

Agenda

Executive

Thursday, 15 December 2022 at 7.30 pm

New Council Chamber, Town Hall, Reigate



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

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



Members of the public may observe the proceedings live on the Council's [website](#).

Members:

M. A. Brunt (Leader)

T. Schofield

T. Archer

R. H. Ashford

R. Biggs

N. J. Bramhall

E. Humphreys

V. H. Lewanski

C. M. Neame

K. Sachdeva

Mari Roberts-Wood
Managing Director

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

1. Apologies for absence

To receive any apologies for absence.

2. Minutes (Pages 5 - 10)

To approve the Minutes of the last meeting on 17 November 2022.

3. Declarations of interest

To receive any declarations of interest.

4. Commercial Strategy: Progress Update (Pages 11 - 34)

The Executive Member for Investment and Companies.

5. Quarter 2 2022/23 performance report (Pages 35 - 70)

The Executive Member for Corporate Policy and Resources and the Executive Member for Finance and Governance.

6. Risk management - Quarter 2 2022/23 (Pages 71 - 94)

The Executive Member for Corporate Policy and Resources.

7. Treasury Management Strategy Mid-Year Report 2022/23 (Pages 95 - 110)

The Deputy Leader and Executive Member for Finance and Governance.

8. Statements

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

9. 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.

10. Any other urgent business

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

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



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.



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

BOROUGH OF REIGATE AND BANSTEAD

EXECUTIVE

Minutes of a meeting of the Executive held at the New Council Chamber - Town Hall, Reigate on 17 November 2022 at 7.30 pm.

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

Also present: Councillors P. Chandler, J. C. S. Essex and N. D. Harrison.

35. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Neame.

36. MINUTES

RESOLVED that the minutes of the meeting of the Executive held on 20 October 2022 be approved.

37. DECLARATIONS OF INTEREST

There were no declarations of interest.

38. SERVICE & FINANCIAL PLANNING 2023/24

The Deputy Leader and Executive Member for Finance and Governance, Councillor Schofield, introduced a report setting out the service and financial planning proposals for 2023/24.

Councillor Schofield explained that preparation for the proposals had settled since the COVID pandemic and the implementation of the Council's Financial Sustainability Programme, which allowed Executive Members and officers to carry out full reviews of spending plans and sources of income earlier in the budget cycle.

This exercise identified opportunities to adjust the existing budgets to reflect forecast income levels, including an increase in parking income after the pandemic downturn. The proposed increases were therefore included in the budget report, both to ensure greater transparency and to ensure that the additional income was taken into account during budget-setting. The supporting Fees & Charges Policy was also included for approval.

The draft budget supported the continuation of high-quality services within modest budget growth requirements, mainly reflecting unavoidable cost increases. Despite the present economic challenges, the proposals sought to find savings which would have a limited direct impact on service delivery.

Councillor Schofield commended the efforts of officers and Executive members to balance the service and central budgets for 2023/24, however it was noted that the

Agenda Item 2

Executive
17 November 2022

Minutes

final budget position would depend on the outcome of the Spending Review and the Provisional Local Government Settlement.

The budget report also highlighted several potential risks and issues that could require the Council to draw on the reserves which had been earmarked to address those risks, such as –

- reduced housing benefit subsidy and grants;
- empty commercial properties;
- the increasing cost of energy bills; and
- uncertainty about the extent of Government support.

Despite economic uncertainty, the underlying revenue budget was balanced, and the Council's finances were considered to be relatively robust due to its healthy reserves, the efficient use of its resources driven by the Financial Sustainability Plan, and the generation of new sources of income with the Council's Commercial Strategy.

Medium term financial plan

The report included updates to the Council's five-year medium-term forecasts, reflecting efforts to map the potential impacts of increasing costs and reductions in Government funding over the next five years. While the forecast gap remained potentially significant if action was not taken to address it, the Medium-Term Financial Plan and supporting strategies provided a solid framework for future financial planning.

Reserves

Revenue reserves were sufficient to support the budget and mitigate potential risks whilst the Council focussed on developing new income streams and reducing costs through the Financial Sustainability Programme. Approval was sought to adopt the supporting Reserves Policy.

Council tax

The Council Tax proposals sought to increase the Reigate & Banstead element of the average Band D charge by less than 10 pence per week, resulting in an overall increase of £5, subject to confirmation of the Government's referendum limit in the Provisional Local Government Settlement in December and approval by the Council at its budget meeting in February.

The report also committed the Council to reviewing the Local Council Tax Support scheme for 2023/24.

Capital Programme

There were no significant changes proposed to the current Capital Programme, as the Council was focussed on delivering the existing capital schemes and rolling programmes within it.

The draft budget would be considered by the Budget Scrutiny Panel and Overview and Scrutiny Panel before a final budget would be put to the Executive in January.

The Leader of the Council and Deputy Leader commended the recommendations for approval by the Executive and upon a vote it was –

RESOLVED:

- 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.

39. HOUSING ASSISTANCE POLICY - FINANCIAL ASSISTANCE FOR ADAPTATIONS AND REPAIRS

The Executive Member for Neighbourhood Services, Councillor Bramhall, explained that the policy had been updated and revised 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 had resulted in a substantial underspent balance on those ring-fenced funds, which could not be used for other purposes. However, there was guidance on the application of discretion to allow the best use of those funds beyond the basic mandatory provision prescribed in law.

The key components of the revised policy were to:

Agenda Item 2

Executive
17 November 2022

Minutes

- 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.
- Increase the level of disregard of the first portion of a client's means-tested contributions for DFG's, from the current level of £5,000 up to £7,000.
- Allow the inclusion of an extended warranty of up to 5 years with all DFG funded stairlifts, step lifts and through floor lifts.
- Include funding for vehicle crossovers, otherwise known as 'dropped kerbs', where these are required as part of a mandatory DFG to facilitate safe vehicle access onto a hardstanding or driveway.
- Increase the maximum value of Small Works Grants from the current level of £500 up to £1,000.
- 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 were:

- To help more people to access the adaptations they require more quickly;
- To enable the Council to spend more of its government allocation for disabled adaptations; and
- To help reduce the growing underspend.

The recommendations would 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 would also support the delivery of wider health and social care objectives and help to reduce budget pressures by assisting people to live independently at home for as long as possible.

Members commended the recommendations and reflected on their personal experiences of meeting residents who had benefited from the policy.

It was noted that the maximum values of associated grants and loans would need to be reviewed again in the future to maintain parity with inflationary increases in living costs.

Members acknowledged that the Government maintained a funding clawback option, however until such time that funding was withdrawn it was appropriate that the Council should continue to utilise those funds for the benefit of residents.

The Executive Member commended the recommendations for approval by the Executive, and upon a vote it was –

RESOLVED that the amended Housing Assistance Policy – Financial Assistance for Adaptations and Repairs provided as Annex 1 be approved.

40. GOVERNANCE OF COUNCIL'S CHARITABLE TRUSTS

The Executive Member for Investment and Companies, Councillor Archer, introduced the report and explained that the Council was the sole trustee for seventeen charitable trusts, which were registered with the Charity Commission.

To promote good governance and to demonstrate that there was a clear separation between the Council's role as the municipal authority and the Council's role as trustee, officers recommended that the terms of reference of the Commercial Ventures Executive Sub-Committee be extended so that it fulfilled the role of trustee in the charitable trusts where the Council was the sole trustee.

It was therefore proposed that the Commercial Ventures Executive Sub-Committee be renamed as the Partner, Shareholder and Trustee Sub-Committee.

The six main duties of trustees were:

- 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

The terms of reference and functions of the new sub-committee would be guided by the Charity Commission's principles, as follows –

- To promote compliance by charity trustees with their legal obligations in exercising control and management of the administration of their charities.
- To promote the effective use of charitable resources.

Online training on governance of charitable trusts would be delivered to committee members and officers in November 2022.

The Executive Member commended the recommendations to the Executive, and upon a vote it was –

Recommended to 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

41. STATEMENTS

There were no statements.

42. EXEMPT BUSINESS

There was no exempt business.

Agenda Item 2

Executive
17 November 2022

Minutes

43. ANY OTHER URGENT BUSINESS

There was no urgent business.

