pay increases. • This provides the option for pay rises but the specific rate of increase will be subject to established consultation processes.
Employer Pension Costs	• The March 2019 actuarial valuation of the Surrey Pension Fund confirmed that the Fund's total assets, which at 31 March 2019 were valued at £4.483m, were sufficient to meet 96% of liabilities (ie. the

present value of promised retirement benefits) accrued up to that date. The resulting total Fund deficit at the 2019 valuation was £196m.

- Each employer has a contribution requirement set at the valuation, with the aim of achieving full funding within an agreed time horizon and probability measure, as set out in the Fund's Funding Strategy Statement. Individual employers' contributions for April 2020 to March 2023 have been set in accordance with this requirement.
- For Reigate & Banstead this is based on a 15% payroll oncost charge plus a £2.2m lump sum annual deficit payment with the option to pay this in 'Year 1' at a discount.
- As part of budget-setting 2020/21 the approved approach for the next three years was:
    - To maintain the primary employer contribution rate at 15% of salaries.
    - To pay the secondary employer rate as an advance lump sum of £6.204m in April 2020 funded from the earmarked Reserve set aside for this purpose plus a contribution from General Fund Reserves at the beginning of 2020/21. This represented a saving of £0.397m compared to payment in three annual instalments from 2020/21 to 2022/23.
    - To aim to rebuild the Pensions Reserve ready for the next revaluation in 2022
- There also a requirement to fund c£350k per annum contribution for historic 'compensated added years' that were granted to retirees prior to 2015.
- The next actuarial review was at 31 March 2022 and any implications will be built into budgets for 2023/24 onwards when the outcome is known.

Price Inflation

- Previously the general assumption has been that services should first seek to cover price inflation from their existing budgets, unless tied contractually to significant cost increases that warrant additional funding.
- Significant increases would be subject to approval of budget growth through the service & financial planning process.
- The current escalating rate of inflation means that it is likely that more bids for inflationary budget growth will have to be considered.

Forecast Budget Gap

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

Table 13: MEDIUM TERM REVENUE BUDGET FORECAST	Approved Budget 2022/23 £m	Forecast Budget 2023/24 £m	Forecast Budget 2024/25 £m	Forecast Budget 2025/26 £m	Forecast Budget 2026/27 £m	Forecast Budget 2027/28 £m
FORECAST GAP	Balanced	**nil**	**1.374**	**3.032**	**3.082**	**3.222**
Annual Increase in Gap	Balanced	nil	1.374	1.658	0.050	0.140

Table 13: MEDIUM TERM REVENUE BUDGET FORECAST	Approved Budget 2022/23 £m	Forecast Budget 2023/24 £m	Forecast Budget 2024/25 £m	Forecast Budget 2025/26 £m	Forecast Budget 2026/27 £m	Forecast Budget 2027/28 £m
Gap as % of 2022/23 budget requirement	n/a	0.0%	6.9%	15.2%	15.4%	16.1%

The key factors that will influence the forecast gap include:

Service Expenditure	• No significant budget pressures have been identified to date but this will be subject to further review as part of the service & financial planning process. • Delivery of Financial Sustainability Programme initiatives. • While an estimate for the 2023/24 pay award has been included in the MTFP modelling this is subject to negotiation and has to be considered in the context of the significant financial challenges faced over the medium term. Employee costs comprise 35.8% of gross direct expenditure in the 2022/23 budget.
Central Budgets	• Treasury Management costs take into account the cost of borrowing requirement to fund the approved Capital programme, interest on forecast balances and repayments on loans to the council's companies.
Council Tax	• Council tax setting assumptions are based on a £5 increase and forecast movements in the taxbase.
NNDR	• Removal of Negative RSG Grant and the Business Rates reset are now forecast to take place in 2025/26; they have the effect of negating the benefit of forecast business rates growth over the MTFP period.
Use of Reserves & Grants	• Funding for the 2022/23 budget includes drawing £0.212m from the General Fund Reserve. If equivalent savings, efficiencies or new sources of income are not identified for 2023/24 this requirement to call on Reserves will continue to increase and further reduce available balances. • Balancing the budget also depends on drawing from the Government Funding Risks Reserve and the Commercial Risks Reserve. • Government grant funding that is being used to help fund the net budget requirement in 2022/23 includes: Lower Tier Services Grant (£0.107m), Services Grant (£0.164m) and New Homes Bonus (£1.000m).

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

14. Capital Investment Strategy

The latest Capital Investment Strategy was reported to Executive in July 2022 and set out a framework for funding and investment decisions in respect of capital assets, in the context of our vision and priorities and available financial resources.

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

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

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

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

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

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

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

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

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

Medium Term Capital Programme

While Revenue Budget expenditure is concerned with the day-to-day running of services the Capital Programme is concerned with investment in the assets required to deliver services or delivery new income streams. The Medium-Term Capital Programme sets out how capital resources will be used to achieve our vision and corporate priorities.

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

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

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

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

Table 14: CAPITAL PROGRAMME 2021/22 to 2026/27 by SERVICE	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	
	BFWD £m	Projected £m	Projected £m	Projected £m	Projected £m	Projected £m	TOTAL £m
ORGANISATION SERVICES:							
Property Services	5.223	1.657	1.373	1.267	0.049	1.594	**11.164**
IT Services	0.224	0.200	0.260	0.250	0.200	0.200	**1.334**
Organisational Development	0.452	0.250	0.250	0.250	-	-	**1.202**
Environmental Strategy	0.250	-	-	-	-	-	**0.250**
PEOPLE SERVICES:							
Housing	0.519	1.304	1.304	1.304	1.304	1.304	**7.039**
Leisure & Intervention	0.172	0.100	0.100	0.100	0.100	0.100	**0.672**
Community Partnerships	0.075	0.030	-	-	-	-	**0.105**
PLACE SERVICES:							
Neighbourhood Operations	0.659	1.542	0.774	0.891	0.929	0.913	**5.708**
Place Delivery	9.410	15.100	-	-	-	-	**24.510**
Economic Prosperity	-	0.100	0.100	0.100	-	-	**0.300**
TOTAL APPROVED CAPITAL PROGRAMME	**16.983**	**20.283**	**4.161**	**4.162**	**2.581**	**4.110**	**52.280**

In addition to the sums included in the approved Capital Programme the Council has previously committed to invest.

- £64.0 million for investment in Commercial income-generating assets; and
- £30.0 million for investment in Housing projects.

Proposals for use of these funds will be subject to approval of reports by Executive or the Commercial Ventures Executive Sub Committee when the business cases are developed.

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

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

The approved Capital Programme for 2022/23 onwards included growth for new initiatives and opportunities:

Table 15: CAPITAL GROWTH 2022/23	
Service Area	Approved Capital Growth
ORGANISATION	
IT Services	• Investment in IT networks
Property Services	• Existing asset maintenance rolling programme
PEOPLE SERVICES	
Housing	• Existing asset maintenance rolling programme
PLACE SERVICES	

Table 15: CAPITAL GROWTH 2022/23	
Service Area	Approved Capital Growth
Neighbourhood Services	• Continued investment in play area improvement, Air Quality Management equipment, parks & countryside, infrastructure & fencing and flood prevention.
Grant-funded schemes	• Growth of £1.3m to support the continued rolling budget for Disabled Facilities Grants, Home Improvement Agency services and Handy Person Scheme
Vehicles & Plant	• Continuation of the rolling investment programme

The final Capital Programme for 2023/24 to 2027/28 will be confirmed in the January budget report; no further significant growth proposals are anticipated at the time of preparing this report. The main area of growth the addition of 'rolled-forward' allocations for year 5 in 2027/28 and minor reprofiling of budgets between years.

Capital Programme Funding

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

Table 16: CAPITAL PROGRAMME FUNDING 2021/22 to 2026/27	2021/22 BFWD £m	2022/23 Projected £M	2023/24 Projected £M	2024/25 Projected £M	2025/26 Projected £M	2026/27 Projected £M	TOTAL
TOTAL CAPITAL EXPENDITURE 2022/23 to 2026/27	**6.983**	**10.283**	**4.161**	**4.162**	**2.581**	**4.110**	**52.280**
FUNDED BY:							
Capital Reserves	-	-	-	-	-	-	**-**
Capital Receipts	-	28.938	2.816	2.817	1.236	0.017	**35.824**
Capital Grants & Contributions	0.327	1.345	1.345	1.345	1.345	1.382	**7.089**
Prudential Borrowing	6.656	-	-	-	-	2.711	**9.367**
TOTAL CAPITAL FUNDING 2022/23 to 2026/27	**16.983**	**30.283**	**4.161**	**4.162**	**2.581**	**4.110**	**52.280**

Key sources of capital funding:

Capital Receipts

- Sale of capital assets results in a capital receipt that can be used to invest in new capital assets or to repay prudential borrowing.
- The main source of capital receipts over the duration of this Capital programme relate to delivery of major schemes including the Marketfield Way (The Rise) redevelopment. These capital receipts have been factored into forecast funding requirements. Flexible use of capital receipts – there are no current plans for use of this funding option.

Capital Grants & Contributions	• Forecasts of the future grant funding allocation for Disabled Facilities works have been updated to reflect forecast allocations. • They also include the Council's share of Section 106 and CIL funding. • Revenue funding equivalent to the historic New Homes Bonus grant allocation up to 2020/21 has been allocated to support implementation of the Housing Delivery Strategy.
Prudential Borrowing	• The primary source of long-term funding for the Capital Programme is now prudential borrowing, primarily from the Public Works Loans Board (PWLB). • Loans are managed through the approved Treasury Management Strategy and policies. • Interest on borrowing is paid to the PWLB and charged to the annual revenue budget along with the Minimum Revenue Provision that is necessary to set aside funds for eventual repayment of the loan principal. These costs have to be taken into account when setting a balanced Revenue Budget. • There are increasing restrictions on the type of capital expenditure that is eligible for prudential borrowing. Borrowing to fund investment solely for commercial gain is no longer permitted.
Revenue Budget Contributions	• There is no expectation that significant capital expenditure will be funded from the revenue budget in 2023/24.

Capital Programme – Revenue Budget Implications

As explained above, with the exception of earmarked Section 106 funds and some earmarked Housing capital receipts, the Council no longer has significant capital Reserves, therefore, while a small number of schemes will be continued to be funded from capital grants and other contributions, the majority of the approved Capital Programme must be funded through prudential borrowing. The costs of repaying this borrowing fall on the revenue budget as treasury management costs in Central budgets.

Treasury management budgets will be updated to reflect the costs of borrowing for the approved Capital Programme for 2023/24 onwards net of interest on forecast balances. Details will be confirmed in the Treasury Management Strategy for 2023/24 that is reported to Audit Committee, Executive and Full Council for approval in March/April each year.

The costs of operating and maintaining new assets must also be factored into future revenue budget forecasts as they come into use. Budgets will also have to be established for any new income streams generated.

Capital Programme – Policy on Capitalisation of Salaries.

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

15. Treasury Management & The Prudential Code

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

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

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

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

The Council's company investments are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities. They are reviewed to assess the expected credit loss (impairment) each year when preparing the annual statement of accounts.

The Prudential Code
CIPFA's *Prudential Code for Capital Finance in Local Authorities* (the 'Prudential Code') provides the framework for councils' capital investments. The key feature of the prudential system is that councils should determine the level of their capital investment – and how much they borrow to finance that investment – based on their own assessment of what they can afford, not just for the current year but also for future years.

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

- Confirms councils' power to borrow – which in the medium term must only be for capital purposes, while short-term borrowing can be for cash flow purposes;
- Makes it clear that, as previously, councils may not mortgage assets;

- Places a duty on councils not to exceed their prudential borrowing limits, or any national limits imposed by central government;
- Places a duty on councils to determine – and review – their own borrowing limits in accordance with the Prudential Code;
- Gives the Government a Reserve power to impose borrowing limits that would override councils' own borrowing limits for national economic reasons;
- Makes it clear that credit arrangements should be treated as borrowing under the prudential system; and
- Confirms that councils may invest both for the prudential management of their financial affairs and for purposes relevant to their functions.

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

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

Other key changes for implementation in 2023/24 onwards include:

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

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

16. Medium Term Financial Plan Risks & Sensitivities

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

SR2: Financial Sustainability

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

A summary of the mitigating actions is set out at Appendix 4.

Operational Risk Register – Budget-Setting
The principles and assumptions contained within this MPFP are aimed at ensuring that the Council is financially sustainable and continues to deliver high quality services.

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

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

Table 17: BUDGET RISKS Perceived Risk	Impact	Likelihood	Preventative Action
Failure to remain up to date with changes in relevant legislation, regulations and guidance	High	Low	Ensure that all relevant information is taken into account when producing MTFP and budget forecasts.
Changes in legislation affecting the scope of services and the cost of carrying them out	Medium	Medium	Maintain regular contact with Heads of Service regarding developments that have potential financial implications.
Local Government Financial Settlement worse than forecast	High	Medium	Model a range of MTFP and budget scenarios and strategies.
Outdated MTFP assumptions Significant variations due to economic factors	High	Low	Regularly review and update assumptions.
Inaccurate budget assumptions	High	Medium	Regularly review and update assumptions.
Unexpected financial events	High	Medium	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks.
Deliverability of new income streams against forecast timescales	High	Medium	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks.
Demographic and demand-led pressures	Medium	Medium	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks.
Reduction in existing fees & charges income	Medium	Low	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks.

Table 17: BUDGET RISKS Perceived Risk	Impact	Likelihood	Preventative Action
Contract risks e.g. contractor viability, non-delivery	Medium	Low	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks. Maintain regular contact with Heads of Service regarding developments that have potential financial implications.
COVID-19 risks	Medium	Low	Legacy impacts of the pandemic include ongoing cost pressures and income reductions. Income budgets were reviewed and re-set in 2022/23 where necessary to reflect the post-pandemic position.
Commercial Risks	High	High	Treasury management budget forecasts include assumptions regarding the accrued interest on loans to the council's companies. If the companies cannot repay their loans the sums outstanding and accrued interest will have to be written off (if not covered by sale of company assets). These risks are already reflected in the annual statement of accounts where the expected credit loss is calculated and balances are impaired.
Inflation Risks	High	High	Budget setting for 2023/24 will have to take into account the actual and forecast impacts of price inflation on pay, supplies & services, energy & fuel and contract costs.
Budget Volatility Risks	High	High	Several budgets are proving increasingly challenging to forecast accurately in the current economic situation. Therefore the budget-setting process includes consideration of how the risks will be funded if they crystalise, primarily by ensuring that adequate funding is held in Reserves to cover them. Examples include property rents, recyclate prices, Housing Benefit costs and funding, homelessness and energy costs.

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

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

Budget Uncertainties & Risks
While the approved budget for 2022/23 is robust, there remain, a number of uncertainties and risks to be addressed over the medium-term which are set out below.

The Economy:

- There is still uncertainty and a lack of confidence about the future of the economy as consequence of the COVID-19 pandemic and the UK's exit from the European Union;
- The impacts of exit continue and may affect investor confidence, whilst the lower value of the Pound may increase inflationary pressures;
- Any future economic slowdown nationally or globally - could result in lower income (through - for example - reduced discretionary spending or lower than anticipated recyclate prices) and increases in demand (benefits and statutory duties such as homelessness);
- Any reduction in the number of businesses in the Borough will have an impact on retained Business Rates income; and
- The escalating rate of inflation is an emerging concern.