The Meeting closed at 7.50 pm

Agenda Item 4



Signed off by	Head of Corporate Policy, Projects and Performance
Author	Tom Borer, Senior Policy Officer
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To	Overview and Scrutiny Committee Executive
Date	Thursday, 8 December 2022 Thursday, 15 December 2022
Executive Member	Portfolio Holder for Investment and Companies

Key Decision Required	N
Wards Affected	(All Wards);

Subject	Commercial Strategy: Progress Update
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Recommendations
<p>That the Overview and Scrutiny Committee:</p> <p>(i) Notes the Commercial Strategy Annual Progress Report at Annex 1 and makes any observations to the Executive.</p> <p>That the Executive:</p> <p>(ii) Notes the Commercial Strategy Annual Progress Report at Annex 1, along with any observations of the Overview and Scrutiny Committee and agrees it for publication on the Council's website.</p>
Reasons for Recommendations
To support the effective consideration and awareness of the Council's work towards its Commercial Strategy.
Executive Summary

Agenda Item 4

The Council has agreed a Commercial Strategy, with Part 1 approved in November 2020 and Part 2 agreed in December 2021. This report provides an update on progress on the actions set out in the Strategy over the last year.

The progress report is based around the action plans set out within Part 1 and Part 2 of the Strategy. The report also provides the annual update to the Council's Investment Appetite, as described in Part 2 of the Commercial Strategy.

It should be noted that since the Commercial Strategy Part 2 was agreed by the Executive in December 2021, the Council has also begun to implement its Financial Sustainability Programme, which overlaps with some elements of the Council's commercial activity. Quarterly updates on the progress of this Programme are provided separately to the Overview & Scrutiny and Executive Committees.

Overall, progress on delivering actions set out in the Commercial Strategy has been positive, with quantifiable income and savings secured, as detailed in the Annex.

However, some of the actions have not been progressed as envisaged at the time of writing. In the main (and more detail is provided in the Annex) this is due to either changes to the regulatory framework within which the Council operations or new evidence that has become available to the Council in relation to the viability or appropriateness of particular actions.

A number of projects and activities with commercial elements to them continue to be progressed and information will be provided to members about these using established reporting mechanisms as detailed in Part 2 of the Commercial Strategy.

Executive has authority to approve the above recommendations.

Statutory Powers

1. The Localism Act 2011 introduced the General Power of Competence, which allows local authorities to do anything that individuals generally may do as long as it is not prohibited by other legislation. We are therefore able to operate more commercially, and undertake a range of different business ventures.

Background

2. In common with most local authorities, the Council faces a combination of significant demand for its services, combined with constrained funding. Consequentially, in order to maximise the benefit it can provide to the Borough and its residents, it is necessary for the Council to be financially efficient and make best use of its resources.
3. The Council's Corporate Plan, Reigate & Banstead 2025, includes the objectives to be a financially self-sustaining council, and to generate additional income and build the organisations financial resilience, in order to sustain services, through responsible and sustainable commercial activities.
4. To support these objectives, the Council has developed a Commercial Strategy. Part 1 of the strategy was approved in November 2020 and set out the context and key guiding principles of the Council's approach and governance. Part 2 was approved in December 2021 and set out the Council's approach to investing in commercial assets and services, funding commercial activity and investment appetite.

5. The guiding principles established in Part 1 of the Commercial Strategy are set out below, and underpin all commercial activity undertaken by the Council.
 - a. 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
 - b. Principle 2: Any commercial decisions will be based on a robust assessment of the business case using consistent criteria (to be detailed in Part 2 of this Strategy), and appropriate due diligence and risk assessment
 - c. 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.
6. The Council's overall financial position and information about the wider context in which we operate is provided in quarterly financial performance reports to the Overview & Scrutiny Committee and the Executive and as part of the annual budget setting process, most recently the draft Budget proposals presented to the Executive in November 2022.

Key Information

7. The Council's Commercial Strategy establishes principles, an approach and action plans for achieving the Council's objectives around commercial and investment activity.
8. The guiding principles of the strategy are set out in Part 1 and are presented in the background section above. These principles are reflected throughout the commercial activity of the Council.
9. There is a general commercial activity action plan set out in Part 1 of the strategy. This action plan provides a general overview of high level work towards the Council's commercial objectives.
10. Part 2 of the strategy includes two more focussed action plans, about commercial assets and commercial services respectively. These action plans include a number of priorities, target timeframes and outcomes across both of these areas.
11. Information on the Council's progress towards the delivery of these action plans is set out in Annex 1 to this report.
12. A number of key points regarding these areas are set out below.

Commercial Assets

13. A full review of the Council's property portfolio has been undertaken, including both budgets and asset performance. This has informed agreement of a new Asset Management Plan by the Commercial Ventures Executive Sub Committee, covering the period 2023-2028.
14. Despite currently challenging commercial market circumstances, good progress has been made to vacant properties, such that over the past year an additional £1.197m of rental income has been secured from new lettings, and £384k of costs associated with property voids has been avoided. Proactive work with tenants has also resulted in interim solutions to avoid or reduce the financial impact of other property vacancies.

Agenda Item 4

15. Work is now ongoing to ensure optimal management and leasing arrangements are in place to maximise the financial return the Council receives from its commercial assets, exemplified by the work on catering concessions considered by the Commercial Ventures Executive Sub Committee in November 2022.
16. In relation to asset (re-)development, the past year has seen conclusion of development schemes at Camelia Close (Pitwood Park), Lee Street Horley, and Wheatley Court (Cromwell Road), delivering a combination of capital receipts and revenue returns for the Council. Together with positive progress on the build and letting of Marketfield Way, this has enabled (conservative) income receipts to be factored into the Council's Medium Term Financial Plan, contributing to a reduction in the Council's future funding gap.
17. Other opportunities continue to be explored for new regeneration schemes including those requiring land assembly, although the current market means that financial viability is a continuing challenge. Following a decision by the Executive in October 2022, the Council is actively seeking to purchase properties to provide emergency and temporary housing to reduce our expenditure on private sector accommodation solutions.

Commercial Services

18. Over the past year, the main focus of activity in this area has been a full review of the Council's fees and charges, as presented in the draft Budget agreed by the Executive in November 2022. This review has identified the potential to generate an additional approximately £0.5m per year from increased charges; in addition, an exercise to 'rightsized' budgets will result in a further net benefit of around £0.5m.
19. Following work to investigate the possibility of establishing a housing company, this has not been taken forward due to it not proving financially viable, however positive work continues with Raven Housing Trust to explore options for joint work on housing delivery in the future.
20. Similarly, proposals to establish trading companies for the Council's Revenues, Benefits & Fraud work, or other trading opportunities, are not currently being pursued although our work to support other public sector partners with revenues, benefits and fraud services continues to be recognised for its successful outcomes. In the meantime, other service areas are exploring the potential for shared services where this could result in more financially beneficial delivery models.

Next Steps

21. As noted above, the Council's activity to deliver the actions set out in the Commercial Strategy Parts 1 and 2 aligns well with the Financial Sustainability Programme. The focus on pursuing commercial asset opportunities and commercial service opportunities will continue over the coming year to the extent that it is compatible with the wider framework within which local government operates.
22. This will include the ongoing proactive management of our property estate as well as work to explore longer term regeneration and redevelopment opportunities. Consistent with the Financial Sustainability Programme, it will also include specific workstreams to ensure that Council services are delivered in an efficient, cost effective and (as appropriate) commercially-focused manner.

Options

23. The following options have been identified for the Executive:

- Option 1: Note the progress update on the Council's Commercial Strategy and the observations of the Overview and Scrutiny Committee and agree the report at Annex 1 for publication. This option is recommended as it supports the effective consideration and awareness of the Council's work towards the objectives of its Commercial Strategy.
- Option 2: Request additional information and/or do not agree the report at Annex 1 for publication. This option is not recommended as awareness of the update provided supports the continued work of the Council towards the objectives of its Commercial Strategy.

Legal Implications

24. There are no direct legal implications arising from the recommendations of this report.
25. As identified within the Commercial Strategy, appropriate governance of commercial activities requires that any legal risks associated with such activity are properly monitored and considered. This may require utilising appropriate legal advice, including from external advisors, where relevant.

Financial Implications

26. There are no direct financial implications arising from the recommendations of this report.
27. As identified within the Council's Commercial Strategy and the Key Information above, the Council's ability to operate in a commercially efficient manner, whilst continuing to adhere to its guiding principles and wider obligations, will be a necessary component of the organisation's financial sustainability within current contexts.
28. The progress towards the actions set out in the action plans within the Commercial Strategy helps to support this requirement and the Council's wider work regarding financial sustainability.
29. As identified in the Council's Medium Term Financial Plan and the Key Information above, the Council continues to face a potential budget gap in coming years. Ongoing progress towards the action plans and wider objectives of the Commercial Strategy will therefore continue to be an important component in addressing this potential gap and supporting the Council's long term financial sustainability.

Equalities Implications

30. Under the Equality Act 2010, we have a duty to have due regard to the need to eliminate unlawful discrimination, harassment, victimisation and other prohibited conduct; and advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not share it. This duty applies to all decisions made in the course of exercising the Council's public functions.

Agenda Item 4

31. The recommendations of this report do not have any direct consequences for staff, residents or other service users, including those with protected characteristics. However, the Council's duty to have regard for the equalities implications of its actions is reflected within the guiding principle of the Commercial Strategy for its commercial activity to be ethical, and should be considered throughout the evaluation of any actions regarding commercial assets, services or other activities.
32. Where changes are made to services, or new services are introduced, including changes in provision or pricing, an assessment of equality impact must be undertaken. These serve to identify potential implications of the changes, including those which might affect persons with protected characteristics, and require services to consider how any negative implications can be avoided or mitigated. Where other actions may have similar implications, they will also need to be supported by equality impact assessments.
33. Where the Council is able to operate effectively and support its financial sustainability through commercial activities, this can also potentially provide additional resources to help address existing challenges facing the borough and its residents, including those relating to equality and persons with protected characteristics.

Communication Implications

34. The Council's Commercial Strategy, Parts 1 and 2, is publicly available on the Council's website.
35. Subject to Executive agreement, the annual report at Annex 1 will be published alongside the two strategies.
36. Communications activity may take place as required with regard to specific commercial activities or projects referenced within the Commercial Strategy; such communications will be considered on a case by case basis and with regard to the guiding principles of the strategy.

Environmental Sustainability Implications

37. There are no direct environmental sustainability implications arising from the recommendations of this report.
38. The environmental sustainability implications of individual commercial activities will be considered and monitored as part of the wider governance and decision-making identified within the strategy. This is reflected in the first guiding principle of the strategy, should form part of the business case for and development of any commercial activity proposals, and should be consistent with the Council's established Environmental Sustainability Strategy.
39. As the Council progresses its Environmental Sustainability Strategy this may identify opportunities for related income generation or investments delivering ongoing savings associated with that work. Such opportunities will be reviewed and considered within the principles and approach identified within the Commercial Strategy.

Risk Management Considerations

Agenda Item 4

40. The future financial sustainability of the Council is an identified risk on the Strategic Risk Register. The risk register identifies the role of the Financial Sustainability Programme as a key mechanism in addressing this risk, through both the reduction of costs and increasing income. As demonstrated in this report, our activity to delivery actions within the Commercial Strategy has over the past year made a positive contribution to both those objectives.
41. The Commercial Strategy Part 2 provides a summary of the key (general) risks associated with commercial property-related and service-related activity. Project-specific risks and operational risks are identified and managed through the Council's project management framework and the Council's operational risk registers respectively.

Consultation

42. The Members of the Executive (including members of the Council's Commercial Ventures Executive Sub-Committee) have been consulted as part of the preparation of this report.
43. Any observations from the Overview and Scrutiny Committee at its meeting of 8 December 2022 will be reported to the Executive by way of addendum or verbal update.

Policy Framework

44. The Commercial Strategy is consistent with the Council's Corporate Plan for the period 2020 to 2025.
45. Delivery of the Commercial Strategy will continue to be a key consideration in service and financial planning; and provides the long-term solution for this Council to be able to agree a balanced budget year on year.

Background Powers

1. Reigate & Banstead 2025 (The Council's Corporate Plan): available online at www.reigate-banstead.gov.uk/rbbc2025
2. Commercial Strategy Part 1 and Commercial Strategy Part 2: available online at https://www.reigate-banstead.gov.uk/info/20205/plans_and_policies/280/reigate_and_banstead_2025/4

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Commercial Strategy: Progress report

December 2022

Contents

- Introduction.....3
 - Guiding principles and our overall approach to commercial activity3
- Commercial Strategy Part 1 Progress Report4
- Commercial Strategy Part 2 Progress Report6
 - Commercial Assets7
 - Commercial Services13
- Summary of the Council’s current investment appetite (2022/23 update).....16

Introduction

This report provides an overview of progress against the actions set out in Reigate & Banstead Borough Council's Commercial Strategy Part 1 and Commercial Strategy Part 2.

Part 1 of the Council's Commercial Strategy was agreed in November 2020, and Part 2 was agreed in December 2021. Both documents are available to download from the Council's website at https://www.reigate-banstead.gov.uk/info/20205/plans_and_policies/280/reigate_and_banstead_2025/4. As part of the Commercial Strategy Part 2, it was agreed that an annual report on the Council's commercial activities and companies would be provided to the Council's Overview & Scrutiny Committee and the Commercial Ventures Executive Sub-Committee. This report serves that purpose.

The report also provides the annual update to the Council's Investment Appetite described within the Commercial Strategy Part 2.

Guiding principles and our overall approach to commercial activity

The Council's commercial activity can be broken down into two main areas:

- Investing in commercial assets; and
- Investing in commercial services.

Across both these areas, our activity is guided by three key principles:

- **Principle 1:** Our commercial activity will be ethical, and consistent with the Council's statutory responsibility to promote economic, environmental and social wellbeing in the borough, and our corporate objectives
- **Principle 2:** Any commercial decisions will be based on a robust assessment of the business case using consistent criteria (to be detailed in Part 2 of this Strategy), and appropriate due diligence and risk assessment
- **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.

Our commercial assets and commercial services activity is carried out in accordance with the Council's established internal procedures, including (as appropriate) decision-making delegations, project and programme management frameworks, risk management processes and established arrangements for agreeing necessary funding. The Commercial Ventures Executive Sub-Committee retains formal oversight and responsibility for commercial activity.

Commercial Strategy Part 1 Progress Report

The Commercial Activity Action Plan within the Commercial Strategy Part 1 was agreed in November 2020 as an interim measure until the Commercial Strategy Part 2 had been produced. It focused on some initial commercial activity priorities and the embedding of a more commercial mindset within the organisation. Elements of it have been superseded by more detailed actions within the Commercial Strategy Part 2 and/or changes to the broader regulatory framework within which the Council operates. Nonetheless, there is value in providing a progress update against the action plan in this report.

Work area 1: Becoming more business-like in our day-to-day activities:

Activity	Timeframe	Progress update
Implement review of fees and charges and update policy	2020/21	Action superseded: see more detailed progress update under Part 2 (Commercial Services Priority 2).
Implement updated fees and charges policy	Q1 2021	Fees and charges policy is reviewed and updated annually and presented to the Executive for its agreement in November each year.
Continue to explore opportunities to maximise income from selling our Revenues, Benefits and Fraud services	By Q1 2021	Action superseded: See detailed progress update under Part 2 (Commercial Services Priority 1)
Explore other opportunities for income generation	Q2 2021 onwards	Action superseded: See detailed progress update under Part 2 (Commercial Services Priority 1)
Expand procurement and contract management skills and resources within the Council	2020/21	Challenges have been encountered in recruiting specialist staff with procurement and contract management skills. A strategic review of the Council's procurement approach is currently underway and will inform future resourcing in this area.

Work area 2: Increasing capital and revenue returns through our assets and investments:

Activity	Timeframe	Progress update
Evaluate and rebase current property asset holdings	Ongoing	Action superseded: See detailed progress update under Part 2 (Commercial Assets Priority 1)
Explore partnering opportunities	Ongoing	Conversations are ongoing across some service areas about the potential for sharing service delivery with other public sector partners. Activity at Surrey County Council with respect of a County Devolution Deal also continues to be monitored.
Implement robust investment criteria and maintain an update to date understanding of market yields to ensure appropriate opportunities are explored and that a balanced portfolio is maintained – further information to be provided in Part 2 of this Strategy	Ongoing	Action completed through publication of Commercial Strategy Part 2

Work area 3: Developing a commercial culture

Activity	Timeframe	Progress update
Transformation work and appropriate recruitment: Review additional necessary steps following roll-out of the Revenues, Benefits & Fraud investigation services	Q2 2021	Specialist external expertise continues to be drawn upon where appropriate to ensure that the Council takes a robust approach to activity associated with delivery of the Commercial Strategy. Due to structural changes within the organisation and changes to the regulatory environment in which the Council operations, activities that deliver commercial benefits are progressed by existing Council service areas rather than a dedicated commercial resource within the organisation.