Future Government Funding:

- The outcome of the Fair Funding Review and Business Rates reset along with the end of Negative RSG Grant;
- The end of New Homes Bonus payments over coming years will have an impact on Reserves, but no direct budget impact; and
- The Homelessness Reduction Act requires Councils to provide more support to homeless people and people at risk of becoming homeless. The Government has committed ring-fenced funding towards this duty but there remains a question mark over the longer term.

Revenue Budget Savings and Income Generation:

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

Corporate Plan 2025:

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

Budget Risks:

- Given the uncertainty over future economic conditions and the business rates regime, it is prudent to maintain our capacity to protect services from unforeseen financial pressures. Once used, however, it may prove difficult to replenish Reserves;
- Despite significant improvements in recent years the Pension Fund remains a risk over the longer term as future economic downturns may impact on the value of Fund investments and liabilities; and
- Several budgets are proving increasingly challenging to forecast accurately in the current economic situation. Examples include: property rents, recyclate prices, Housing Benefit costs and funding, homelessness and energy costs.

Financial Sustainability Programme Delivery:

- The Council has ambitious plans to take action to address the forecast budget gap through delivery of a wide range of projects and initiatives that are intended to will reduce expenditure, avoid new costs and increase income receipts. It is therefore important that this Programme is seen to be a key corporate priority and measures are put in place to ensure its delivery. Further details are provided at Appendix 5.

COVID-19 Pandemic

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

MTFP and Budget Monitoring and Review

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

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

Initiation of the Financial Sustainability Programme at the start of 2022/23 included establishing appropriate programme governance and reporting arrangements.

17. Budget Equalities Impact Assessments

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

18. Budget Scrutiny

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

19. Consultation

The MTFP is published on the Council's website.

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

20. Service & Financial Planning Process and Timetable

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

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

Revenue Budget Report	Produced on an annual basis – draft in November and final in the following January. It sets out the plan for setting and managing a balanced budget for the following financial year. It is here the detailed decisions on revenue and capital expenditure are presented, including proposed budget savings and growth. The recommended Budget is supported by operational budget detail that forms the basis for in-year budget monitoring and management.
Capital Programme	Sets out capital expenditure plans over the medium term. This is aligned with the Revenue Budget where it results in costs of borrowing and income streams.

Capital Investment Strategy	Updated on an annual basis and sets out the framework for investing in capital assets over the medium term. Objectives: • Ensure capital expenditure contributes to the achievement of the Council's organisational strategy • Set a Capital Programme which is affordable and sustainable • Maximise the use of assets • Provide a clear framework for decision making and prioritisation relating to capital expenditure and funding • Establish a corporate approach to the review of asset utilisation
Treasury Management Investment Strategy.	Sets out the approach to managing the cash available to the Council and how to maximise its value. Also sets out the Council's investment and borrowing arrangements and controls.
Reserves Policy	Sets out the reasons for holding Reserves and how they will be used, including financial limits where appropriate. The Policy is published as an appendix to the draft budget report.
Fees & Charges Policy.	Sets out a corporate view of the fees and charges levied by the Council for consideration each year. The Policy is published as an appendix to the draft budget report.
Annual Council Tax Report	Approved by Full Council in February each year

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

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

Service & Financial Planning Timetable
The timetable for Service & Financial Planning 2023/24 is set out in the draft budget report.

21. CIPFA Financial Management (FM) Code

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

The CIPFA FM Code was therefore introduced in October 2019 and will be applicable from 1 April 2021. Work was undertaken as part of 2022/23 budget-setting to review compliance with the Principles and Standards in the Code and to identify any actions required to address any gaps identified.

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

The Code has several components, comprising:

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

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

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

- The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

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

Table 19: CIPFA FINANCIAL MANAGEMENT STANDARDS	
FM Standard Reference	
Section 1: The responsibilities of the Chief Finance Officer and leadership team	
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money.
B	The authority complies with the CIPFA *Statement on the Role of the Chief Finance Officer in Local Government.* Areas for Development: • Finance team development now that all permanent vacancies are filled
Section 2: Governance and financial management style	
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.
D	The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).
E	The financial management style of the authority supports financial sustainability.
Section 3: Long to medium-term financial management	
F	The authority has carried out a credible and transparent financial resilience assessment. Areas for Development: • Annual MTFP review and reporting, including financial risks assessment • Implementation of the Financial Sustainability Programme
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members. Areas for Development: • Annual MTFP review and reporting, including financial risks assessment • Implementation of the Financial Sustainability Programme
H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.
Section 4: The annual budget	
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.

Table 19: CIPFA FINANCIAL MANAGEMENT STANDARDS	
FM Standard Reference	
	Areas for Development: • Annual MTFP review and reporting, including financial risks assessment • Implementation of the Financial Sustainability Programme
J	The authority complies with its statutory obligations in respect of the budget setting process.
K	The budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement on the adequacy of the proposed financial Reserves.
Section 5: Stakeholder engagement and business plans	
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions. Areas for Development: • Continued development of the Council's business case model and toolkit to ensure it reflects good practice relating to preparation of the financial case
Section 6: Monitoring financial performance	
N	The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability. Areas for Development: • Implementation of internal audit recommendations relating to contract management
O	The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.
Section 7: External financial reporting	
P	The Chief Finance Officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom. Areas for Development: • Continued development of the closedown plan and supporting processes to improve the quality and timeliness of the annual accounts
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.

Table 19: CIPFA FINANCIAL MANAGEMENT STANDARDS	
FM Standard Reference	

The main areas for further development during 2022/23 are set out above.

22. CIPFA Resilience Index

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

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

The assessment makes reference to the following:

- Medium-Term Financial Plan;
- Capital Investment Strategy;
- Treasury Management Strategy;
- Planned medium-term use of Reserves;
- the most recent Budget Report;
- approach to the service & financial planning process;
- Budget monitoring reports and out-turn reports and Statement of Accounts;
- Asset Management Plan; and
- Key governance documents, eg Annual Governance Statement, Risk Register, etc

The Council's position on a range of financial measures compared to similar councils is available online through the CIPFA Financial Resilience Index at https://www.cipfa.org/services/financial-resilience-index-2021/resilience-index-2021.

Table 20: CIPFA RESILIENCE INDEX INDICATORS	This Council's Relative Risk Compared to Similar Councils	This Council's Prospects over the Medium Term
Reserves Sustainability – increase in Reserves over recent years	*Medium risk compared to the average*	Planned use of previously un-allocated Reserves (for example for investment in Housing) means that this position will be harder to maintain
Level of Reserves – compared to the annual revenue budget	*Lower risk than the average*	
Changes in Reserves over recent years	*Lower risk than the average*	
Interest payable compared to recent budget	*Lower risk than the average*	Planned growth in the Capital Programme and associated borrowing means that this position will not be maintained.
Gross external debt	*Lower risk than the average*	
Fees & Charges - as % of service budgets	*Higher risk than the average*	Implementation of the new Fees & Charges Policy and planned review should improve the Council's position against this indicator if it results in new and/or increased sources of income.
Ratio of Council tax contribution to revenue budget	*Lower risk than the average*	Risk may increase if budget increases without the ability to levy a proportionate increase in council tax.
Funding growth - compared to Government baseline	*Increasing risk*	This risk is expected to increase as Government funding reduces and the ingoing impacts of the COVID-19 pandemic on income budgets are confirmed.

23. Conclusion

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

It is the Council's primary financial planning tool and will form the basis for ongoing discussions throughout service & financial planning for 2023/24.

APPENDICES

1. Revenue Budget 2022/23
2. Medium Term Revenue Budget Forecast 2023/24 to 2027/28
3. Capital Programme 2022/23 to 2026/27
4. Strategic Financial Risks

GLOSSARY

APPENDIX 1

REVENUE BUDGET 2022/23

REVENUE BUDGET 2022/23	Approved Budget 2022/23 £m
ORGANISATION	
Communications / Customer Service	1.151
Finance	1.244
ICT	1.810
Legal & Governance	2.281
Organisational Development & HR	0.816
Corporate Policy, Projects & Performance (including Environmental Sustainability)	0.449
Property & Commercial	(1.203)
PLACE	
Economic Prosperity	0.282
Neighbourhood Operations	5.324
Place Delivery	0.371
Planning	0.718
PEOPLE	
Community Partnerships	1.312
Housing	1.026
Revenues, Benefits & Fraud	0.806
Leisure & Intervention	0.538
SENIOR MANAGEMENT TEAM	0.973
SERVICE BUDGETS TOTAL	**17.898**
Central Budgets	2.082
NET EXPENDITURE 2022/23	**19.980**
Council Tax	15.222
National Non-Domestic Rates	1.710
Other Un-ringfenced Grants	
Lower Tier Services Grant	0.107
Services Grant	0.164
New Homes Bonus Grant	1.000
Call on Earmarked Reserves in 2022/23	

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

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

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

at November 2022

MEDIUM TERM REVENUE BUDGET FORECAST	Approved Budget 2022/23 £m	Cumulative Impact 2023/24 £m	Cumulative Impact 2024/25 £m	Cumulative Impact 2025/26 £m	Cumulative Impact 2026/27 £m	Cumulative Impact 2027/28 £m
2022/23 Budget Requirement	**19.980**					
Service Budgets - Pay		1.500	2.750	3.750	4.750	5.750
Service Budgets – Savings/Income		(2.014)	(2.014)	(2.014)	(2.014)	(2.014)
Service Budgets – Growth		0.442	0.442	0.442	0.442	0.442
Service Budget Opportunities – IT Strategy investment		0.493	0.269	0.288	0.438	0.288
Call on IT Strategy Reserve		(0.493)	(0.269)	-	-	-
Service Budgets – forecast new net income streams – Marketfield Way and Wheatley Court		-	(0.250)	(0.400)	(0.500)	(0.800)
Service Budget risks – Government funding cuts		0.564	0.564	0.564	0.564	0.564
Call on Government Funding Risks Reserve		(0.564)	-	-	-	-
Commercial Budget risks – property management costs		0.650	-	-	-	-
Call on Commercial Risks Reserve		(0.650)				
Service Budget issues – energy cost inflation		0.700	-	-	-	-
Call on Government Funding Risks Reserve		(0.700)	-	-	-	-
Central Budgets – net savings		(0.136)	(0.136)	(0.136)	(0.136)	(0.136)
Central Budgets - Treasury Management – net savings		(0.761)	(0.761)	(0.761)	(0.761)	(0.761)
Council Tax		(0.368)	(0.848)	(1.328)	(1.828)	(2.338)
Business Rates		(0.590)	(0.300)	0.700	0.200	0.300
Government Grants		TBC in the December Provisional Settlement Announcement				
Lower Tier Services Grant						
Services Grant						

MEDIUM TERM REVENUE BUDGET FORECAST	Approved Budget 2022/23 £m	Cumulative Impact 2023/24 £m	Cumulative Impact 2024/25 £m	Cumulative Impact 2025/26 £m	Cumulative Impact 2026/27 £m	Cumulative Impact 2027/28 £m
New Homes Bonus						
Call on Reserves 2022/23						
Reversal of one-off call on Earmarked Reserves and General Fund Balance Contribution in 2022/23		1.927	1.927	1.927	1.927	1.927
Forecast Gap at November 2022 Compared to 2022/23 Budget		**nil**	**1.374**	**3.032**	**3.082**	**3.222**
Annual Increase in Gap		nil	1.374	1.658	0.050	0.140
Gap as % of 2022/23 budget requirement		0.0%	6.9%	15.2%	15.4%	16.1%

CAPITAL PROGRAMME 2022/23 to 2026/27

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

CAPITAL PROGRAMME 2022 to 2027 - DETAILS							
	2021/22 Bfwd	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m	£m	£m
Public Conveniences	0.017	0.004	0.004	0.020	-	0.095	**0.140**
Infra-structure (walls)	0.026	0.060	0.010	0.060	-	0.020	**0.176**
Allotments	0.030	0.012	0.012	0.022	-	0.012	**0.088**
Cemeteries & Chapel	0.060	0.020	0.020	0.040	-	0.020	**0.160**
Pavilion Replacement – Woodmansterne	0.020	-	-	-	-	-	**0.020**
Leisure Centre Maintenance	0.017	0.210	0.190	0.030	-	0.175	**0.622**
Existing Pavilions Programme	0.168	0.050	0.050	0.050	-	0.150	**0.468**
Car Parks Capital Works Programme	0.358	0.190	0.195	0.170	-	0.075	**0.988**
Earlswood Depot/Park Farm Depot	0.052	0.020	0.020	0.020	-	0.050	**0.162**
Community Centres Programme	0.034	0.075	0.067	0.065	-	0.125	**0.366**
Harlequin Property Maintenance	0.206	0.110	0.120	0.100	-	0.100	**0.636**
Building Maintenance - Capitalised Staff Costs	-	0.028	0.028	0.028	0.028	0.028	**0.140**
Massetts Road – Property Rolling Programme	-	0.021	0.021	0.021	0.021	0.021	**0.105**
Housing Temp/Emergency Repairs	-	-	-	-	-	**0.037**	**0.037**
Total	**5.223**	**1.657**	**1.373**	**1.267**	**0.049**	**1.594**	**11.164**
IT SERVICES							
Rolling Investment Programmes:							
ICT Replacement Programme	0.224	0.200	0.200	0.250	0.200	0.200	**1.274**
Replacement Photocopiers/ Printers	-	-	0.060	-	-	-	**0.060**

ANNEX 2

CAPITAL PROGRAMME 2022 to 2027 - DETAILS							
	2021/22 Bfwd	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m	£m	£m
Total	**0.224**	**0.200**	**0.260**	**0.250**	**0.200**	**0.200**	**1.334**
ORGANISATIONAL DEVELOPMENT							
Workplace Facilities: Estate/Asset Development	0.452	0.250	0.250	0.250	-	-	**1.202**
Environmental Strategy Delivery							
Environmental Strategy Delivery	0.250	-	-	-	-	-	**0.250**
PEOPLE SERVICES							
HOUSING							
Grant-Funded Schemes							
Disabled Facilities Grant	-	1.134	1.134	1.134	1.134	1.134	**5.670**
Home Improvement Agency (Part Grant Funded)	-	0.120	0.120	0.120	0.120	0.120	**0.600**
Handy Person Scheme (Housing Assistance Programme)	-	0.050	0.050	0.050	0.050	0.050	**0.250**
Lee Street Bungalows	0.327	-	-	-	-	-	**0.327**
Cromwell Road Development	0.150	-	-	-	-	-	**0.150**
Pitwood Park Development, Tadworth	0.043	-	-	-	-	-	**0.043**
Total	**0.519**	**1.304**	**1.304**	**1.304**	**1.304**	**1.304**	**7.039**
LEISURE & INTERVENTION							
Harlequin - Service Development	0.172	0.100	0.100	0.100	0.100	0.100	**0.672**

CAPITAL PROGRAMME 2022 to 2027 - DETAILS							
	2021/22 Bfwd	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m	£m	£m
COMMUNITY PARTNERSHIPS							
Rolling Maintenance Programmes							
CCTV	0.075	0.030	-	-	-	-	**0.105**
PLACE SERVICES							
NEIGHBOURHOOD OPERATIONS							
Rolling Maintenance/Investment programmes							
Vehicle Wash Bay Replacement	0.350	-	-	-	-	-	**0.350**
Vehicles & Plant	0.182	1.056	0.448	0.565	0.578	0.562	**3.391**
Play Areas Improvement	-	0.230	0.230	0.230	0.230	0.230	**1.150**
Air Quality Monitoring Equipment	-	0.040	0.040	0.040	0.065	0.065	**0.250**
Parks & Countryside – Infrastructure & Fencing	-	0.045	0.045	0.045	0.045	0.045	**0.225**
Workshop Refurbishment	-	0.160	-	-	-	-	**0.160**
Contribution to Surrey Transit Site	0.127	-	-	-	-	-	**0.127**
Land Flood Prevention	-	0.011	0.011	0.011	0.011	0.011	**0.053**
Total	**0.659**	**1.542**	**0.774**	**0.891**	**0.929**	**0.913**	**5.708**
PLACE DELIVERY							
Marketfield Way (The Rise) Redevelopment	6.986	15.100	-	-	-	-	**22.086**
Horley Public Realm Improvements - Phase 4	0.575	-	-	-	-	-	**0.575**

CAPITAL PROGRAMME 2022 to 2027 - DETAILS							
	2021/22 Bfwd	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m	£m	£m
Merstham Recreation Ground	1.419	-	-	-	-	-	**1.419**
Redhill Public Realm Improvements	0.030						**0.030**
Pay on Exit Car Parking, Horley	0.052	-	-	-	-	-	**0.052**
Preston – Parking Improvements	0.348	-	-	-	-	-	**0.348**
Total	**9.410**	**15,100**	**-**	**-**	**-**	**-**	**24.510**
Economic Prosperity - Vibrant towns & villages	-	0.100	0.100	0.100	-	-	**0.300**
TOTAL APPROVED CAPITAL PROGRAMME	**16.983**	**20.283**	**4.161**	**4.162**	**2.581**	**4.110**	**52.280**

ANNEX 2

APPENDIX 4

EXTRACT: STRATEGIC RISK REGISTER
STRATEGIC FINANCIAL RISKS

<table>
<tr><td>SR2</td><td colspan="2">Financial Sustainability</td><td>RED</td></tr>
<tr><td>Description</td><td colspan="3">The effects of the Covid-19 pandemic, coupled with current adverse macroeconomic conditions and the wider local government funding context, have created conditions of unprecedented financial uncertainty and challenge for the Council.

The Council is therefore increasingly reliant on generating additional income and identifying savings and efficiencies from existing budgets. If not mitigated, these financial challenges risk an adverse impact on the Council's ability to deliver its Corporate Plan objectives.</td></tr>
<tr><td rowspan="2">Owner</td><td>Portfolioholder</td><td colspan="2">Finance & Governance</td></tr>
<tr><td>Officers</td><td colspan="2">Chief Finance Officer</td></tr>
<tr><td>Controls</td><td colspan="3">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.

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.

The budget pressures identified by the MTFP will be addressed by the Council's Financial Sustainability Programme.

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.

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.

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.

Internal audit will be utilised to review the approach taken to secure financial sustainability.</td></tr>
<tr><td>Mitigating actions/progress</td><td colspan="3">In addressing its significant financial challenges, the Council has established a Financial Sustainability Programme. This 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 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.

The programme is premised on the following:</td></tr>
</table>

<table>
<tr><td colspan="2" rowspan="1"></td><td colspan="3">
1. Projects – new ideas and opportunities for generating income and/or making savings.

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

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

Updates to the programme will be reported to the Overview and Scrutiny Committee and Executive.

An updated MTFP was reported to the Overview and Scrutiny Committee and Executive in July 2022 (agenda available here).

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.
</td></tr>
<tr><td rowspan="2">Score</td><td>Likelihood</td><td>More than likely</td><td rowspan="2">Direction of Travel</td><td rowspan="2">-</td></tr>
<tr><td>Impact</td><td>Significant</td></tr>
<tr><td colspan="2">Status</td><td colspan="3">Treat</td></tr>
<tr><td colspan="2">Last Update</td><td colspan="3">October 2022</td></tr>
</table>

APPENDIX 5

FINANCIAL SUSTAINABILITY PROGRAMME

Overview at November 2022

Background and Context

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

Financial Pressures and the Forecast Funding Gap

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

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

More details about the likely scale of impact of the above is set out in this updated Medium Term Financial Plan.

Using Reserves

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

Commercial Activity

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

Companies

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

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

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

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

Approach

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

The main components of the programme are:

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

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

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

The programme objectives are that it will:

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

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

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

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

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

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

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

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

Within the programme:

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

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

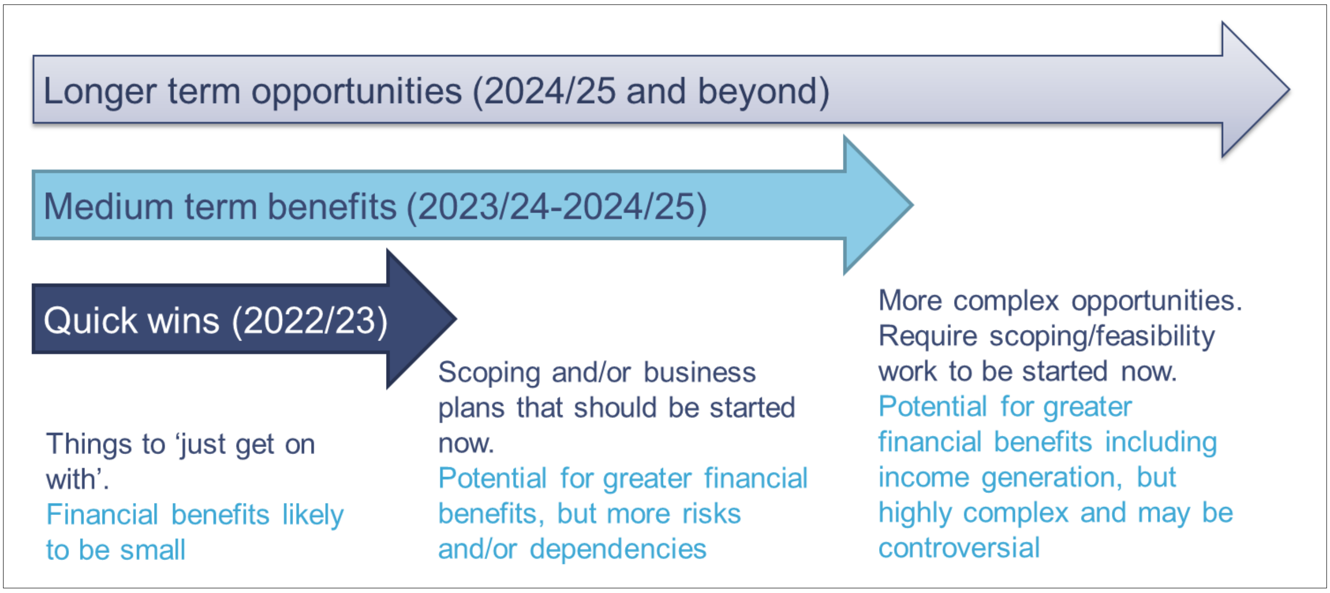
- The Fees & Charges review is being overseen by officers within the Finance and Corporate Policy teams, working with budget holders across the Council. In some instances, a substantive review of an existing charge, or the introduction of a new charge, may warrant a project-based approach. While authority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

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

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

Progress to Date

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



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

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

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

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

<u>Standalone Projects and Activities</u>
- ✓ Identification and prioritisation of opportunities by Management Team (March/April)
- ✓ Project and activity scoping and development of (outline) business cases (ongoing)

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

<u>Fees & Charges</u>
- ✓ 2022/23 increases implemented for some charges (April 2022)
- ✓ Collation of fees and charges register and identification of higher value areas for priority review (May 2022)

- ✓ Budget holders progressing review (ongoing)

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

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

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

Reporting Progress

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

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

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

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

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

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

fund has included business rates income. The business rates surplus or deficit is shared with the Ministry for Housing, Communities and Local Government.

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

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

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

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

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

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

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

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

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

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

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

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

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

Local Share
From April 2013, local councils have been allowed to keep a proportion of the business rates they collect from businesses in their area. In most areas, half of business rates will have to be paid over to central government (the 50% scheme), with some piloting 100% business rates retention. Billing authorities continue to collect all of the business rates in their area on behalf of the major precepting authorities and central government. Reigate & Banstead's share of the 50% retained is 40%.

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

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

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

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

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

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

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

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

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

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

Section 151 Officer

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

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

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

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

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

Spending Review
The Spending Review is an internal Government process through which the Treasury negotiates budgets for each Government department. The 2015 Spending Review set Government spending for the four financial years up to 2021/22. Subsequent spending reviews have been for one year only.

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

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

REVENUE BUDGET

SERVICE BUDGET GROWTH, INCOME AND SAVINGS PROPOSALS 2023/24

Service Revenue Budget Growth, Income and Savings Proposals 2023/24

3.1 Services – Pay - Organisation					
Head of Service	**Service**	**Growth £M**	**Income / Savings £M**	**FTE Impact**	**Description**
Carys Jones	Customer Contact	-	(0.029)	(1.0)	Deletion of a vacant post
Carys Jones	Communications	-	(0.033)	(0.8)	Deletion of a vacant post
Pat Main	Finance	-	(0.025)	(1.0)	Deletion of a vacant post
Ann Slavin	Human Resources	-	(0.100)	TBC	Forecast savings from planned review of team (FTE saving details TBC)
Joyce Hamilton	Legal	-	(0.030)	(1.0)	Deletion of a vacant post
Darren Wray	ICT	-	(0.051)	(0.8)	Deletion of a vacant post
Total		**-**	**(0.268)**	**(4.6)**	

Service Revenue Budget Growth, Income and Savings Proposals 2023/24

3.1 Services – Pay - Place					
Head of Service	**Service**	**Growth £M**	**Income / Savings £M**	**FTE Impact**	**Description**
Andrew Benson	Planning & Development	-	(0.015)	-	Saving following salary budget review
Simon Bland	Economic Prosperity	0.010	-	-	Saving following salary budget review
Peter Boarder	Place Delivery	-	(0.025)	-	Capitalisation of salary costs
Morag Williams	Neighbourhood Operations	0.018	-	-	Deletion of historic capitalised salary budget
Total		**0.028**	**(0.040)**	**-**	

Service Revenue Budget Growth, Income and Savings Proposals 2023/24

3.1 Services – Pay - People					
Head of Service	**Service**	**Growth £M**	**Income / Savings £M**	**FTE Impact**	**Description**
Simon Rosser	Revenues, Benefits & Fraud	-	(0.026)	-	Saving following salary budget review
Justine Chatfield	Community Partnerships	-	(0.035)	-	Saving following salary budget review
Total		**-**	**(0.061)**	**-**	

Service Revenue Budget Growth, Income and Savings Proposals 2023/24

3.1 Services – Pay – Management Team					
Head of Service	**Service**	**Growth £M**	**Income / Savings £M**	**FTE Impact**	**Description**
Frank Etheridge	Emergency Planning	0.045	-	1.0	Confirmation of funding for Emergency Planning resource in the base budget
Total		**0.045**	**-**	**1.0**	

Service Revenue Budget Growth, Income and Savings Proposals 2023/24

3.2 Services – Non-Pay – Organisation					
Head of Service	**Service**	**Growth £M**	**Income / Savings £M**	**FTE Impact**	**Description**
Carys Jones	Communications	0.015	-	-	Additional Data Protection expenses
Darren Wray	ICT	0.092	-	-	Software Licence fee increases
Pat Main	Property	0.025	(0.044)	-	Rental grant subsidy budget alignment; Reduction in printing/postage costs
Joyce Hamilton	Electoral Services	0.135	-	-	Alignment of budgets with the forecast baseline cost of administering a borough council election
Joyce Hamilton	Democratic Services	0.007	-	-	Implementation of Independent Remuneration Panel recommendations 2023/24
Cath Rose	Corporate Policy	-	(0.020)	-	Sustainability budget saving
Total		**0.274**	**(0.064)**	**-**	

Service Revenue Budget Growth, Income and Savings Proposals 2023/24

3.2 Services – Non-Pay – Place					
Head of Service	**Service**	**Growth £M**	**Income / Savings £M**	**FTE Impact**	**Description**
Andrew Benson	Building Control	-	(0.045)	-	Reduction in this Council's Partnership contribution in line with the business plan
Andrew Benson	Planning & Development	-	(0.018)	-	Fee increase – planning pre-application fees
Andrew Benson	Planning & Development	-	(0.007)	-	Income increase – planning performance agreements
Andrew Benson	Planning & Development	-	(0.040)	-	New Fee – street naming and numbering applications
Morag Williams	Neighbourhood Operations	0.025	-	-	Small Works Assistance scheme – transfer from Capital Programme to Revenue Budget
Morag Williams	Neighbourhood Operations	0.010	-	-	Licencing budget - budget alignment with forecast income receipts
Morag Williams	Neighbourhood Operations	-	(0.017)	-	Fee increases – taxi & private hire licenses
Morag Williams	Neighbourhood Operations	-	(0.002)	-	Fee increase – allotment rents
Morag Williams	Neighbourhood Operations	-	(0.010)	-	Fee increases - cemeteries
Morag Williams	Neighbourhood Operations	-	(0.002)	-	Fee increases – outdoor events
Morag Williams	Neighbourhood Operations	-	(0.002)	-	Fee increases – sports pitches

Service Revenue Budget Growth, Income and Savings Proposals 2023/24

3.2 Services – Non-Pay – Place (continued)

Head of Service	Service	Growth £M	Income / Savings £M	FTE Impact	Description
Morag Williams	Neighbourhood Operations	-	(0.075)	-	Budget saving from Surrey County Council's decision to cease the highways grass cutting contract on their behalf
Morag Williams	Neighbourhood Operations	-	(0.181)	-	Fee increases – parking
Morag Williams	Neighbourhood Operations	-	(0.217)	-	Off street parking – budget alignment with forecast income receipts
Morag Williams	Neighbourhood Operations	-	(0.021)	-	Fee increases - bulky waste
Morag Williams	Neighbourhood Operations	-	(0.080)	-	Fee increase - garden waste
Morag Williams	Neighbourhood Operations	-	(0.003)	-	Fee increases – waste containers & sacks
Morag Williams	Neighbourhood Operations	-	(0.046)	-	Fee increases – trade waste
Morag Williams	Neighbourhood Operations	-	(0.300)	-	Garden Waste – budget alignment with forecast income receipts
Peter Boarder	Place Delivery	-	(0.020)	-	Various non-pay budget savings
Simon Bland	Economic Prosperity		(0.015)	-	Grants to local businesses – to be funded in future through a call on the Revenue Reserve that has been established for economic development initiatives
Total		**0.035**	**(1.101)**	**-**	

Service Revenue Budget Growth, Income and Savings Proposals 2023/24

3.2 Services – Non-Pay – People

Head of Service	Service	Growth £M	Income / Savings £M	FTE Impact	Description
Justine Chatfield	Community Partnerships	-	(0.024)	-	Fee increases - Community Centres
Justine Chatfield	Community Partnerships	-	(0.039)	-	Voluntary & Community Sector funding review
Justine Chatfield	Community Partnership		(0.030)		Various non-pay budget savings
Duane Kirkland	Leisure & Intervention	-	(0.100)	-	Increased Harlequin income target - to be achieved through delivery of Leisure & Culture Strategy plans
Duane Kirkland	Leisure & Intervention	-	(0.025)	-	Deletion of historic budget for contribution to a Surrey-wide initiative that is no longer required
Duane Kirkland	Leisure & Intervention	-	(0.050)	-	Income increase - location filming at Council premises
Duane Kirkland	Leisure & Intervention	-	(0.028)	-	Income increase - contracted increase in the management fee received from the Leisure Management provider
Richard Robinson	Housing	-	(0.100)	-	Contribution from Homelessness Prevention grant funding
Simon Rosser	Revenues, Benefits & Fraud	-	(0.079)	-	Fee increases - summons and liability orders
Simon Rosser	Revenues, Benefits & Fraud	-	(0.005)	-	Reduction in the service’s legal costs budget
Simon Rosser	Revenues, Benefits & Fraud	0.060	-	-	Software licence fee increase
Total		**0.060**	**(0.480)**	**-**	