Work area 4: Governance and decision-making

Activity	Timeframe	Progress update
Implement effective company holding structure for planned and current activities	2020/21	After initial investigatory work, it was concluded that a holding structure is not needed.
Annual approval of business plans for Council subsidiaries, and training to ensure business plans are robust and well considered	2021	Company progress and priorities are provided via separate Companies Update reports.

Commercial Strategy Part 2 Progress Report

The Commercial Strategy Part 2 provides more detail in relation to the overall framework set out in Part 1, and includes action plans for Commercial Assets and Commercial Services. These have formed the basis of Council activity over the past year with contributions to the delivery of the strategy from a range of different service areas.

It should be noted that since the Commercial Strategy Part 2 was agreed by the Executive in December 2021, the Council has also begun to implement its Financial Sustainability Programme, which overlaps with some elements of the Council's commercial activity. Quarterly updates on the Financial Sustainability Programme are provided to the Council's Overview & Scrutiny and Executive Committees.

Commercial Assets

Priority 1: Evidence – Ensuring a robust understanding of our asset portfolio and its performance

Task	Responsibility (timeframe)	Outcome	Progress
Undertake a deep dive into our current portfolio and develop a reporting template	Property (2021/22)	Robust understanding of asset portfolio and performance	A full review of the Council’s property portfolio has been undertaken since the Commercial Strategy was agreed. This has comprised a detailed assessment of both budgets and asset performance. A reporting template has been developed.
Introduce quarterly reporting to CVESC on asset and portfolio performance	Property (2022/23 onwards)	Ongoing and up to date understanding of asset portfolio and performance	Informal discussions have been held with members of CVESC about proposed reporting process and format. Once the details have been agreed; it remains the plan that these reports will be included on the formal CVESC agenda for 2023/24 onwards. The potential for rapidly changing market conditions means that formal reports can only be a snapshot of a ‘point in time’.
			Although not a specific action in the Commercial Strategy Part 2, a review of the Council's Asset Management Plan has been undertaken and reported to CVESC. This will ensure that our approach to Asset Management reflects core Corporate Plan and Commercial Strategy priorities, and remains fit for purpose.

25

Priority 2: Asset Management – Maximising value from the assets that we currently own and/or manage for commercial income

26

Task	Responsibility (timeframe)	Outcome	Progress
Continue activity to re-let vacant floorspace and minimise the cost to the Council from void space	Property (2021/22)	Reduced costs to Council and increased income	Good progress has been made to fill void properties, including three longstanding voids, which have been vacant since as long ago as 2015. In total over the past year £1.197m has been secured from new lettings and £384k of costs have been avoided.
Focus on the worst-performing assets in our portfolio to improve their commercial return (eg via upgrades, repurposing, redevelopment or disposal)	Property (2022/23 -2023/24)	Reduced costs to the Council and increased income or capital receipt	As noted above, most existing voids have been successfully filled. Work is now ongoing to review existing catering concessions with proposals presented to CVESC for its consideration in November 2022. The Property Team is now also exploring optimal management and leasing arrangements for some of the Council's lower value assets.
As leases expire, implement upgrades to key investment assets to ensure they remain attractive to potential tenants	Property (Ongoing)	Maintenance of a reliable income stream from investment assets	Work is underway to develop proposals for one commercial office building within the Council's portfolio following departure of the tenant. An interim solution has been found for some industrial units where the lease is coming to an end; this will enable the current tenant to remain in the building for a further 2 years, securing an ongoing income stream for the Council.

Priority 3: Asset (Re-)Development – Securing new income streams and/or capital receipts from development projects

27

Task	Responsibility (timeframe)	Outcome	Progress
Conclude development of Marketfield Way, Cromwell Road and Lee Street	Place Delivery (2021/22-2022/23)	Project place-shaping objectives achieved	<p>Marketfield Way (now known as The Rise):</p> <ul style="list-style-type: none"> • Development is progressing well and on track for practical completion in late 2022 for opening in 2023 <p>Cromwell Road (now known as Wheatley Court):</p> <ul style="list-style-type: none"> • Development concluded, management and maintenance contracts for the residential units are currently being finalised with a social housing provider <p>Lee Street:</p> <ul style="list-style-type: none"> • Development concluded, all properties are now let and occupied.
Continue marketing of units at Marketfield Way and Cromwell Road	Property (2021/22-2022/23)	Direct income streams secured	<p>Marketfield Way (now known as The Rise):</p> <ul style="list-style-type: none"> • More than 50% of commercial floorspace is now let, with heads of terms or leases being finalised for all the remaining commercial units. It is anticipated that all commercial units will be let within 2023 <p>Cromwell Road (now known as Wheatley Court):</p> <ul style="list-style-type: none"> • Ground floor commercial units have not currently been let and will continue to be marketed. <p>Revenue income: Based on the above, income assumptions have been included within the Medium Term Financial Plan taking into account the status of current lease negotiations, rent free periods etc. It should be noted that these forecasts are deliberately conservative until details are formally confirmed, but gross rent is forecast to potentially be as high as £1.1m per year when all units are let:</p> <ul style="list-style-type: none"> • 2024/25: £0.25m • 2025/26: £0.4m • 2026/27 £0.5m • 2027/28: £0.8m <p>Work is underway to produce budget forecasts in relation to future rental income from the housing units at Wheatley Court.</p>

Task	Responsibility (timeframe)	Outcome	Progress
			<p>Capital receipts: In addition to revenue income receipts, the Council receives capital receipts from its development activity, which are used to fund upfront development costs with surplus funds used to fund the future capital programme.</p>
<p>Establish housing company as a mechanism to generate income from residential letting activity</p>	<p>Housing (2021/22)</p>	<p>Income stream secured via payment of dividends from company to Council</p>	<p>Initial work was undertaken to investigate the opportunity to establish a housing company, however this is no longer being pursued as it did not present a viable solution. The Council continues to work with Raven Housing Trust in relation to residential development opportunities in the borough.</p>
<p>Complete Horley Car Park feasibility work and progress to planning then development</p>	<p>Place Delivery, Property, Housing (2021/22-2022/23)</p>	<p>Place-shaping objectives and contribution to rolling project pipeline</p>	<p>Following initial investigations, this project is currently paused, and will be re-visited at an appropriate time.</p>
<p>Identify other pipeline projects for existing but underused assets</p>	<p>Property, Place Delivery, Housing, Greenspaces, Car Parking, Other services as required (2021/22-2022/23 and ongoing)</p>	<p>Contribution to a rolling pipeline of projects to deliver a combination of corporate objectives, reduced costs to the council, income generation and capital receipts</p>	<p>An initial site prioritisation matrix has been developed Work is ongoing to review potentially underutilised assets in the Council's ownership to inform development of a future pipeline.</p>

Priority 4: Asset Disposal – Disposing of assets that are currently underperforming or surplus to requirements

Task	Responsibility (timeframe)	Outcome	Progress
As leases expire, dispose of assets where it makes financial/operational sense to do so. See also priority 2	Property, other services as required (Ongoing)	Reduced costs to the Council, capital receipts	Following the asset review referred to under priority 1 and the successful letting activity referred to under priority 2, no specific assets are currently identified for disposal.

Priority 5: Asset Acquisition – Purchasing assets which deliver broader benefits in line with our corporate plan

Task	Responsibility (timeframe)	Outcome	Progress
Investigate opportunities to invest in emergency and temporary housing solutions, or other housing products to meet local needs	Housing, Property (from 2022/23 onwards)	Reduced housing revenue costs to the Council, contribution to wider housing objectives Direct or indirect income stream(s)	Proposal agreed by the Executive in October to purchase temporary and emergency accommodation for homeless single people and families in the borough, helping to avoid/reduce the cost to the Council of expensive emergency accommodation placement in the private sector. The revenue budget impact of the proposal will depend on the pace of change in homelessness demand.

29

Task	Responsibility (timeframe)	Outcome	Progress
Investigate opportunities to invest in social or economic regeneration in the borough	Property, Place Delivery (from 2022/23 onwards)	Direct or indirect income stream(s) or capital receipts, contribution to wider regeneration objectives	See priority 3. Work is ongoing to review potentially underutilised assets in the Council’s ownership to inform development of a future pipeline. The starting point for work to investigate opportunities to invest in the social or economic regeneration of the borough will be the adopted Local Plan.
Investigate opportunities to invest in renewable energy solutions	Sustainability, Property (from 2022/23 onwards)	Reduced energy revenue costs to the Council, contribution to wider sustainability objectives	Consultants have been commissioned to undertake energy audits across a range of the Council’s main operational buildings, including the Town Hall, Harlequin, Earlswood Depot and our Community Centres. These will identify opportunities for both energy efficiency improvements and renewable energy. This work will inform the development of more detailed proposals to reduce energy usage on our buildings, both saving money on energy bills (‘invest to save’) and reducing our carbon emissions.
Identify land assembly opportunities to enable the delivery of corporate objectives and pursue accordingly	Property, Planning, Place Delivery (from 2022/23 onwards)	Land acquired to enable the future delivery of other corporate objectives	Opportunities continue to be explored in relation to land assembly to deliver corporate and local plan objectives, however no acquisitions have been made since the Strategy was agreed. Opportunities will be reported as they arise in the manner described in the Strategy.