Service Revenue Budget Growth, Income and Savings Proposals 2023/24

3.3 Budget Issues & Risks - Government Funding Reductions					
Head of Service	**Service**	**Growth £M**	**Income / Savings £M**	**FTE Impact**	**Description**
Simon Rosser	Revenues, Benefits & Fraud	0.416	-	-	Net effect of forecast DWP Housing Benefit Subsidy reduction
Simon Rosser	Revenues, Benefits & Fraud	0.138	-	-	Forecast reduction in DWP Housing Payments Grant
Simon Rosser	Revenues, Benefits & Fraud	0.010	-	-	Forecast reduction in DWP Administration Grant
Total		**0.564**	**-**	**-**	

Service Revenue Budget Growth, Income and Savings Proposals 2023/24

3.4 Budget Issues & Risks – Property Risks

Head of Service	Service	Growth £M	Income / Savings £M	FTE Impact	Description
Pat Main	Property Services	0.700	-	-	Energy Cost Inflation – forecast full-year impact of current tariffs if they continue in 2023/24 and no Government support is provided
Pat Main	Property Services	0.650	-	-	Forecast void property costs and income shortfall – if current vacant space is not re-let during 2023/24
Total		**1.350**	**-**	**-**	

Service Revenue Budget Growth, Income and Savings Proposals 2023/24

3.4 Budget Opportunities – IT Strategy Implementation

Head of Service	Service	Growth £M	Income / Savings £M	FTE Impact	Description
Darren Wray	ICT	0.064	-	-	Measures to improve disaster recovery capability
Darren Wray	ICT	0.140	-	-	Measures to improve cyber defences
Darren Wray	ICT	0.065			Replacement telephony infrastructure
Darren Wray	ICT	0.224			One-off Strategy implementation costs
Total		**0.493**	**-**	**-**	

ANNEX 4

CAPITAL PROGRAMME
SERVICE CAPITAL GROWTH PROPOSALS
2023/24 to 2027/28

Capital Programme - Growth Proposals – 2023/24 to 2027/28

Head of Service	Growth Proposal	Growth 2023/24 £M	Growth 2024/25 £M	Growth 2025/26 £M	Growth 26/27 £M	Growth 2027/28 £M	Total £M
ORGANISATION							
Pat Main	Reprofiling and budget allocation for Property Maintenance Rolling Programmes	0.006	-	0.820	-	0.028	**0.854**
Pat Main	2027/28 budget allocation for capital repairs at Massetts Road	-	-	-	-	0.021	**0.021**
Pat Main	Budget allocation for future repairs to temporary housing units (funded by Affordable Housing Capital Improvements balances)	0.040	0.040	0.040	0.003	0.040	**0.163**
Darren Wray	IT Data Centre Refresh	-	-	-	-	0.250	**0.250**
Darren Wray	Printer & Photocopier Refresh	-	-	-	-	0.050	**0.050**
Darren Wray	2027/28 budget allocation for the ICT Replacement Programme	-	-	-	-	0.200	**0.200**
Total		**0.046**	**0.040**	**0.860**	**0.003**	**0.589**	**1.538**

Capital Programme - Growth Proposals – 2023/24 to 2027/28

Head of Service	Growth Proposal	Growth 2023/24 £M	Growth 2024/25 £M	Growth 2025/26 £M	Growth 26/27 £M	Growth 2027/28 £M	Total £M
PEOPLE							
Richard Robinson	Increase in Disabled Facilities spending to align with grant allocation	0.153	0.153	0.153	0.153	1.287	**1.899**
Richard Robinson	Home Improvement Agency & Handy Person Scheme - 10% increase from 2024/25 onwards	0.005	0.012	0.012	0.012	0.132	**0.173**
Richard Robinson	Small Works Assistance budget - transferred to the revenue budget in recognition of the expenditure type	(0.050)	(0.050)	(0.050)	(0.050)	-	**(0.200)**
Duane Kirkland	2027/28 allocation for Harlequin Service Development projects	-	-	-	-	0.100	**0.100**
Total		**0.108**	**0.115**	**0.115**	**0.115**	**1.519**	**1.972**

Capital Programme - Growth Proposals – 2023/24 to 2027/28

Head of Service	Growth Proposal	Growth 2023/24 £M	Growth 2024/25 £M	Growth 2025/26 £M	Growth 26/27 £M	Growth 2027/28 £M	Total £M
PLACE							
Morag Williams	Future vehicle Replacement Programme costs to maintain the current fleet	0.134	0.116	0.259	-	3.668	**4.177**
Morag Williams	Budget for investment in a replacement play area in 2027/28	-	-	-	-	0.100	**0.100**
Morag Williams	20207/28 allocation for Air Quality Monitoring equipment	-	-	-	-	0.040	**0.040**
Morag Williams	2027/28 allocation for investment in Parks & Countryside infrastructure	-	-	-	-	0.045	**0.045**
Morag Williams	2027/28 allocation for the Land Flood Prevention Programme	-	-	-	-	0.011	**0.011**
Simon Bland	Reprofiling of historic budget for investment in 'Vibrant Towns & Villages'	(0.100)	(0.100)	-	-	-	**(0.200)**
Total		**0.034**	**0.016**	**0.259**	**-**	**3.864**	**4.173**

ANNEX 6

FEES & CHARGES POLICY

Our Medium Term Financial Plan (MTFP) sets out our financial objectives to support delivery of the Corporate Plan. These plans remain challenging in the context of an uncertain economic future, cost of living pressures on residents, significantly reduced= funding from Government and the move towards more locally-generated income streams.

We need to continue to move towards being financially self-sufficient. Maximising the potential for increased income will be integral to supporting delivery of the MTFP.

Seeking opportunities for income generation is a priority for the Council, alongside broader proposals for the trading and commercialisation of some services, and continuing to delivery high quality and essential services to residents.

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

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

The Policy excludes:

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

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

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

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

The objectives of the Fees & Charges Policy are:

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

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

These include:

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

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

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

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

All fees and charges will:

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

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

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

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

Authority to Set and Vary Charges
The decision on charging levels will be based on the relevant charging method: full cost recovery, direct cost plus or subsidised.

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

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

Publication of Fees and Charges
The full schedule of established Council fees and charges will be published on an annual basis, accompanying the Council's annual budget report. This information will also be made available on the Council's website.
Where it is necessary to change fees or charges during the year, these changes may not be reflected in the published annual schedule, but will be clear to service users at the point of use.

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

November 2022

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REVENUE RESERVE BALANCES AT 31 MARCH 2022

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

Earmarked Revenue Reserves	Balance at 31.3.22 £m	Purpose
Housing Delivery Strategy Reserve	19.079	Established to support delivery of the Council's Housing Delivery Strategy. Funded from the equivalent of the balance on historic New Homes Bonus grant allocations.
Government Funding Reduction Risks Reserve	3.569	Earmarked for the purpose of mitigating the planned reduction in Government funding pending delivery of new sustainable income streams.
Commercial Risks & Volatility Reserve	3.195	Earmarked for the purpose of mitigating the impacts of delays in delivery of new sustainable commercial income streams.
Capital Schemes Feasibility Studies Reserve	1.746	Established to ensure that funding is available to prepare business cases and obtain external professional advice for new initiatives designed to deliver new sustainable commercial income streams.
Homelessness Prevention	1.017	Established to account separately for the funding set aside for homelessness prevention.
Revenue Grants Reserve	0.755	Established as part of budget-setting for 2022/23 to carry-forward unspent grants from the previous year for future use.
IT Strategy Reserve	0.700	Established as part of budget-setting for 2022/23 to help implementation of the new IT Strategy (subject to approval of the Strategy in March 2022).
New Posts Reserve	0.690	Established to provide initial funding for new permanent posts created during the year to support delivery of new corporate initiatives. Thereafter the intention is to build these posts into the approved budget in the following year.
Economic Development Initiatives Reserve	0.657	Established to fund initiatives to raise awareness amongst local people of quality local employment opportunities.
Insurance Reserve	0.500	Provides cover against uninsured losses.

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

COVID-19 Revenue Reserves	Balance at 31.3.22 £m	Purpose
COVID-19 – NNDR Section 31 Grant Reserve	7.077	Established as part of year-end 2021/22 to carry-forward unspent funding from the previous year for use in 2022/23.
COVID-19 Impacts - Funding Reserve	1.459	Established at the end of 2020/21 to fund ongoing income losses and expenditure pressures arising

		from the pandemic.
COVID-19 Specified Government Funding Reserve	0.341	Established at the end of 2020/21 to carry-forward unused COVID-19 funding for use in future years.
Total COVID-19 Reserves:	**8.877m**	

Total Reserves	**£45.596m**

Note: balances as reported in July 2022 (subject to final review as the Statement of Accounts for 2021/22 is finalised)

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RESERVES POLICY

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

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

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

Reserves can be held for four reasons:

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

Such reserves are generally referred to as Earmarked Revenue Reserves.

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

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

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

Policy principles:

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

November 2022

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

Signed off by	Head of Neighbourhood Operations
Author	Katie Jackson, Environmental Health Manager
Telephone	Tel: 01737 276309
Email	Katie.Jackson@reigate-banstead.gov.uk
To	Executive
Date	Thursday, 17 November 2022
Executive Member	Portfolio Holder for Neighbourhood Services

Key Decision Required	Y
Wards Affected	(All Wards);

Subject	Housing Assistance Policy - Financial Assistance for Adaptations and Repairs

Recommendations

(i) That the amended Housing Assistance Policy – Financial Assistance for Adaptations and Repairs provided as Annex 1 be approved.

Reasons for Recommendations

The Housing Assistance Policy – Financial Assistance for Adaptations & Repairs ('the Policy') has been reviewed and updated to reflect current and future circumstances, particularly increases in the cost of housing assistance works due to global materials price increases. The changes recommended are in keeping with national and local policy objectives of helping to maintain independence for older and disabled residents.

The proposals:

- Benefit vulnerable residents and enable them to remain living at home safely and in their own communities for as long as possible; and
- Make best use of the Better Care Fund, Housing Capital Grant, that is provided by central government for councils to develop local responses to meet need from residents who require practical assistance to remain living at home, primarily via the Disabled Facilities Grant ('DFG').

Agenda Item 5

Executive Summary

The Housing Assistance Policy – Financial Assistance for Adaptations & Repairs ('the Policy') has been reviewed and updated to reflect current and future circumstances, particularly increases in the cost of housing assistance works due to global materials price increases. Annual increases in the capital funding for disabled adaptations in previous years have resulted in a substantial underspent balance on these ring fenced funds. These cannot be used for other purposes, but there is guidance on the application of discretion to allow best use of these funds beyond the basic mandatory provision prescribed in law.

The key proposals in the revised Policy are to:

1. Increase the maximum discretionary Disabled Facilities Grant (DFG) funding above the current maximum award of £45,000, up to a new maximum of £55,000.
2. Increase the level of disregard of the first portion of client's means-tested contributions for DFG's, from the current level of £5,000 up to £7,000.
3. Allow the inclusion of an extended warranty of up to 5 years with all DFG funded stairlifts, step lifts and through floor lifts.
4. Include funding for vehicle crossovers, where required as part of a mandatory DFG to facilitate safe vehicle access onto a hardstanding or driveway.
5. Increase the maximum value of Small Works Grants from the current level of £500 up to £1,000.
6. Increase the maximum value of Small Works Loans from the current level of £6,500 up to £10,000.

The benefits of the recommended changes are three-fold:

1. Help more people to access the adaptations they require more quickly;
2. Enable the Council to spend more of its government allocation for disabled adaptations; and
3. Reduce the growing underspend.

The recommendations will benefit those in need of their homes being adapted, as well as families and wider communities who provide support to older and disabled residents. This will also support delivery of wider health and social care objectives and help reduce budget pressures, through assisting people to live independently at home for as long as possible.

Executive has authority to approve the recommendation.

Statutory Powers

1. The Housing Grants, Construction and Regeneration Act 1996 requires the local housing authority to administer grants to provide adaptations and facilities in the homes of disabled people. The terms under which these mandatory Disabled Facilities Grants (DFG's) may be given are set out in the legislation. This includes physical and financial eligibility criteria for applicants and criteria on what adaptations may be funded by the DFG.
2. The DFG is a means tested capital grant which can contribute towards the cost of adapting a home, for example by installing a stair lift, creating a level access shower

room, widening doorways, providing ramps and hoists or creating a ground floor extension. The DFG is a mandatory grant, which means that it is a legal requirement for local authorities to provide help to people who meet the eligibility criteria. These criteria include ensuring that the works are necessary and appropriate to meet the needs of the disabled person, and that they are reasonable and practicable given the age and condition of the property.

3. The Regulatory Reform (Housing Assistance) (England And Wales) Order 2002 allows for greater discretion in the use of DFG's and requires local housing authorities to publish a scheme of assistance. The Council's Housing Assistance Policy ('The Policy') was previously updated in 2019, but it is now appropriate to update the Policy to reflect increases in the costs of delivering housing adaptations. This will also address the accumulating underspend of the ring fenced Better Care Funds provided for housing assistance, as well as being consistent with guidance on the use of the Regulatory Reform Order 2002.

4. The term 'discretion' is used to mean assistance that is outside of the mandatory DFG requirements. The Policy will allow the scope of this discretion to be clearly defined, and ensures consistent application of criteria to all clients, avoiding the potential for 'case by case' judgements to be required. Eligibility requirements for DFG's in terms of care and support needs as assessed by a registered occupational therapist will not be affected, to ensure consistent application of criteria to all clients.

Background

5. The Policy has been reviewed and revised in response to current and expected future circumstances, particularly increases in the cost of housing assistance works due to global materials price increases. Over the last year, increasing construction and materials costs have meant that it has become increasingly challenging to design, approve and deliver the necessary adaptations to meet clients identified needs within the existing Policy, particularly for those requiring a large scale adaptation or who are found to have any client financial contribution. This is resulting in an increasing number of vulnerable clients having to self-fund a portion of the works, and also introducing delays as schemes are subject to repeated rounds of re-designs to try to find compromises to meet the needs in a way that can be achieved within the funding envelope. This creates distress and anxiety for clients, as they may have to consider using their other limited financial resources or else sacrificing necessary parts of a scheme to get the project in budget. This is undesirable not just for clients and their families, but is also frustrating for the professionals involved from both the Council and external partners such as Surrey County Council Occupational Therapy and our contracted Home Improvement Agency (HIA) provider, Millbrook Healthcare Ltd.

6. The majority of the housing assistance programme is funded by the government allocation ringfenced for this purpose, the Better Care Fund, Housing Capital Grant. This is a combined fund provided by the Department for Levelling Up, Housing & Communities and the Department of Health and Social Care, to enable councils to assist residents to access housing improvements and adaptations, which will enable them to live independently at home, for as long as possible.

7. Following several years of funding increases, the Council has accumulated a significant balance in Capital reserves. The money is ring fenced for home adaptations and cannot be diverted elsewhere. To date the underspend has been carried forward. However, it is always possible that the Government could in future require uncommitted balances to be repaid.

8. In March 2022 the Government released updated guidance for local authorities in England on delivery of the DFG function. This includes challenging best practice timescales for moving cases through the DFG process. The current construction cost increases make it even more difficult to progress cases swiftly, as more projects require compromises and the provision of extra funds, slowing the entire process and making it less likely that the Council's service can meet government targets.

9. The recommended Policy revisions update a number of discretionary elements which are already provided in addition to mandatory DFG provision. This includes an increased upper limit on DFG's, an increased disregard of the first portion of certain client financial contributions, and increased value of Small Works Grants and Loans, plus introducing the ability to include extended warranties in the grant package for lifts and confirming the inclusion of vehicle crossover works in specified circumstances.

Key Information

Background

10. The current Housing Assistance Policy was last revised in 2019, at which time a number of new discretionary elements were introduced to extend provision beyond mandatory requirements. The current proposals seek to extend this discretionary assistance to keep pace with increases in construction costs which have impacted the Council's ability to deliver timely and effective housing assistance to vulnerable clients.

11. The largest part of the housing assistance programme is via the DFG. Since 2018, the Council has delivered an average of 93 completed DFG's each year, although this figure dropped during 2020-21 due to the impact of COVID'19 pandemic restrictions. Grant assistance ranges in value from a few thousand pounds up to a current maximum of £45,000, with some larger projects being completed, usually with additional client funding. The majority of projects are delivered via the Council's contracted Home Improvement Agency (HIA) provider, Millbrook Healthcare Ltd.

12. Certain works are priced via a fixed Schedule of Rates in accordance with industry best practice, which is subject to periodic review. This includes bathrooms, ramps and Closomats (washer dryer toilets). All other works are tendered and the lowest price contractor will be selected. Millbrook maintain a list of Approved Contractors for tendered works, who have been vetted and meet the contract approval requirements. They also employ a small direct labour team to undertake bathroom works, an addition to the team that has substantially improved installation times.

13. However, the effect of global material price increases has become very noticeable over the last 12 months, with all projects increasing in price, such that previously suitable levels of discretionary assistance are no longer adequate. This is creating

delay and anxiety for clients, as they have to either try to find their own funding to supplement grant provision or go through scheme redesigns to try to make it fit within budget, but with inevitable compromises and loss of recommended features, for example having to choose between having adapted access or an adapted bathroom.

14. The key objective of the review has been to improve customer outcomes, by helping to secure funding for necessary adaptations at an earlier stage, particularly for those needing more extensive works and to reduce the need for client contributions, which can often be found unaffordable by elderly and disabled clients and is a key reason for eligible clients to drop out of the application process. This includes recommended amendments to the Small Works Assistance offered, in addition to the DFG itself.

15. The recommended Policy revisions are to amend certain discretionary elements i.e. those that are outside the strict mandatory requirements of the legislation. It will retain the existing mandatory DFG requirements regarding eligibility, purpose of works and means testing. It is recommended to use the discretion afforded by the Regulatory Reform Order 2002 to offer discretionary DFG elements for private sector residential adaptations in the following specific circumstances:

Discretion to Increase Disabled Facilities Grant Upper Limit

16. The mandatory DFG maximum is set in legislation at £30,000, and the Policy changes made in 2019 exercised the Council's discretion to increase this to £45,000. The new recommended Policy increases this maximum amount by a further £10,000, where the cost of work exceeds £45,000 (either as a result of unforeseen works or due to the extent of the original work that is recommended to the Council). This type of assistance will only be offered for schemes that meet the criteria for mandatory DFG's as set out above. The maximum amount of DFG assistance will therefore be £55,000. Where the cost of the works is more than £55,000, the applicant will generally need to fund this themselves, although in very limited circumstances Surrey County Council may provide some funding, usually only for children's adaptations.

17. There are only a small number of very large projects each year, 13 were approved for works over £30,000 in 2021/22. Typically this is where the adaptations require a small extension, often to create a ground floor bedroom or bathroom. Previously it was generally possible to build a small single storey extension within £45,000, but increases in costs mean that this is now extremely difficult. Some necessary schemes are having to be curtailed to try and bring them in within the £45,000 upper limit. This also adds time delays, as schemes are having to go through multiple design rounds to try and find a solution that meets the client's needs and can be bought in on budget. This is very undesirable for clients and takes up a lot of additional time for all of the professionals involved.

18. By increasing the maximum amount of funding to £55,000 it will be possible to design and build the majority of adaptations in line with the occupational therapy statement of needs. This would allow schemes to be approved and implemented more swiftly than is possible at present.

Discretion to Waive the first £7,000 of some client contributions

19. When the means test determines that a client has a financial contribution to make, where the client has not more than £24,500 in savings, since 2019 under the Council's Policy, the first £5,000 of this contribution has been waived. It is recommended to increase the value of this waiver to £7,000. This means that clients can have up to £7,000 of DFG works completed, before they have to make a financial contribution i.e. for the cost of any works required that is in excess of £7,000.

20. Previously the 'disregard' of £5,000 was generally sufficient to allow for a level access shower room or a stairlift to be provided with no financial contribution from the client. However, global materials cost increases which have meant that even relatively small adaptations like level access bathrooms, that could previously normally be completed for around £5,000 are now costing £6,000 – £7,000, which is starting to result in more clients having to self-fund the remaining portion of costs themselves. In many cases this is via a very small amount of remaining savings to a value of £1,000 - £2,000. This amount can make a significant impact on the finances of a vulnerable elderly or disabled client and is causing delays in progressing works while funds are confirmed or even deterring some from proceeding.

21. Increasing the value of the disregard would avoid vulnerable clients having to self-fund these works or choosing not to proceed at all. The figure of £24,500 matches the value used by Surrey County Council in the means test to qualify for alternative means of assistance, and is intended to assist consistency of approach.

Include an extended warranty of up to 5 years with DFG funded stairlifts, step lifts and through floor lifts

22. Currently the standard DFG package for provision of a stairlift, step lift or through floor lift, is to only provide the manufacturer's warranty, usually one year. This means that after that time, the client is responsible for all on-going costs, including routine service and maintenance and any repairs, including call out costs. This can be a significant disincentive to having a lift, as many clients are concerned about funding this on-going cost. Where a lift is installed in a Raven Housing Trust property, it is automatically included within their overall lift service and maintenance contract, so this would not need to be applied to those properties, reducing the cost mentioned.

23. It is therefore recommended that the standard offer be amended to include up to a 5 year warranty, so that clients have greater confidence that the lift can be suitably serviced and maintained and if necessary repaired. This is also likely to prolong the effective life of the equipment if it has been subject to the correct service and maintenance regime and will avoid the costs of early replacement of grant funded lifts due to lack of suitable repair and maintenance.

Include funding for vehicle crossovers, where required as part of a mandatory DFG to facilitate safe vehicle access onto a hardstanding or driveway

24. It is recommended to include a specific provision that DFG funding will be available for provision of vehicle crossovers ('dropped kerb'), where these are integral to the provision of safe access to an applicant's property, as part of a mandatory DFG

application. Crossovers are not technically included in the criteria for mandatory DFG's, as the legislation does not cover situations where the land on which works are recommended is not owned by either the applicant or their landlord i.e. the public pavement. While the legislation permits the use of considerable discretion in what can be funded as part of a DFG, this discretion must be set out in the published policy. The Council updated its Housing Assistance Policy in 2019 to clearly define the circumstances where discretionary funding would be available, however, this does not currently include crossovers.

25. An application for an Exceptional Circumstances case for funding of a vehicle crossover was taken to Licensing & Regulatory Committee in June 2020 and the Committee approved the application. The Committee also resolved to allow its decision to act as a precedent for future applications for the funding of crossovers, where these are integral to the provision of safe access to an applicant's property as part of a mandatory DFG.

26. While this has enabled subsequent applications, it is recommended to fully incorporate this point into the main Policy, to avoid any doubt in future where it may over time become more difficult to pinpoint the authority to use this discretion, as arising from a historical precedent case. Only a handful of crossover cases are completed each year at quite limited cost, but previously this omission from the Policy has caused significant delay and difficulty on individual cases, and so it is sought to safeguard this point for the future.

Small Works Assistance

27. In addition to DFG's the Council also provides Small Works Grants (SWG) of up to £500 and Small Works Loans (SWL) of up to £6,500 from its own budget (previously classed as capital expenditure, but to be charged in future to revenue, in view of the nature and value of the works provided). These are available to owner occupiers who are on specified income related benefits and are intended to help towards the costs of repairs, adaptations or improvements that will enable the occupier to continue to live independently in a safe, secure and weather-tight home. Applications for such grants or loans will be considered where there is an immediate need for work to be undertaken or where the works will be necessary within 12 months of the application being made. Loans are over £500 in value and are interest free and become repayable upon the sale of the property, if this is within 35 years of the loan being given.

28. These mechanisms have however been consistently underutilised for several years. One reason suggested is that the £500 grant limit does not allow for enough work to be done, particularly in view of significant cost increases in construction materials over the last year. It is therefore recommended to increase the value of Small Works Grants up to a maximum of £1,000 to allow more scope for more or slightly higher value works.

29. It is recommended that the maximum loan value be increased to £10,000, and also to make more reference to use of the funds for enabling energy efficiency improvements to homes. Currently the policy states that loans can be made available for improvements such as provision of central heating, provision of gas heaters (fires

and water heaters) and thermal insulation, but it is recommended to amend this to reference other methods of heating not involving solid fuel combustion and other energy efficiency improvements, so as to broaden the scope of eligible works. It is suggested that by increasing the value of loan available, it might be possible to encourage more significant energy efficiency improvements.

30. It should be noted that the scope of Small Works Assistance is slightly different to DFG, with applicants not needing to meet criteria for care and support needs or to be elderly. The works can also cover necessary home repairs e.g. to roofs, windows and plumbing or electrical installations, which by their nature are not capital projects suitable for DFG funds.

31. All other aspects of the current Housing Assistance Policy are to remain as at present.

Options

32. Executive has the following options:

1) Agree the recommendation to adopt the revised Housing Assistance Policy. This is the **recommended option;**
2) Make additional amendments to the recommended Housing Assistance Policy and then agree the recommendation as set out in the revised Policy;
3) To not agree the recommendation. This will significantly hinder the Council's ability to make the most effective use of the Better Care Fund grant allocation, as set out below and is therefore **not recommended.**

33. Rationale:

Option 1: Adopt the revised Housing Assistance Policy - this is the recommended option. The financial risk of over-spending will be managed through diligent budget review and consideration will be given to a reduced level of discretionary spending, if an overspend were forecast.   Communications with our residents will be clear on what is mandatory grant policy, as well as that which is discretionary policy and therefore subject to review, in order to manage expectations.

Option 2: Amend the Housing Assistance Policy, in light of Executive feedback – to approve several, but not all, of the recommended Policy elements would require officers to work with Executive to ascertain which elements should be implemented immediately, and which require further action, or are to remain as current policy. To implement a number of the Policy amendments, but not the full range, would prolong current budget underspends, rather than responding to customer need.

Option 3: Make no change to the current Policy – not to change the Policy would miss an opportunity to target resources, also to ensure older and disabled people experience a swift decision and installation of the equipment and adaptations they require. Policies would not contribute as significantly to local social care and health objectives. The current underspend would continue to grow, but being a ring-fenced budget, could not be used for other council activity.

Legal Implications

34. The framework under which mandatory DFG's may be given is set out in the Housing Grants, Construction and Regeneration Act 1996 and this will continue to be used to provide the core eligibility criteria for clients and works.

35. The Regulatory Reform (Housing Assistance) (England And Wales) Order 2002 allows for greater discretion in the use of DFG's and requires local housing authorities to publish a scheme of assistance. The Council's Housing Assistance Policy was previously updated in 2019, but it is now appropriate to update the Policy to reflect changing circumstances as well as increases in Better Care Funds provided for housing assistance, and guidance on the use of the Regulatory Reform Order 2002.

Financial Implications

Disabled Facilities Grants

36. Disabled Facilities Grants are funded by an annual government capital allocation, as part of the Better Care Fund. The Better Care Fund has increased substantially since 2015 when it was £200million, to the most recent announcement in December 2021 that £573million is being made available for the DFG in each year from 2022/23 to 2024/25.

37. This Council received a Better Care Fund grant of £1,286,692 in 2022/23, and expects to receive the same amount in each of the next two financial years.

38. There has been a sizeable carry forward of unspent budgets for each of the previous five years. This money is ring-fenced for DFG and related capital spending projects and unspent balances are carried forward each year. By the start of 2022/23, the accumulated underspend plus this year's annual grant allocation from government was just over £4million.

39. There is always a risk that the Government could in future require underspends to be repaid. Increasing the amount of assistance available to clients will reduce the level of underspend being carried forwards, by using the funds to facilitate more projects and for these to progress more swiftly. A driver for the recommended change is therefore to promote a faster and smoother experience for the client, so that the financial support for the required adaptation work can be secured at an earlier stage with fewer people needing to self-fund part of the works or to have to compromise the scheme design to try to keep within current assistance limits. This is one of the main reasons for delays and discontinued applications in the current DFG process, and could be improved by the Policy changes that are now recommended.

40. In 2021/22, there were 13 DFG cases approved for values above £30,000 (the maximum mandatory value), of which three included works costing in excess of £45,000. If the recommended higher maximum DFG limit had been in place, this would have added up to £30,000 to the total expenditure, equivalent to an additional large DFG case. So far in 2022/23, there have been two cases approved for the

current maximum value of £45,000, both cases involving children, where the home requires extensive works to accommodate their current and future needs. In 2020/21 there were only five cases where the cost of the completed works exceeded £30,000, with three cases in 2019/20 and two cases in 2018/19.

41. The number of very large cases is generally small, but in the last 18 months the cost of building even a small extension has risen so that more cases are now approaching maximum funding and having to experience delays due to repeated redesigns, so as to keep within budget. The recommended higher maximum level would seek to alleviate this difficulty.

42. Increasing the amount of client contribution that is waived will also have only a small effect on the overall budget, but make a big impact for the individual clients. So far in 2022/23, 12 clients have had an assessed financial contribution to make before they would be eligible for any mandatory DFG funding. In 10 of these cases, the value of the works was more than £5,000 and so while they benefitted from a discretionary grant of £5,000 under the current policy, they also each had to pay a contribution of typically £1,000 - £3,000 to cover the rest of the cost of the works. These clients are generally frail and elderly and will have only a small amount of savings, as the waiver policy only applies to those with less than £24,500 in savings. To have to use these funds to get essential adaptations to their home can be very concerning for clients, but would have only added around £15,000 to the overall expenditure.

43. The recommendation to provide an extended warranty package on all stair lifts, through floor lifts and step lifts would again be well within the tolerance of the overall DFG budget. On average over the last two financial years, there have been about 25 lifts approved each year, with the vast majority being stairlifts. An extended warranty package on a stairlift is currently an average of £550 in addition to the product, and an average of £1,500 for a step or through floor lift. This is expected to add around £16,600 to the overall spend. It should also be noted that where a lift is installed in a Raven Housing Trust property, it is automatically included within their overall lift service and maintenance contract, so this would not need to be applied to those properties, reducing the overall cost.

44. There will be minimal impact from the recommended continuing inclusion of crossovers, as only a handful of these are completed each year, at a cost of around £2,000 each. However, without them, certain projects have in the past completely stalled, as the mandatory access works to the property e.g. a hardstanding to provide safe vehicle access, are rendered pointless if the crossover is not also provided.