Commercial Services

Priority 1: Trading services – continue to incrementally grow our existing trading activities for medium-term income generation and introducing commercial into services that we currently provide non-commercially or new services that align with our remit

Task	Responsibility (timeframe)	Outcome	Progress
Explore options to expand and consolidate the Council’s Revenues, Benefits and Fraud income generating activity, including potential to establish a trading company	Revenues, Benefits & Fraud (2021/22-2022/23)	Generation of increased income stream	The team continues to provide services for a range of third party organisations and be recognised for its high quality work and successful outcomes. A company structure is not currently considered necessary and is therefore not being pursued at this time.
Explore options to expand and consolidate the Council’s Garden Waste customer base	Neighbourhood Operations (2021/22-2022/23)	Generation of increased income stream	Project actively being progressed having commenced Autumn 2022
Establish housing company as a mechanism for the Council to generate income from residential letting activity	Housing (2021/22)	Income stream secured via payment of dividends and loan premium from company to Council	See comment under Commercial Assets Priority 3

31

Task	Responsibility (timeframe)	Outcome	Progress
Explore new commercial trading opportunities arising from the implementation of the Government's Waste & Resources Strategy	Neighbourhood Operations (2022/23 onwards)	Potential to secure a revenue stream to either mitigate against service provision cost increases or to generate income	Further information is awaited from Government in relation to key elements of the Strategy that have the potential to impact on Council activity or present opportunities to the Council
Consider other service areas where there may be potential to introduce trading activity	Various (Ongoing)	Potential to generate income to cover costs or introduce new income streams	No additional areas for trading activity are currently being pursued, however conversations are ongoing across some service areas about the potential for sharing service delivery with other public sector partners. Other potential income generating opportunities are also being explored, with (for example) inclusion of a £50k income target from filming activity included within the 2023/24 draft budget proposals.

Priority 2: Fees & Charges – Maximise income from existing non-statutory fees and charges and introduce new non-statutory fees and charges where appropriate

33

Task	Responsibility (timeframe)	Outcome	Progress
Assess all fees and charges for compliance with the Fees & Charges Policy and maintain rolling review to ensure continued alignment and amend charging models to increase receipts where this can be justified.	Various (Ongoing)	Costs for non-statutory service provision covered by relevant fees and charges as far as possible	Detailed review of fees and charges undertaken as part of the 2023/24 budget setting process. Although the draft budget consultation is still underway, the review has identified changes with the potential to generate an additional approx. £0.5m per year for the Council. Alongside this exercise, it is also being proposed to ‘right-size’ some fees and charges income budgets, resulting in a net benefit of a further approx. £0.5m per year
Introduce enhanced charging in relation to pre-application advice	Planning (2022/23)	Costs for non-statutory service provision covered by relevant fees and charges	Proposals for enhanced pre-application advice charges included as part of the draft 2023/24 budget, and projected to generate an additional £18k per year for the Council
Continue to explore opportunities for the introduction of new fees and charges	Various (Ongoing)	Costs for non-statutory service provision covered by relevant fees and charges as far as possible	Work is ongoing in this area. As part of the draft 2023/24 budget it is proposed to introduce some new charges (for example street naming and numbering, weekday pay and display parking at the Town Hall and optional licensing pre-application services). Once additional income forecasts are available these will be included within annual budget proposals.

Summary of the Council's current investment appetite (2022/23 update)

The Commercial Strategy Part 2 includes a summary of the Council's investment appetite, to be updated annually to inform the Council's commercial activity. Changes to the investment appetite are reflective of current market conditions and trends.

Asset category	2021/22	2022/23	2023/24	2024/25	2025/26
Offices	Red	Red			
High Street Retail	Red	Red			
Industrial/Distribution	Amber	Red			
Leisure (hotels, gyms)	Amber	Amber			
Hospitality (food and drink)	Amber	Amber			
Housing	Green	Amber			

Agenda Item 5



Signed off by	Head of Corporate Policy, Projects and Performance, Chief Finance Officer
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To	Overview and Scrutiny Committee Executive
Date	Thursday, 8 December 2022 Thursday, 15 December 2022
Executive Member	Deputy Leader and Portfolio Holder for Finance and Governance, Portfolio Holder for Corporate Policy and Resources

Key Decision Required	N
Wards Affected	(All Wards);
Subject	Quarter 2 2022/23 performance report

Recommendations	
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Agenda Item 5

That the Overview and Scrutiny Committee:

- (i) **Notes the Key Performance Indicator performance for Q2 2022/23 as detailed in the report and Annex 1 and makes any observations to the Executive;**
- (ii) **Notes the Budget Monitoring forecasts for Q2 2022/23 as detailed in the report and at Annexes 2 and 3 and makes any observations to the Executive;**

That the Executive:

- (iii) **Notes the Key Performance Indicator performance for Q2 2022/23 as detailed in the report and Annex 1;**
- (iv) **Notes the Budget Monitoring forecasts for Q2 2022/23 as detailed in the report and at Annexes 2 and 3.**

Reasons for Recommendations

For the Council's performance to be reviewed and for appropriate KPI reporting and budget monitoring arrangements to be in place.

Executive Summary

This report provides an overview of the Council's performance for Q2 2022/23, including Key Performance Indicator (KPI) reporting, as well as revenue and capital budget monitoring. It also includes a progress update on the Financial Sustainability Programme.

The Overview and Scrutiny Committee and Executive have the authority to approve the above recommendations.

Statutory Powers

1. Following the abolition of Best Value Performance Indicators (BVPI) in 2008 and the National Indicator Set (NIS) in 2010, there is no statutorily imposed framework for local authorities to manage performance.
2. The Local Government Act 1972 requires the Council to set the associated annual budget as part of proper financial management. This monitoring report is part of that process.
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 act if there is evidence that financial pressures will result in a budget overspend or if there is a shortfall in income.

Background

4. Each Quarter the Overview and Scrutiny Committee and Executive receive an update on the Council's performance. The report provides an overview of KPI as well as budgetary performance.

5. KPIs are corporate performance measures and are set in order to demonstrate performance against key corporate objectives.
6. Quarterly budget monitoring is a key financial control mechanism that demonstrates that the Council is fulfilling its responsibilities for managing public funds.
7. In November 2021 the Executive approved proposals to pursue a Financial Sustainability Programme to address the forecast Medium Term Financial Plan revenue budget gap. This included a commitment to provide quarterly progress updates on delivery of the Programme.

Key Information

Key Performance Indicators – Q2 2022/23

8. Ten KPIs are reported on in Q2 of 2022/23, the full detail of which is provided in Annex 1.
9. Of the ten KPIs reported on, nine are on target or within agreed tolerances
10. KPI 3 – which tracks the turnover of the Council’s staff – is off target and outside of its tolerance, resulting in it being red rated in Q2. The Council has seen lower than expected turnover over the last few years. A buoyant labour market and pent-up demand for a job-move from the pandemic are likely to have contributed to this increase. The current increase in turnover is being managed, with workloads carefully monitored and balanced and resources redeployed if required. Recruitment for a number of vacant posts is currently underway.

Cost-of-living in Reigate and Banstead

11. At the last meeting, in addition to the normal reporting of KPIs, members of the Overview & Scrutiny Committee requested information on current cost-of-living challenges facing the borough’s residents. A suite of data and measures is currently being prepared, and an all-member briefing on this issue is expected to be issued shortly.

Revenue Budget Forecast

12. The 2022/23 Original Revenue Budget approved by Council in February 2022 was £19.980m.
13. At 30 September the forecast outturn for Services and Central Budgets is £19.113m against a management budget of £20.062m, including £0.081m of unspent budget carried forward from 2021/22, resulting in an overall forecast net underspend of £0.948m (4.7%).