45. If all of the recommended new DFG elements are implemented, it is estimated that, based on current activity levels, this would add around an extra £82,600 to the annual DFG budget expenditure. Total annual expenditure via the DFG budget in 2021/22 was £887,000, so the effect of adopting these proposals would not be significant given the scale of the overall budget and is well within the capacity of the grant allocation of £1,286,692 in 2022/23.

46. While it is the case that the grant allocation has been kept the same this year as 2021/22 and is anticipated to be kept at this level for the next two years, when set against the impact of rising costs more widely, this is in real terms a cut in funding. However, based on current activity levels and costs, the allocation that the Council receives is sufficient to cover the recommended policy changes.

47. Any discretionary assistance will only be considered having regard to the available DFG budget at the time. If the DFG budget will not have sufficient resources in reserve to deal with other mandatory referrals that may present throughout the financial year, the Council retains the right not to approve any discretionary elements. This will be subject to on-going budget monitoring, as well as on-going consideration of the impact of the Policy changes, in terms of numbers of applications, approvals and speed of delivery.

48. Some of the accumulated underspend from previous years, calculated at around £3million, after 2022/23 spending has been deducted, could also be released from Unallocated Reserves to the in-year DFG budget, to provide additional resilience if the allocation was at risk of being exceeded in year.

Small Works Assistance

49. With regard to the Small Works Assistance recommendations, these are tied to a 2023/24 Service and Financial Planning Growth proposal for £25,000 revenue budget growth, as a replacement for the current £50,000 capital budget, which will in turn release £25,000 of capital budget savings. This change is necessary because it has been identified that most of the work done via the Small Works Assistance programme relates to revenue expenditure rather than capital works, as it mostly consists of repairs and minor improvements to residents homes. The value of the assistance by its nature is also below the capital De Minimis Policy threshold of £10,000.

50. Because the Small Works Assistance capital budget has not been fully utilised in previous years, it is recommended to give up some of this budget as capital savings and monitor demand and spend during 2023/24. As the recommended Policy revisions include increasing the value of small works assistance given via Small Works Grants and Loans, in order to make them more attractive to vulnerable residents, it is possible that the initial £25,000 revenue budget being requested may prove inadequate and that further budget growth may subsequently need to be sought from the 2024/25 Service & Financial Planning process.

51. If the £25,000 revenue budget is not approved during Service and Financial Planning for 2023/24, the Council would be unable to continue to provide Small Works Assistance to vulnerable elderly and disabled home owners, in accordance with the current Policy, and would not be able to take forward the increases in the value of

assistance as recommended here. The Small Works Assistance programme, although underutilised in recent years, does offer a valuable additional dimension to supplement the other elements of the Policy. It is not dependent on an assessment of health and care needs, as with the DFG and is deliberately broader in scope to include for repairs and maintenance issues, which are crucial in maintaining safe, weathertight properties. Given the current cost of living crisis, the provision of assistance for low income home owners, which would also allow for improvements in energy efficiency measures, has become even more important to support vulnerable residents. The Policy proposals to provide for slightly larger sums are intended to make these forms of assistance more attractive and so to increase take up.

52. If in future there was to be a significant reduction in the grant allocation from Government, such that it became necessary to withdraw approval of discretionary elements of the policy, then the entire Housing Assistance Policy would be revised in line with the prevailing circumstances and returned to Executive for consideration.

Equalities Implications

53. An Equalities Impact Assessment has been completed and the Policy proposals would have an overall positive impact, particularly for those with the protected characteristics of age and disability, as well as in relation to deprivation, which is considered as an additional vulnerability.

54. If accepted, the proposals will assist vulnerable residents (including those with protected characteristics, such as the elderly and those with disabilities) to live independently and are likely to result in lower numbers of emergency hospital admissions for older and disabled people, due to falls and other accidents. Acceptance of the proposals will have no negative impacts on any group in the community, but rather the opposite.

55. Through development of this Policy, all potential users were considered and it is felt that the service is available to all within our society, but predominately by those who are older, disabled and/or on low incomes. The main Policy changes relate to the DFG, and have kept to the mandatory eligibility criteria, which is based on health and social care requirements as well as financial eligibility. This ensures that while ‘discretion’ is implemented, it is clearly defined, and ensures consistent application of criteria to all clients, avoiding the potential for ‘case by case’ judgements to be required.

Communication Implications

56. It is anticipated that the Council will continue to work with our Home Improvement Agency provider, Millbrook Healthcare Ltd, to promote the full range of services available to support adaptions and repairs. This will include publicity via both organisations' websites, other digital channels such as social media and the use of promotional material such as 'Borough News' residents' magazine.

Environmental Sustainability Implications

57. The Policy proposals have the potential to provide positive environmental sustainability impacts, by facilitating residents to make energy efficiency improvements to their homes via the Small Works Assistance programme, contributing to a reduction in carbon emissions from the borough's housing stock. The scope of the eligible works has been slightly extended to specifically mention energy efficiency improvements, and the recommended higher maximum values for Small Works Grants and Loans would allow greater opportunity for these types of works. As such the proposals complement the aims and objectives of the Council's Environmental Sustainability Strategy.

Risk Management Considerations

58. There are no risk management issues identified.

Consultation

59. Each of the groups below were consulted and provided ideas and support for the policies suggested within this proposal.

60. The groups consulted were:
Adult Occupational Therapy team, Reigate and Banstead locality – Surrey County Council
Children with Disabilities team – Surrey County Council
Millbrook Healthcare Ltd (Home Improvement Agency)
Tandridge District Council – who also use the Millbrook HIA service
Mole Valley District Council – who also use the Millbrook HIA service

Policy Framework

61. This Policy is well aligned with the themes and priorities of the Councils Five Year Plan, 'Reigate and Banstead 2025'. In particular our objective to provide targeted and proactive support for our most vulnerable residents, which states that we will assist vulnerable residents to remain in their homes and avoid problems such as

social isolation and fuel poverty, through early assistance and the provision of advice, grants and other financial support.
Background Powers
1. Corporate Plan 2025 - https://www.reigate-banstead.gov.uk/info/20205/plans_and_policies/280/reigate_and_banstead_2025 2. Equality Impact Assessment

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

HOUSING ASSISTANCE POLICY: FINANCIAL ASSISTANCE FOR ADAPTATIONS & REPAIRS

In accordance with
THE HOUSING GRANTS, CONSTRUCTION AND REGENERATION ACT 1996
and
THE REGULATORY REFORM (HOUSING ASSISTANCE) (ENGLAND AND WALES) ORDER 2002

Reigate and Banstead Borough Council is aware of the health, social and environmental benefits that arise from a well-maintained housing stock. Home adaptations, repair and safety improvements are key ways of promoting and maintaining independence, preventing the need for admission to hospital and supporting timely discharge from hospital.

As a result, and in accordance with the relevant legislation, the Council agrees to use the funding allocated for Disabled Facility Grants (DFG's) by central government via the Better Care Fund (BCF), as well as part of its annual Revenue Budget to assist tenants and private homeowners to adapt or repair their property so as to facilitate safe, independent living.

This Policy explains the grant and loan assistance that is available and the terms under which it may be available:

1. Mandatory Disabled Facilities Grants
2. Discretionary Disabled Facilities Grants
3. Small Works Loans of between £501 and £10,000
4. Small Works Grants for works of up to £1,000
5. Safe and Secure Grants of up to £3,000
6. Handy Person Service
7. Exceptional Circumstances

1. MANDATORY DISABLED FACILITIES GRANTS

These grants are a mandatory function of local housing authorities and the terms under which they may be given are set out in legislation. In general terms in order to be eligible for a grant:

(a) The applicant must either be the home owner or tenant, and have provided relevant certification confirming that the property is their only or main residence and that they intend to live in it throughout the grant condition period;

And

(b) The applicant or beneficiary of the adaptation must meet Surrey County Council's eligibility criteria for care and support needs under the Care Act 2014;

And

(c) The applicant must have received a written recommendation from a registered Occupational Therapist which confirms that works are necessary and appropriate for one or more of the following purposes:

- facilitating access to and from the dwelling or building by the disabled occupant;
- making the building safe for the disabled person or other persons residing with them;
- facilitating access to the principal family room by the disabled occupant;
- facilitating access to or providing a bedroom for the disabled occupant;
- facilitating access to or providing a room containing a WC for the disabled occupant or facilitating the use by the disabled occupant;
- facilitating access to or providing a room containing a bath or shower for the disabled occupant or facilitating the use by the disabled occupant of such a facility;
- facilitating access to or providing a room containing a wash hand basin for the disabled occupant or facilitating the use by the disabled occupant of such a facility;
- facilitating the preparation and cooking of food by the disabled person;
- improving or providing a heating system for the disabled person;
- facilitating the use of power, light or heat by the disabled person by altering the position or means of access to controls or by providing additional means of control;
- facilitating access and movement around the dwelling to enable the disabled person to provide care for someone.

Means Testing
The applicant and their spouse/civil partner/common law partner shall be means tested to determine what contribution (if any) they will be obliged to make towards the cost of the works.

Means testing shall not be applied where the beneficiary of the adaptation is under **19** years of age. Any means test conducted shall be undertaken in accordance with the Housing Renewal Grants Regulations (as amended), subject to section 2.C of this Policy.

Grant Financial Limits
The maximum amount of mandatory grant is set by central government and is £30,000 at the time of writing.
Where the applicant is assessed as having no contribution to make towards the cost of the works then the maximum amount of grant shall be £30,000. Where a financial contribution is required, the level of grant will be reduced by the amount of any assessed contribution towards the cost of works, subject to section 2.B of this Policy.

Practicalities and Suitability
An application for a grant shall only be approved if it is considered reasonable and practical to carry out the works having regard to the age and condition of the dwelling or building.

The Council must also consult with the Welfare Authority (Surrey County Council) on all Disabled Facilities Grant applications on whether the adaptation is “necessary” and “appropriate” for the needs of the disabled person.

Exceptional Circumstances
All applications for “exceptional circumstances” shall be considered as set out in Section 7 of this Policy, ‘Exceptional Circumstances’. This would include consideration of grants for works relating to the accommodation, welfare or employment of the disabled person.

Sale or Assignment of Interest in the Property
Where the applicant disposes of their interest in the adapted property within a period of 10 years from the date of approval of the grant and the amount of grant exceeds £5,000, then Council will demand repayment of the sum of grant that exceeds £5,000.

The Council may demand an amount of not less than £500 but not more than £10,000 and must be satisfied, having regard to the factors outlined in the 'general consent to disposals' under section 176 of the Housing and Regeneration Act 2008 that it is reasonable in all the circumstances to require repayment. This and any other conditions attached to mandatory grants will be recorded on the local land charges register.

2. DISCRETIONARY DISABLED FACILITIES GRANTS

In addition to providing mandatory DFG's, the Council has the power to offer discretionary financial assistance by virtue of the Regulatory Reform (Housing Assistance) (England & Wales) Order 2002. Using these powers, the Council has agreed to offer discretionary DFG's for private sector residential adaptations in certain specific circumstances.

The Policy has been revised in response to the current funding position, and in line with national recommendations made by Foundations (the national Home Improvement Agency charity) in their 2018 'Disabled Facilities Grant (DFG) and Other Adaptations – External Review', and in government guidance 'Disabled Facility Grant (DFG) Delivery: Guidance for Local Authorities in England', published in March 2022.

Any discretionary assistance will only be considered having regard to the available DFG budget at the time. If the DFG budget will not have sufficient resources in reserve to deal with other mandatory referrals that may present throughout the financial year, the Council reserves the right not to approve any discretionary elements.

The following discretionary elements will be provided:

A. Flexibility on upper limit of Disabled Facilities Grant

The maximum grant available for a mandatory DFG is currently £30,000. This Policy increases the maximum amount by up to £25,000 where the cost of work exceeds £30,000 (either as a result of unforeseen works or due to the extent of the original work that is recommended to the Council). This type of assistance will only be offered for schemes that meet the criteria for mandatory DFG's as set out above. The maximum amount of DFG assistance will therefore be £55,000.

This additional discretionary element will be subject to the DFG means-test for adult's adaptations, in accordance with the Housing Renewal Grants Regulations (as amended), and subject to Section 2.C of this Policy. Means testing shall not be applied where the beneficiary of the adaptation is under **19** years of age, in line with mandatory DFG's. Where a financial contribution from the client is required, the level of grant will be reduced by the amount of any assessed contribution towards the cost of works, subject to section 2.B of this Policy.

Sale or Assignment of Interest in the Property
Where the applicant disposes of their interest in the adapted property within a period of 10 years from the date of approval of the grant and the amount of grant exceeds £5,000, then Council will demand repayment of the sum of grant that exceeds £5,000.

The Council may demand an amount of not less than £500 but not more than £10,000 and must be satisfied, having regard to the factors outlined in the 'general consent to disposals' under section 176 of the Housing and Regeneration Act 2008 that it is reasonable in all the circumstances to require repayment. This and any other conditions attached to mandatory grants will be recorded on the local land charges register.

B. Waive the first £7,000 of client contributions

When the means test determines that a client has a financial contribution to make, where the client and their spouse/civil partner/common law partner has not more than £24,500 in savings, the first £7,000 of this contribution shall be waived. This ensures that vulnerable clients are not deterred from important works due to the need to contribute financially.

Where a client contribution towards the cost of the work is required and is more than £7,000, and the applicant is unable to fund this themselves, they will be referred to Surrey County Council who may exceptionally consider a “top up” contribution.

C. Include Council Tax Reduction as a Pass-porting Benefit for DFG’s

When the means test is carried out to determine any client contribution, there are a number of income related benefits, which under the Housing Renewal Grants Regulations (as amended), automatically ‘passport’ an applicant to not having to make a financial contribution.

This Policy adds Council Tax Reduction to the list of pass-porting benefits for DFG.

D. Include an extended warranty option of up to 5 years with DFG funded stairlifts, step lifts and through floor lifts

Where a DFG will include provision of a new stairlift, step lift or through floor lift, this will include the option for provision of an extended warranty package of up to 5 years, subject to the manufacturer or suppliers offering a suitable package.

This is intended to give clients greater confidence that any lifts can be suitably serviced and maintained and if necessary repaired, over a longer period than the standard one year manufacturer’s warranty that is typically provided when a lift is purchased. Without this (and once any extended warranty has expired), clients will be responsible all on-going costs, including routine service and maintenance and any repairs, including call out costs.

This is also likely to prolong the effective life of the equipment if it has been subject to the correct service and maintenance regime and will avoid the costs of early replacement of grant funded lifts due to lack of suitable repair and maintenance.

E. Include funding for vehicle crossovers, where required as part of a mandatory DFG to facilitate safe vehicle access onto a hardstanding or driveway

Where a mandatory DFG includes works where the provision of a vehicle crossover or ‘dropped kerb’ is integral to the provision of safe access to an applicant’s property, this provision shall be included within the DFG funding.

Crossovers are not included in the criteria for mandatory DFG’s, as the legislation does not cover situations where the land on which works are proposed is not owned by either the applicant or their landlord i.e. the public pavement. While the legislation permits the use of considerable discretion in what can be funded as part of a DFG, this discretion must be set out in a published policy, and so this item is included for clarity.

3. SMALL WORKS LOANS FOR REPAIRS, IMPROVEMENTS AND ADAPTATIONS COSTING BETWEEN £501 AND £10,000

Small Works Loans are intended to help towards the costs of repairs, adaptations or improvements that will enable the occupier to continue to live independently in a safe, secure and weather-tight home. Applications for such a loan will be considered where there is an immediate need for work to be undertaken or where the works will become necessary within 12 months of the application being made.

To qualify for assistance an applicant must: -

(a) be aged 18 or over on the date of application;
and
(b) be an owner-occupier;
and
(c) be on income-related benefit i.e.
- Universal Credit
- Employment and Support Allowance (income or contributions based)
- Income Support
- Housing Benefit
- Council Tax Reduction
- Working Tax Credit or Child Tax Credit, where annual income is below £15,050 for tax credit assessment purposes
- Job Seekers Allowance (income or contributions based)
- Guarantee Pension Credit

and
(d) have a power or duty to carry out the works.

Exclusions
Assistance will not be available to otherwise eligible applicants where there are household or family members residing at the premises who could reasonably be expected to contribute towards the cost of works.
This exclusion extends to joint owners, **resident or not**, but shall not include former partners or lodgers.

Eligible Works
The types of work that may be funded by the loan include:

(a) <u>Repairs</u>
- roof repairs
- repairs to dangerous gas and electrical installations
- repairs or renewal of defective windows
- repair of defective floors or stairs
- replacement of defective plumbing
- repair of drainage systems
- renewal of hazardous paving
- renewal of defective boundary fences and access gates if owned by the applicant and if necessary for security purposes

(b) <u>Improvements</u>
- provision of central heating
- provision of gas heaters (fires and water heaters) or other methods of heating not involving solid fuel combustion
- thermal insulation or other energy efficiency improvements
- installation of a telephone line
- improved security measures as recommended by the Crime Prevention Officer or following a home safety or security survey by the Council’s Home Improvement Agency.
- additional power sockets

- minor disabled adaptations (over bath shower, small ramps and electric door openers)
- double glazing (where windows are defective and timber replacement exceeds the cost of UPVC replacements)
- provision of safe floor finishes in the kitchen and/or bathroom
- provision of facilities for preparing and cooking food

This list is not exhaustive but shall serve as a guide.

Loan Financial Limits
The maximum limit for each loan application shall be £10,000 and the total amount of loan assistance to a single applicant shall not exceed £10,000 during any three-year period. Multiple applications by a single applicant may not normally be considered unless a period of three months has elapsed between each application, except where works are determined to be of an urgent nature by the Head of Service.

Repayment of the Loan
Any Small Works Loan over £500 will become repayable upon the sale of the property, although no interest charges shall accrue in the meantime. Applicants shall be obliged to sign an agreement to repay the loan upon the sale of the property and this agreement will be registered in the Local Land Charges Register.

Where the property is not sold within 35 years of the loan being made then the requirement to repay the loan will lapse.

Exceptional Circumstances
Where there are unforeseen issues such that would otherwise prevent the completion of the adaptation, repair, improvement, or where exceptional circumstances render it impractical to undertake works for the particular purpose within the normal limits, then the Head of Service shall have the authority to increase the maximum amount of loan assistance by up to £1,000 in consultation with the Portfolio Holder for the Service.

4. <u>**SMALL WORKS GRANTS FOR REPAIRS AND ADAPTATIONS COSTING UP TO £1000**</u>

Small Works Grants are intended to help towards the costs of repairs, adaptations or improvements such that will enable the occupier to continue to live independently in a safe, secure and weather-tight home. Applications for such a grant will be considered where there is an immediate need for work to be undertaken or where the works will be necessary within 12 months of the application being made.

To qualify for assistance an applicant must: -

(a) be aged 18 or over on the date of application;
and
(b) be an owner-occupier;
and
(c) be on income-related benefit i.e.:
- Universal Credit
- Employment and Support Allowance (income or contributions based)
- Income Support
- Housing Benefit
- Council Tax Reduction
- Working Tax Credit or Child Tax Credit, where annual income is below £15,050 for tax credit assessment purposes)

- Job Seekers Allowance (income or contributions based)
- Guarantee Pension Credit

and
(d) have a power or duty to carry out the works.

Exclusions
Assistance will not be available to otherwise eligible applicants where there are household or family members residing at the premises who could reasonably be expected to contribute towards the cost of works.
This exclusion extends to joint owners, **resident or not**, but shall not include former partners or lodgers.

Eligible works

The types of work that can be grant aided include:

(a) Repairs
- roof repairs
- repairs to dangerous electrical installations
- repair or renewal of windows
- repair of defective floors or stairs
- replacement of defective plumbing
- repair of drainage systems
- renewal of hazardous paving
- renewal of defective boundary fences and access gates if owned by the applicant and if necessary for security purposes

(b) Minor adaptations
- moving power or lighting points
- installing small handrails
- electric door openers
- intercom systems
- small ramps
- installation of a telephone line
- provision of facilities for preparing and cooking food

This list is not exhaustive but shall serve as a guide.

Grant Financial Limits
The maximum limit for each grant application shall be £1,000 and the total amount of grant assistance to a single applicant shall not exceed £2,000 during any three-year period. Multiple applications by a single applicant may not normally be considered unless a period of three months has elapsed between each application, except where works are determined to be of an urgent nature by the Head of Service.

5. SAFE AND SECURE GRANT

This discretionary grant offers provision of simple measures to ensure that elderly, vulnerable or disabled residents can occupy their homes safely and reduce likelihood of developing ill-health; also, to ensure that properties are suitable for people to be discharged from hospital without delay.

The grant has a maximum value of £3,000 per household. Grant funded works will be delivered via the Council’s subsidised Handy Person Service (HPS).

To qualify for assistance an applicant must: -

(a) Be a disabled adult or child i.e. registered or registerable disabled. This will include those with a disability, chronic illness, mental health condition or sensory impairment, which restricts their functioning on a day-to-day basis;

Or

(b) Be aged over 60

And

(c) Require works available under the Handy Person Service which are home safety improvements or required to facilitate hospital discharge e.g. request for grab rails, ramp etc;

And

(d) be on an income or disability related benefit i.e.:

- Any of the pass-porting benefits for DFG eligibility (including Council Tax Reduction)
- Contributions based Job Seekers Allowance
- Contributions based Employment and Support Allowance
- Attendance Allowance
- Disability Living Allowance
- Personal Independence Payment (PIP)

Eligible works
Eligible works will include:

- Provision and installation of equipment, to prevent falls or accidents within the home, as well as promote independence
- Works to prevent hospitalisation and assist hospital discharges, such as essential repairs, minor adaptations and moving of furniture to allow room for medical equipment etc

Grant Financial Limits

The grant will allow up to £3,000 worth of HPS work to facilitate safety and security in the home. This would provide an HPS visit and assessment of client needs (based on Trusted Assessor Level 3 training), and provision of labour, materials costs and VAT, up to a total of £3,000.

The cost of the works will be paid directly by Reigate & Banstead BC to the HPS.

As with the proposed discretionary elements related to DFG’s, provision of the Safe and Secure Grant will only be considered having regard to the available DFG budget at the time. If the DFG budget will not have sufficient resources in reserve to deal with other mandatory referrals that may present throughout the financial year, the Council reserves the right not to approve any discretionary elements, including Safe and Secure Grants.

6. HANDY PERSON SERVICE

The Council also provides a subsidised, low-cost Handy Person Service (HPS) for elderly and disabled residents which provides a range of basic repair, improvement and adaptation tasks, such as:

- minor plumbing or electrical repairs
- fitting shelves
- installing smoke or carbon monoxide alarms
- fitting grab rails or banisters
- installing key safes
- minor outdoor works

This list is not exhaustive but gives an indication of the range of services offered. The HPS is operated by the Council's external Home Improvement Agency provider, Millbrook Healthcare Ltd.

This service is open to homeowners or private tenants who meet any of the following criteria:

- Disabled adults or children i.e. registered or registerable disabled. This will include those with a disability, chronic illness, mental health condition or sensory impairment, which restricts their functioning on a day-to-day basis.
- Clients aged over 60
- Clients who are at high risk of falling
- Clients who are at risk of or are victims of crime (for example who need a lock changed to feel safe in the home)
- Clients being discharged from hospital (where the work is essential to allow them to return to their own homes)
- Children at risk of harm or accidents (through statutory referral only)

The HPS is not tenure specific, however, the service available to clients who are tenants will be provided in line with the tenancy agreement and the respective responsibilities of the landlord and client. The HPS will be unable to carry out work that is the responsibility of the landlord. Tenants may be required to provide evidence of their authority to commission certain services in rented properties e.g. evidence of landlords' permission for installation of a grab rail or a shelf.

Cost of Services

The HPS is a chargeable service for clients and is charged at an hourly rate, plus the cost of any materials used.

7. EXCEPTIONAL CIRCUMSTANCES

Where an applicant seeks financial assistance for repairs to a dwelling such that would ordinarily fall outside Sections 1, 3 and 4 above they may apply for their case to be classified as "Exceptional Circumstances".

Where the value of such assistance does not exceed £1,000 the application for "Exceptional Circumstances" shall be considered by the by the Head of Service in conjunction with the Portfolio Holder.

Where the value of assistance exceeds £1,000 the application shall be considered by the Council's Licensing and Regulatory Committee.

Justification
Applicants seeking to gain assistance under the "Exceptional Circumstances" rule shall:
- clearly set out the reasons why they would suffer hardship by the strict application criteria set out in Sections 1, 3 and 4 above,

and
- demonstrate that they have been unable to fund the works by way of a re-mortgage on the property,

and
- confirm that relocation to a smaller/newer property has been considered and deemed impractical.

Where requested, the applicant shall supply such additional information considered necessary to assist in determining an application.

Considerations
In considering such applications for exceptional financial support the Head of Service or Licensing and Regulatory Committee shall have regard to:
- the type of tenancy or right of occupation;
- the ability of other joint owners to contribute towards the cost of the works;
- the cost of repair;
- the urgency and/or nature of the works;
- the suitability of the accommodation;
- the ability of the applicant to meet their needs through alternative accommodation;
- evidence of financial hardship;
- the nature of any adaptation required due to a disability; and
- the availability of alternative funding.

Decisions made either by the Head of Service and/or Licensing and Regulatory Committee shall be final.

8. ENQUIRIES

Any resident of Reigate and Banstead Borough who wishes to apply for assistance in accordance with this Policy should contact the Environmental Health Service:

By phone: 01737 276417
In writing: Housing Improvements Officer
Environmental Health Service
Reigate & Banstead Borough Council
Town Hall
Castlefield Road
Reigate
Surrey
RH2 0SH
By e-mail: privatesectorhousing@reigate-banstead.gov.uk

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Equality Impact Assessment

Why do I need to consider equality issues?

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

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

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

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

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

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

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

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

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

When should I do an Equality Impact Assessment?

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

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

The first stage should be to complete a Stage 1 Relevance Screening. This will allow you to assess the relevance of your proposal to equality and determine whether a full Stage 2 Equality Impact Assessment is required.

Your service area is responsible for carrying out Equality Impact Assessments and monitoring the ongoing impact of proposals. Please contact Cath Rose, Head of Corporate Policy, if you have any questions about the Equality Impact Assessment process, and suggestions about how it could be improved, or would like any assistance in completing the template

Stage 2: Impact Assessment

You should complete this form if your Stage 1 Relevance Assessment has indicated that an Impact Assessment is needed.

Data and evidence

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

- Relevant information about service users held by your service
- Relevant information about staff (e.g., the workforce equality information published on the website, staff surveys etc)
- Relevant information about borough residents (e.g. the borough equality information published on the website, service user surveys etc)
- Relevant information published by third party organisations (e.g. data, research studies etc). This could include (but is not limited to) the Census, Office for National Statistics or Joint Strategic Needs Assessment
- Feedback or information from organisations representing target equality groups

1. Introduction

1.1 Service:	Neighbourhood Services
1.2 Name of proposal, policy, strategy or project:	Housing Assistance Policy - Financial Assistance for Adaptations and Repairs
1.3 This is:	A change to an existing policy or strategy *If other, please specify:* Click or tap here to enter text.
1.4 Completing officer's name:	Katie Jackson
1.5 Date completed:	16/09/2022
1.6 Signed off by:	Head of Service name: Morag Williams Date: 16/09/2022

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

2 Outcomes of Stage 1 Relevance Assessment

2.1 Have you completed a Stage 1 Relevance Assessment for this proposal? *If 'No' please complete one before proceeding further with the Stage 2 assessment.*
Yes
If yes, what date was the Stage 1 assessment completed? 16/09/2022

2.2 Please indicate which protected characteristics the relevance assessment identified as relevant to the proposal being assessed	
Age ☒	Race or ethnicity ☐
Disability ☒	Religion or belief (or lack of) ☐

Gender reassignment ☐	Sex ☐
Marriage or civil partnership ☐	Sexual orientation ☐
Pregnancy and maternity ☐	Other vulnerability (inc deprivation) ☒

2.3 Please indicate which aims of the Equality Duty the relevance assessment identified as relevant to the proposal being assessed
Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act *(disadvantages suffered by people due to their protected characteristic)* ☐
Advance equality of opportunity between those who share a protected characteristic and those who do not *(where the needs of people from protected groups are different from the needs of other people)* ☒
Foster good relations between people who share a protected characteristic and those who do not *(encouraging protected groups to participate in public life or in other activities where their participation is disproportionately low)* ☒

3. About the proposal

3.1 What is the main purpose of the proposal? *Please explain in one or two short paragraphs*
Amendments to the existing 'Housing Assistance Policy - Financial Assistance for Adaptations and Repairs', to increase the amount of discretionary assistance the Council offers.

3.2 Why is it being introduced / reviewed / changed now? *This could be, for example, because of new government legislation or guidance, because of changing service user needs, or for financial reasons.*
To update the policy in line with current circumstances, particularly global construction material price increases.

4. About the customer, audience or target group(s)

4.1 Who is the intended audience or target group(s) for the proposal or which group(s) of people might be affected?
Internal audience or group: Councillors
External audience or group: Residents who use a particular service (please specify below)
If other or multiple, please specify. Please also use the section below to provide more details about the audience or target group(s): Housing assistance policy exists to provide financial assistance to vulnerable residents to adapt, repair and improve their homes. To be eligible, residents will be elderly, disabled or on a low income.

4.2 Will the proposal intentionally target any particular protected characteristic group?	Yes	*If yes, please identify the group and explain the reason for this and what the intended impact is.* Policy intentionally targets those who are elderly, disabled or on a low income, for the provision of financial assistance with housing adaptations, repairs and improvements.
4.3 Will the proposal intentionally exclude any	No	*If yes, please identify the group and explain the reason for this and any direct or indirect impact on that group.* Click or tap here to enter text.

particular protected characteristic group?		
4.4 Does the proposal have the potential to reduce inequalities or improve outcomes for protected characteristic groups?	Yes, Improve outcomes	*Please briefly explain your answer.* The policy is designed to provide financial assistance to adapt and improve homes, with specific relevance to the elderly, disabled or those on low incomes.