Table 1: REVENUE BUDGET MONITORING at 30 Sept 2022	Original Budget £m	In-Year Adjustments £m	Management Budget £m	Forecast Outturn £m	Forecast Year-end Variance £m
Service Budgets	18.022	(0.043)	17.980	17.706	(0.274)
Central Budgets	1.958	0.124	2.082	1.407	(0.674)
Revenue Budget Forecast at 30 Sept	19.980	0.081	20.062	19.113	(0.948)

Agenda Item 5

Service Budgets

14. The 2022/23 Original Budget for Services approved by Council in February 2022 was £18.022m.
15. At 30 September the full year outturn is forecast to be £17.706m against a Management Budget of £17.980m resulting in an underspend of £0.274m.
16. The key variances are:

Organisation:

- Property & Facilities Energy Costs - £0.332m overspend due to higher costs of electricity and gas.
- Organisational Development & Human Resources - £0.120m underspend due to vacancies across the team.
- Legal Services - £0.134m underspend due to vacancies.

Place

- Refuse & Recycling - £0.495m underspend due to increased income from a higher volume of Garden Waste subscriptions, lower waste disposal costs and lower temporary staff requirement.
- Car Parking - £0.262m underspend due to higher than expected income from Pay & Display car parks and lower staff costs.
- Building Control - £0.102m underspend due to projected surplus rather than the loss anticipated when the budget was approved

People

- Revenues, Benefits & Fraud - £0.464m overspend due to net impact of lower subsidy and higher Housing Benefit costs partially offset by lower net staff costs and higher Fees & Charges income.
- Harlequin - £124k underspend driven by higher income from Amateur Shows and lower staff costs due to vacancies.

Central Budgets

17. The Original Budget for Central budgets approved by Council in February 2022 was £1.958m
18. At 30 September the forecast outturn is £1,407k against a Management Budget of £2.082m resulting in an underspend of £0.674m (32.4%).
19. This underspend is mainly a result of higher net interest receivable on treasury investments than originally expected.

Investment Income

20. Forecast income from property rents at Quarter 2 is £4.111m compared to the £4.316m that was received in 2021/22. This represents 20.5% of the net revenue budget for 2022/23.

Government Funding Distribution

21. Following on from grant distribution arrangements during the COVID-19 pandemic, the Government continues to require local authorities to act as its agent in distributing

new funding streams to local residents. The sums distributed during Quarter 1 are summarised at Annex 2, Section 2.1.

22. While some additional administration funding has been provided, administration of these duties remains challenging and places additional demands on capacity in the Revenues, Benefits & Fraud and Finance teams. Also on the service teams that administer the funding streams.

Capital Programme Monitoring

23. At 30 September, the Capital Programme Budget was £67.64m (including £36.98m of approved carry-forward capital allocations from 2021/22).
24. Council approved an additional £0.375m expenditure on Preston Parking Improvements. This will be funded through a Strategic CIL allocation that was approved in Quarter 1.
25. The forecast outturn position is £31.86m which is £35.78m (53%) below the approved Programme for the year. The variance is driven by £35.54m slippage and a net underspend of £0.24m.
26. The main reasons for the slippage at the end of Quarter 1 were:
 - Housing Delivery Programme (£30.0m slippage) – these capital funds have been allocated to fund investment in new affordable housing. There are no specific developments planned at this time. Forecasts will be updated when new business cases are developed.
 - Beech House (£3.0m slippage) with expenditure now expected in 2023/24, subject to business case approval.
 - Merstham Recreation Ground (£1.36m) slippage with construction expenditure now expected in 2023/24.

Financial Sustainability Programme (FSP) Update

27. Taking into account the forecast funding gap that the Council is facing, the parameters within which it can operate, and building on experience to date, in November 2021 the Executive agreed to pursue a Financial Sustainability Programme.
28. The Medium-Term Financial Plan presented to the Overview and Scrutiny Committee and Executive in July 2022 set out the latest financial forecasts and explained the approach that is being taken with respect of the Programme.
29. The Programme comprises the projects and activities that are being deployed to address the Council's financial sustainability challenges over coming years and is key to overcoming them.
30. An update on Financial Sustainability Programme activity in Quarter 2 of 2022/23 is available at Annex 4.

Agenda Item 5

Options

31. The Overview and Scrutiny Committee has two options:

- **Option 1:** Note the report and make no observations to the Executive.
- **Option 2:** Note the report and make any observations to the Executive.

32. The Executive has two Options:

- **Option 1:** Note the report and make no observations/comments to the Head of Corporate Policy, Projects and Business Assurance and/or Head of Finance.
- **Option 2:** Note the report and make any observations/comments to the Head of Corporate Policy, Projects and Business Assurance and/or Head of Finance.

Legal Implications

33. There are no legal implications resulting from this report

Financial Implications

34. There are no additional financial implications arising from this report.

Equalities Implications

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

Communication Implications

36. There are no communication implications arising from this report.

Environmental Sustainability Implications

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

Risk Management Considerations

38. There are no additional risk management implications arising from this report.

Other Implications

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

Consultation

40. The report has been reviewed by the Council's Corporate Governance Group.

Policy Framework

41. Robust performance management is integral to measuring the extent to which policy objectives have been achieved.

Agenda Item 5

Background Powers
<i>None</i>

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Q2 2022/23 Key Performance Indicators

KPI	Status	Portfolio Holder
<u>KPI 1 – Council Tax Collection</u>	AMBER	Cllr Schofield
<u>KPI 2 – Business Rates Collection</u>	GREEN	Cllr Schofield
<u>KPI 3 – Staff Turnover</u>	RED	Cllr Lewanski
<u>KPI 4 – Staff Sickness</u>	GREEN	Cllr Lewanski
⁴³ <u>KPI 5 – Homelessness Positive Outcomes</u>	GREEN	Cllr Neame
<u>KPI 6 – Housing Completions</u>	GREEN	Cllr Biggs
<u>KPI 7 – Affordable Housing Completions</u>	GREEN	Cllr Biggs
<u>KPI 8 – Local Environmental Quality Surveys</u>	GREEN	Cllr Bramhall
<u>KPI 9 – Missed Bins</u>	GREEN	Cllr Bramhall
<u>KPI 10 – Recycling</u>	AMBER	Cllr Bramhall

KPI 1 – The % of Council Tax collected

	TARGET	ACTUAL	STATUS
Q1	29%	29.19%	GREEN
Q2	57%	56.67%	AMBER
Q3	85%		
Q4	98.80%		

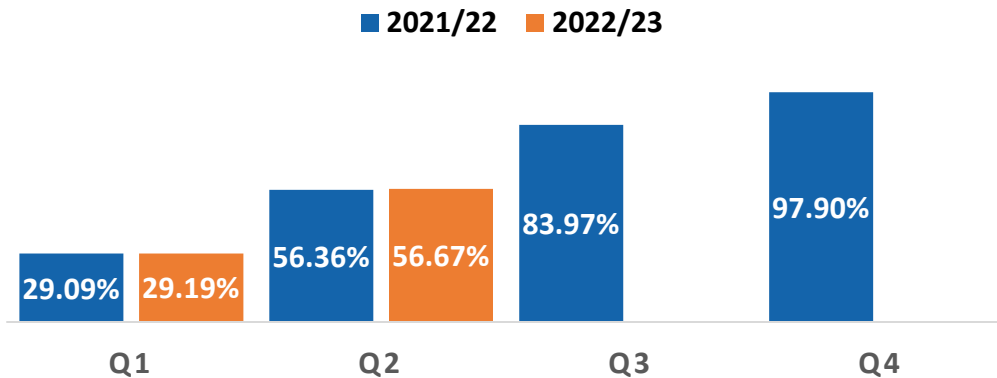
Description

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

Narrative

The Council has seen collection rates move outside of target in Q2 but within tolerance levels. The long term impacts of the Covid-19 Pandemic, notably the debt backlog from the closure of the courts, continues to be felt and has contributed to this quarter's performance. Increased resource is being put in place to bring performance back on track. The Council will continue to pursue Council Tax debt collection through the courts.

Council Tax collection (as of the end of quarter)



**Please note that these figures are reported as their status at of the end of the quarter and may be subject to change in the following weeks.*

KPI 2 – The % of Business Rates collected

	TARGET	ACTUAL	STATUS
Q1	31%	34.26%	GREEN
Q2	58%	59.78%	GREEN
Q3	85%		
Q4	99.8%		

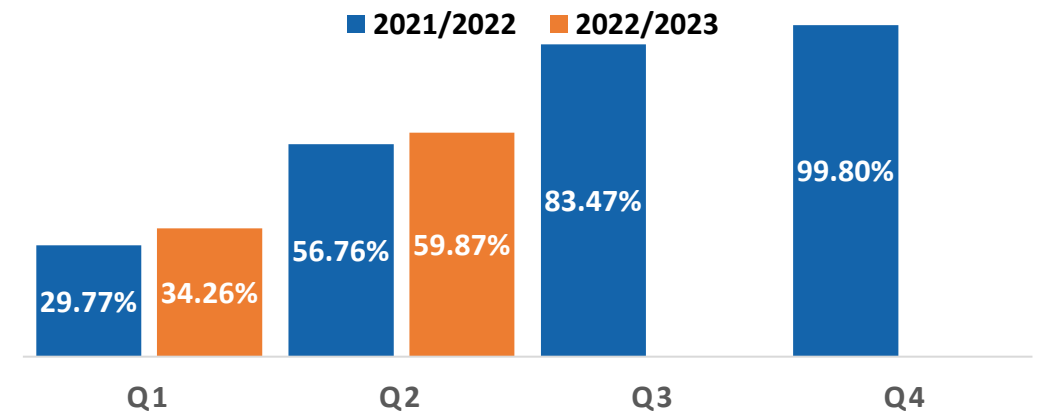
Description

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

Narrative

The Council has seen another successful quarter for the collection of Business Rates. This is a good result and an minor improvement over the rates seen at the same period in the previous financial year (2021/22).

Business Rates collection (as of the end of quarter)



KPI 3 – Staff turnover

	TARGET	ACTUAL	STATUS
Q1	12%	10%	GREEN
Q2	12%	16%	RED
Q3	12%		
Q4	12%		

Description

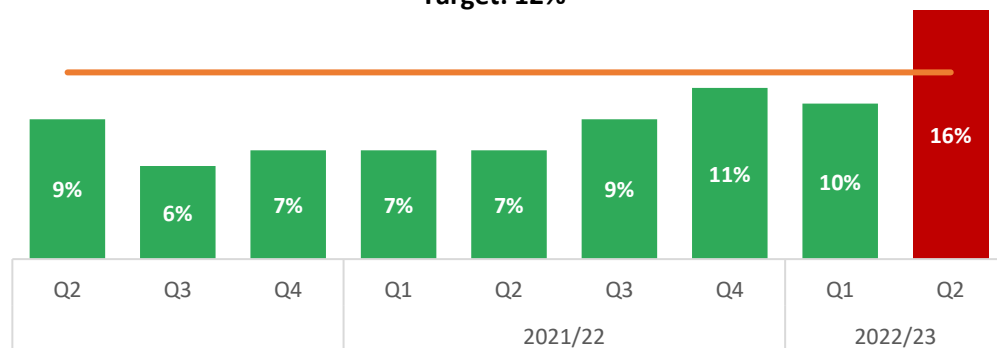
This indicator tracks the percentage of staff that leave the organisation on a voluntary basis. The performance reported is for a cumulative rolling 12 month period.

Narrative

Levels of staff turnover were in excess of target in Q2. However, the Council has previously seen lower than expected turnover (see historic trends in the graph below). The Pandemic, a buoyant labour market and pent-up demand for a move in job are likely to have contributed to this increase. The current uptick in turnover is being managed, with workloads carefully monitored and balanced and resources redeployed if required.

Staff Turnover

Target: 12%



KPI 4 – Staff sickness absence

	TARGET	ACTUAL	STATUS
Q1	4 days	3.95 days	GREEN
Q2	4 days	3.22 days	GREEN
Q3	4 days		
Q4	4 days		

Description

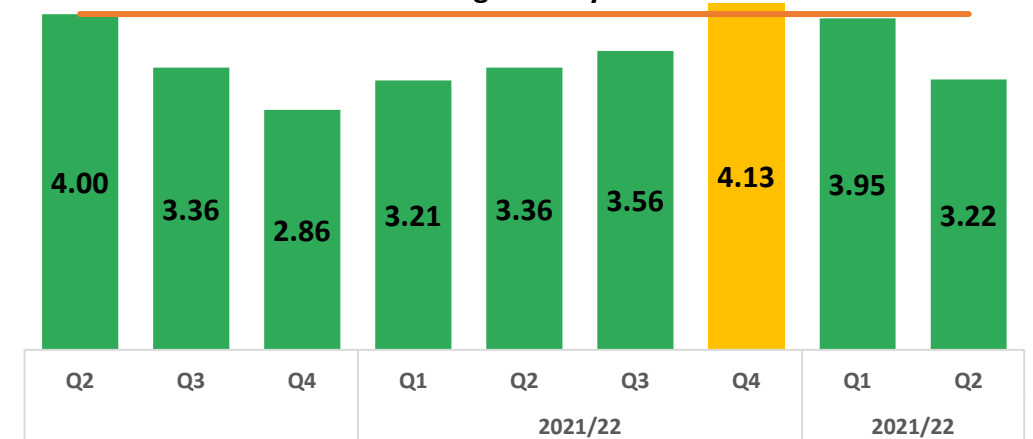
This indicator tracks the average duration of short term sickness absence per employee. The performance reported at the end of each quarter is for a cumulative rolling 12 month period. The indicator measures all non Covid-19 short term sickness absence.

Narrative

Q2 has seen staff sickness levels remain within target range with levels down slightly from Q1, to just over 3 days average for the Q2 reporting period.

Staff sickness absence (days)

Target: 4 days



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

	TARGET	ACTUAL	STATUS
Q1	55%	62%	GREEN
Q2		63%	GREEN
Q3			
Q4			

Description

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

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

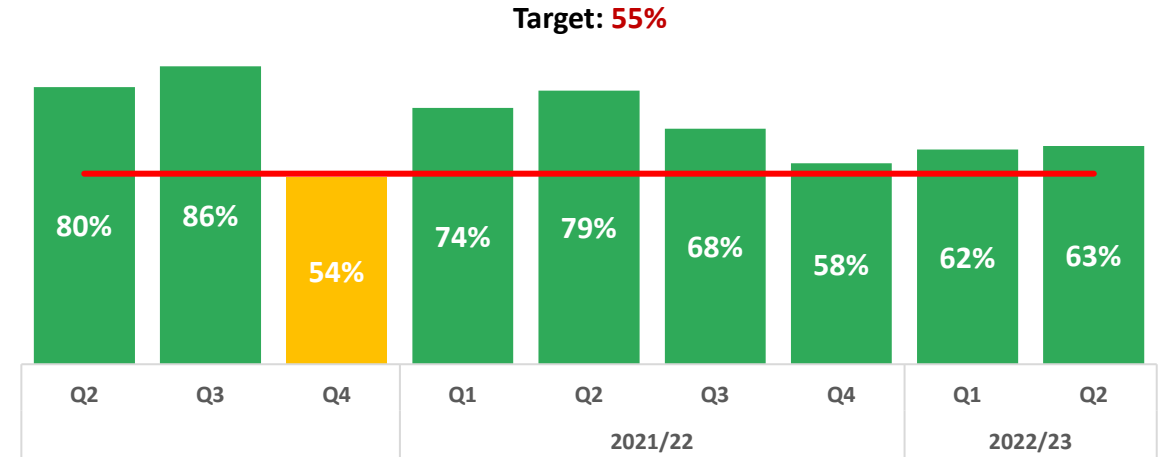
Narrative

In Q2 there were 375 homelessness approaches made to the Council. Of these approaches, there were 127 cases where the support threshold was met. Meaning that both approaches and those meeting support threshold are both slightly up from their Q1 position.

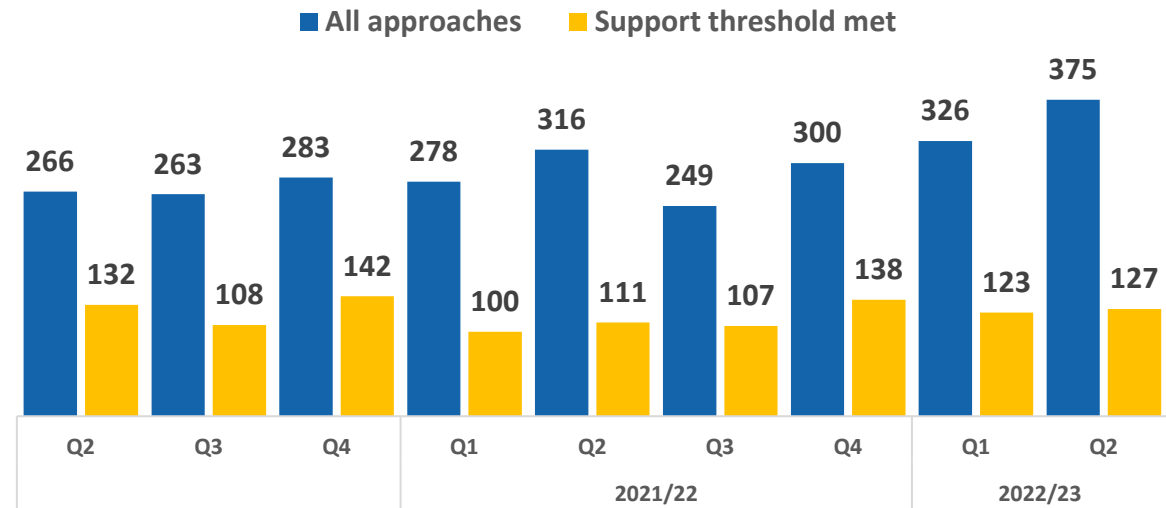
Given the present challenging economic conditions and general uncertainty facing residents, it is expected that the number of approaches the Council sees will continue to increase.