4.5 What information do you have about the protected characteristics of the intended audience or group(s) of people who might be affected and what does it tell you? *Please refer to any information you hold within your service, evidence from consultation or engagement, information from the Council's Borough and Workforce Equality Information, or external data sources such as the Census, Office for National Statistics or Joint Strategic Needs Assessment.* *If you have no information, state 'none'.*		
Age	Information source(s): Data on age of current service users.	
	Summary: For some elements of the policy, age is a qualifying criteria.	
Disability	Information source(s): Data on service users	
	Summary: For some elements of the policy, disability is a qualifying criteria.	
Gender reassignment	Information source(s): None	
	Summary: Click or tap here to enter text.	
Marriage and civil partnership	Information source(s): None	
	Summary: Click or tap here to enter text.	
Pregnancy and maternity	Information source(s): None	
	Summary: Click or tap here to enter text.	
Race or ethnicity	Information source(s): None	
	Summary: Click or tap here to enter text.	
Religion or belief (or lack of)	Information source(s): None	
	Summary: Click or tap here to enter text.	
Sex	Information source(s): Data on gender of service users is recorded for some elements.	
	Summary: Click or tap here to enter text.	
Sexual orientation	Information source(s): None	
	Summary: Click or tap here to enter text.	
Other vulnerability (please state)	Information source(s): Deprivation - financial means test or evidence of qualifying income related benefits	
	Summary: Most elements of the policy have a financial eligibility criteria	

4.6 If you have identified any information gaps that make it difficult to assess the impact of your proposal on people, please explain what the gaps are and explain how those gaps can be filled in the future.
No information gaps identified.

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

This could include consultation, further evidence gathering or changing or amended the proposed approach. Give consideration to both consultation within the Council (e.g. staff) and outside the Council (e.g. residents).
Yes, already undertaken
If yes, please explain the nature of the consultation that has been undertaken or is planned. If no, please explain why consultation is not considered necessary. How were protected characteristic groups consulted or how will they be consulted? Consultation undertaken with current service provider and with SCC Social Care teams.

4.8 What actions have been, or could be, taken to increase the positive impacts for people with protected characteristic(s) or other vulnerabilities? *This could include changing or amending the proposed approach.*
The policy proposals are specifically designed to increase the positive impacts for service users, all of whom will have a protected characteristic.

4.9 What actions have been, or could be, taken to reduce potential negative impacts on people with protected characteristic(s) or other vulnerabilities? *This could include changing or amended the proposed approach, or allowing the proposal to be tailored to fit different individual circumstances*
None identified.

5. Assessment of potential impact

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

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

Considering the above information, please summarise the likely impact on protected characteristic groups (within the organisation, outside the organisation or both) *This may be direct, indirect or differential impact. Use the above link for definitions, and consider issues such as physical access to services, different cultural or social practices and how people are able to access information.*	
5.1 Age *including children, young people or older people*	
Does your assessment indicate a disproportionate negative impact relation to Age?	No
If yes, please describe the nature of any disproportionate negative impacts.	Click or tap here to enter text.
What actions will be taken to address any disproportionate negative impact?	Click or tap here to enter text.

Does your assessment indicate a positive impact relation to Age?	Yes
If yes, please describe the nature of the positive impact(s)	Policy is largely aimed at adapting the homes of disabled people, to facilitate safe, independent living.
5.2 Disability *including physical, sensory or learning disability or long-term health impairment*	
Does your assessment indicate a disproportionate negative impact relation to Disability?	No
If yes, please describe the nature of any disproportionate negative impacts.	Click or tap here to enter text.
What actions will be taken to address any disproportionate negative impact?	Click or tap here to enter text.
Does your assessment indicate a positive impact relation to Disability?	Yes
If yes, please describe the nature of the positive impact(s)	Policy is largely aimed at adapting the homes of disabled people, to facilitate safe, independent living
5.3 Gender reassignment	
Does your assessment indicate a disproportionate negative impact relation to Gender reassignment?	No
If yes, please describe the nature of any disproportionate negative impacts.	Click or tap here to enter text.
What actions will be taken to address any disproportionate negative impact?	Click or tap here to enter text.
Does your assessment indicate a positive impact relation to Gender reassignment?	No
If yes, please describe the nature of the positive impact(s)	Click or tap here to enter text.
5.4 Marriage and civil partnership	
Does your assessment indicate a disproportionate negative impact relation to Marriage and civil partnership?	No

If yes, please describe the nature of any disproportionate negative impacts.	Click or tap here to enter text.
What actions will be taken to address any disproportionate negative impact?	Click or tap here to enter text.
Does your assessment indicate a positive impact relation to Marriage and civil partnership?	No
If yes, please describe the nature of the positive impact(s)	Click or tap here to enter text.
5.5 Pregnancy and maternity	
Does your assessment indicate a disproportionate negative impact relation to Pregnancy and maternity?	No
If yes, please describe the nature of any disproportionate negative impacts.	Click or tap here to enter text.
What actions will be taken to address any disproportionate negative impact?	Click or tap here to enter text.
Does your assessment indicate a positive impact relation to Pregnancy and maternity?	No
If yes, please describe the nature of the positive impact(s)	Click or tap here to enter text.
5.6 Race or ethnicity	
Does your assessment indicate a disproportionate negative impact relation to Race or ethnicity?	No
If yes, please describe the nature of any disproportionate negative impacts.	Click or tap here to enter text.
What actions will be taken to address any disproportionate negative impact?	Click or tap here to enter text.
Does your assessment indicate a positive impact relation to Race or ethnicity?	No

If yes, please describe the nature of the positive impact(s)	Click or tap here to enter text.
5.7 Religion or belief *or lack of*	
Does your assessment indicate a disproportionate negative impact relation to Religion or belief?	No
If yes, please describe the nature of any disproportionate negative impacts.	Click or tap here to enter text.
What actions will be taken to address any disproportionate negative impact?	Click or tap here to enter text.
Does your assessment indicate a positive impact relation to Religion or belief?	No
If yes, please describe the nature of the positive impact(s)	Click or tap here to enter text.
5.8 Sex	
Does your assessment indicate a disproportionate negative impact relation to Sex?	No
If yes, please describe the nature of any disproportionate negative impacts.	Click or tap here to enter text.
What actions will be taken to address any disproportionate negative impact?	Click or tap here to enter text.
Does your assessment indicate a positive impact relation to Sex?	No
If yes, please describe the nature of the positive impact(s)	Click or tap here to enter text.
5.9 Sexual orientation	
Does your assessment indicate a disproportionate negative impact relation to Sexual orientation?	No
If yes, please describe the nature of any disproportionate negative impacts.	Click or tap here to enter text.

What actions will be taken to address any disproportionate negative impact?	Click or tap here to enter text.
Does your assessment indicate a positive impact relation to Sexual orientation?	No
If yes, please describe the nature of the positive impact(s)	Click or tap here to enter text.
5.10 Other vulnerability	
Does your assessment indicate a disproportionate negative impact relation to any other vulnerability?	No
If yes, please specify the vulnerability and describe the nature of any disproportionate negative impacts.	Click or tap here to enter text.
What actions will be taken to address any disproportionate negative impact?	Click or tap here to enter text.
Does your assessment indicate a positive impact relation to any other vulnerability?	Yes
If yes, please specify the vulnerability and describe the nature of the positive impact(s)	Deprivation - the Policy includes elements to assist low income home owners to repair and improve their homes.

Important:

Any disproportionate negative impacts must be drawn to the attention of the decision-maker (for example the relevant Board or Committee).

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

6. Monitoring and review

6.1 How do you proposed to monitor the impact of your proposal and keep track of the delivery of any identified actions to address disproportionate negative impact? *Please outline how you will monitor the impact of your proposal, once implemented, on protected characteristic groups, and who will be responsible for this monitoring.*
Delivery of home adaptations under the policy is already closely monitored by various mechanisms and this will continue if the new proposals are adopted.

6.2 Please outline what the mechanisms for review of the impact of your proposal will be? *(for example if any negative impact is found to be occurring) Include detail of review frequency and who will be responsible for the review.*
Quarterly and annual activity returns monitor delivery outcomes, including volumes and timescales, undertaken by service manager.

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

SIGNED OFF BY	Joyce Hamilton
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TO	Commercial Ventures Executive Sub-Committee
DATE	20th October
EXECUTIVE MEMBER	Portfolio Holder for Investment and Companies

KEY DECISION REQUIRED	N
WARDS AFFECTED	(All Wards);

SUBJECT	Extension of the Terms of Reference of the Commercial Ventures Executive Sub-Committee to Cover Charitable Trusts

Recommendation to Full Council

(1) That, in accordance with Article 15 of the Constitution, Full Council approves the extension of the terms of reference of the Commercial Ventures Executive Sub-Committee, subject to paragraph (2) below, by incorporating the terms of reference as shown in Appendix 1 to this report.
(2) That the Monitoring Officer be authorised to take all necessary action to finalise the terms of reference to be included in the Council's Constitution and to make such other consequential amendments to the Constitution as the Monitoring Officer deems appropriate.
(3) The Commercial Ventures Executive Sub- Committee be renamed as the Partner, Shareholder and Trustee Sub-Committee

Reasons For Recommendations

To extend the terms of reference of the Commercial Ventures Executive Sub-Committee so as to allow it to review the activities of the Council's Charities, including monitoring their performance, which will enable the Council to administer more effectively its responsibilities as the sole trustee of Charities

Executive Summary

The Council is sole trustee for seventeen charitable trusts:

1. Churchfields Bowling Green and Public Rest Ground
2. Colesmere Road Recreation Ground
3. Earlswood Public Recreation Ground
4. Furzefield Crescent Open Space
5. Hartswood Estate Open Space
6. Manors of Reigate and Horley Public Open Spaces
7. Memorial Sports Ground
8. Merstham Public Park
9. Merstham Recreation Ground
10. Old Town Hall
11. Open Space and Ornamental Garden
12. Open Space at Reigate Hill
13. Queens Park
14. Reigate Hill Drinking Fountain
15. Reigate Park and Park Hill
16. Reigate Public Baths Trust
17. The Gatton Fund

To promote good governance and to demonstrate there is a clear separation between the Council's role as the Municipal Authority and the Council's role as trustee, officers recommend that the terms of reference of the Commercial Ventures Executive Sub Committee be extended so that it fulfils the role of trustee in the above-named charitable trusts where the Council is the sole trustee ("Charities").

The Commercial Ventures Executive Sub-Committee has the authority to approve the above recommendation.

Statutory Powers

Section 1 of the Localism Act 2011 gives local authorities a general power of competence that enables them to do anything that a private individual is entitled to do, as long as it is not expressly prohibited by other legislation.

Background

(1) The Charity Commission is the regulator for charities in England and Wales and each of the Council's charities are registered with the Commission. These charities are:

- Churchfields Bowling Green and Public Rest Ground

- Colesmere Road Recreation Ground
- Earlswood Public Recreation Ground
- Furzefield Crescent Open Space
- Hartswood Estate Open Space
- Manors of Reigate and Horley Public Open Spaces
- Memorial Sports Ground
- Merstham Public Park
- Merstham Recreation Ground
- Old Town Hall
- Open Space and Ornamental Garden
- Open Space at Reigate Hill
- Queens Park
- Reigate Hill Drinking Fountain
- Reigate Park and Park Hill
- Reigate Public Baths Trust
- The Gatton Fund

(2) Trustees have six main duties, these are:

- To ensure a charity is carrying out its purpose for the public benefit;
- To comply with the charity's governing document and the law;
- To act in the charity's best interests;
- To manage the charity's resources responsibly;
- To act with reasonable skill and care; and
- To ensure the charity is accountable

(3) The Council must establish a more effective way of managing its charities and in particular, to do so in a way that is clearly distinct from usual Council business. In its capacity as sole trustee of a charity, when taking decisions on behalf of the charity, the Council has a duty to act in the charity's best interests and to avoid any conflict between its duty to the charity and the interests it has in its capacity as the Council.

(4) Inevitably, conflicts of interest may occur when the Council is a sole trustee. In these circumstances, the Commission expects the Council to have a system in place for identifying and managing conflicts of interest that arise because of its role as sole trustee of the charity and as the Council.

(5) By extending the terms of reference of the Commercial Ventures Executive Sub-Committee, these conflicts will be effectively and transparently managed. This Committee would make decisions as sole trustee for each of the Council's charities by considering reports from officers.

Options

1. **Option 1:. To make the recommendation to Full Council as set out above. This is the recommended option for the reasons set out in this report.**
2. **Option 2: To do nothing. This is not recommended.**

Legal Implications

(1) Section 1 of the Localism Act 2011 provides local authorities with the power to do anything an individual may do, subject to a number of limitations. This is referred to as the ‘general power of competence’. A local authority may exercise the general power of competence for its own purpose, for commercial purpose and/or for the benefit of others. In exercising this power a local authority is still subject to its general duties (such as fiduciary duties it owes to its rate and local tax payers) and to the public law requirements to exercise the general power of competence for proper purpose.

(2) The Charity Commission has a set of objectives, two of which are most relevant to this report. The first is to promote compliance by charity trustees with their legal obligations in exercising control and management of the administration of their charities. The second is to promote the effective use of charitable resources.

(3) One of the Commission’s general functions is to identify and investigate apparent misconduct or mismanagement in the administration of charities and to take remedial or protective action in connection with misconduct or mismanagement in charities.

(4) The Commercial Ventures Executive Sub-Committee will undertake a review of the charitable objects of each charity and update where necessary. The validation and modification of a charity’s objects is governed by the Charitable Trusts (Validation) Act 1954.

(5) Meetings of the Commercial Ventures Executive Sub-Committee will be held in public and will operate within the relevant Rules in the Council’s Constitution. Decision-making would take place at public meetings and recorded in publicly available minutes, with decisions made by voting, where required.

(6) Except as provided by Article 4.2, which is not relevant in the present case, changes to the Constitution must be approved by the full Council, subject to the Monitoring Officer being in agreement with the proposed changes.

Financial Implications

There are no financial implications. The extension of the terms of reference of this committee of the Executive will be managed within the Council’s existing budget.

Equalities Implications

Public authorities are required to have due regard to the aims of the Public Sector Equality Duty (Equality Act 2010) when making decisions and setting policies. The decisions recommended are not considered to have an impact under the Equality Act.

Communication Implications

There are no direct communication implications as a result of this report.
Risk Management Considerations
There are no direct risk management implications arising from the report
Environmental Sustainability Considerations
There are no direct environmental sustainability implications arising from this report. Where decisions are made which affect the charities, the environmental implications of these decisions will be considered as part of the independent decision making process in each case.
Policy Framework
The recommendations of this report are consistent with the Council's Policy Framework.

Appendix 1

DRAFT AMENDMENTS TO THE TERMS OF REFERENCE OF THE COMMERCIAL VENTURES EXECUTIVE SUB-COMMITTEE

Purpose

Under the heading “Purpose”, add:-

To exercise the function of the Council as a trustee of the Charities as stipulated by relevant legislation including Charities Act 2011 and associated statutory guidance and any guidance issued by relevant regulators.

Remit

Under the heading “Remit”, add:-

To undertake all functions of the Council as a trustee of the Charities under the Charities Act 2011 which may include without limitation:

- To ensure compliance with and further each of the Charities’ charitable objects, trust deeds and associated public benefit; including an annual review
- To ensure the completion and submission of Charity Annual Account returns and the Charity Annual Trustee Report to the Charity Commission
- To arrange a Trustee meeting to agree the accounts and Trustee’s Annual Report within two months of the financial year ending
- To comply with best practice (Statement of Recommended Practice, SORP) to produce annual accounts and a report that includes an explanation of what the charity has done for the public benefit during the year
- To make strategic decisions including approving annual business plans, management agreements and leases
- To annually review the purposes of the Charities and make any required applications to amend the Charities’ governing documents to support effective management of the Charities

- To approve and adopt a conflict of interest policy
- To approve disposals (leases, licences) in accordance with S117 of the 2011 Charities Act 2011 including:
  - o To consult the public on the disposal of charity property where required to do so
  - o Issue public notices regarding proposed disposal of charity property where required to do so.
- To approve the formation of management companies where considered to be a suitable mechanism for managing a charity. This could include the charity becoming a member of a management company where suitable to do so.

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