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

Positive Homeless Prevention Relief and Outcomes



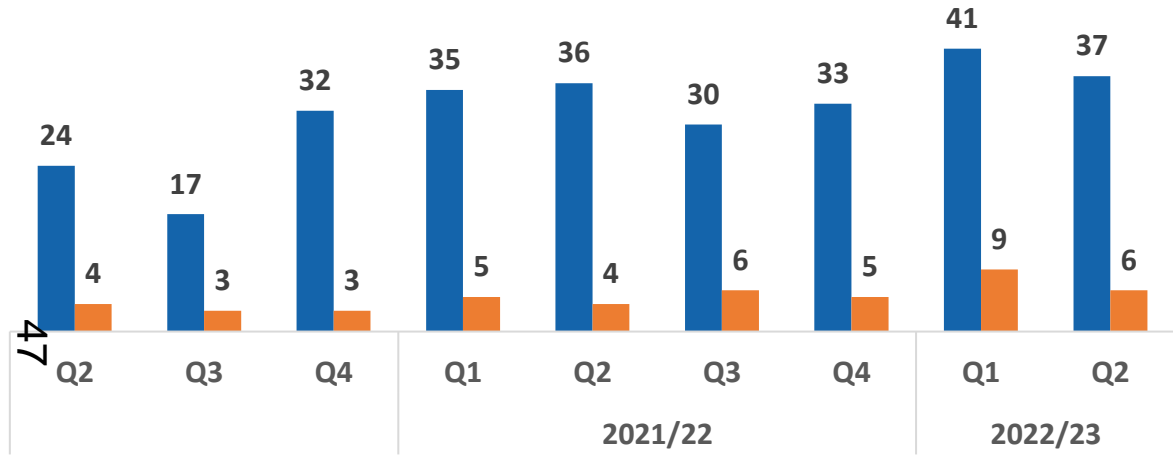
Homeless approaches (contextual)



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

Average Number of Households in Temporary Emergency Accommodation

■ In borough ■ Out of borough

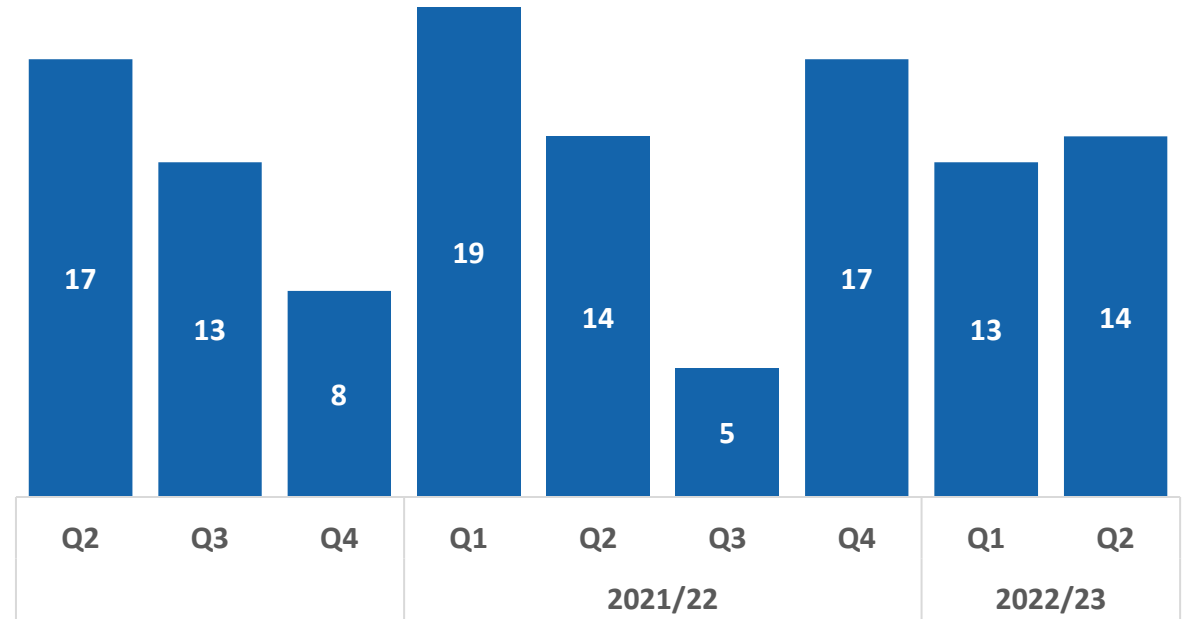


Temporary Emergency Accommodation

Complex single persons continue to make up an increasing share of those placed in temporary emergency accommodation. Q2 has seen a minor dip in households in temporary accommodation.

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

Main duty acceptances (contextual)



Main Duty Acceptances

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

At the close of Q2 there were 14 main duty homelessness acceptances, a up slightly from Q1 but still below the higher levels seen in the previous year.

KPI 6 – Net housing completions

	TARGET	ACTUAL	STATUS
Q1	115	142	GREEN
Q2	230	269	GREEN
Q3	345		
Q4	460		

Description

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

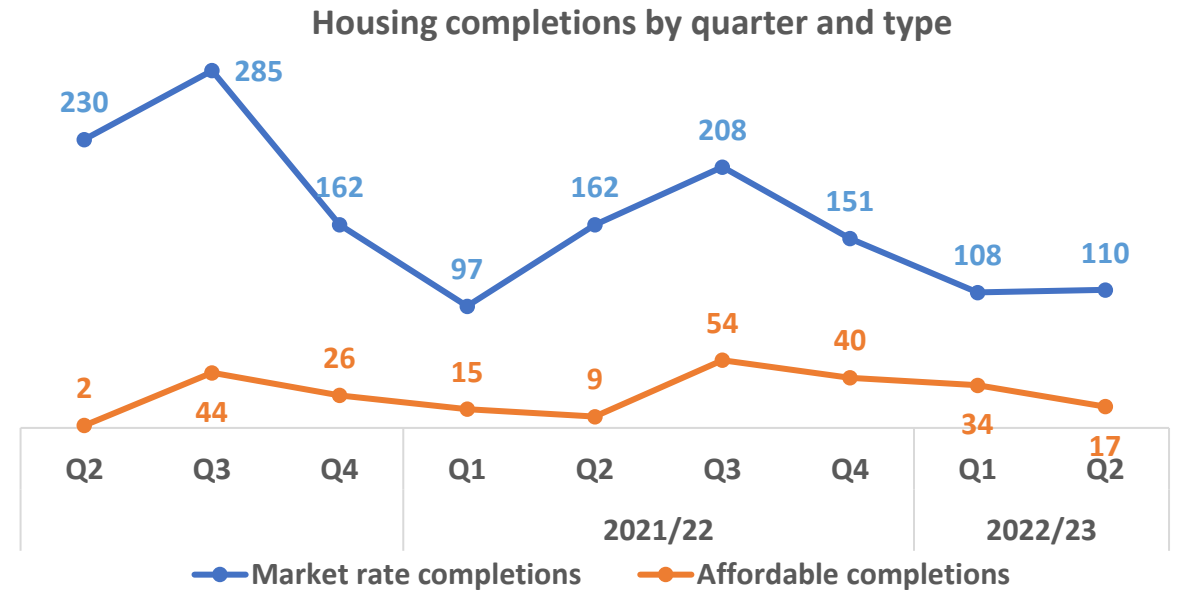
The numbers of units listed as under construction or newly commenced may be subject to change between quarters as the Council does not always receive notice or receive delayed notice from sites.

Narrative

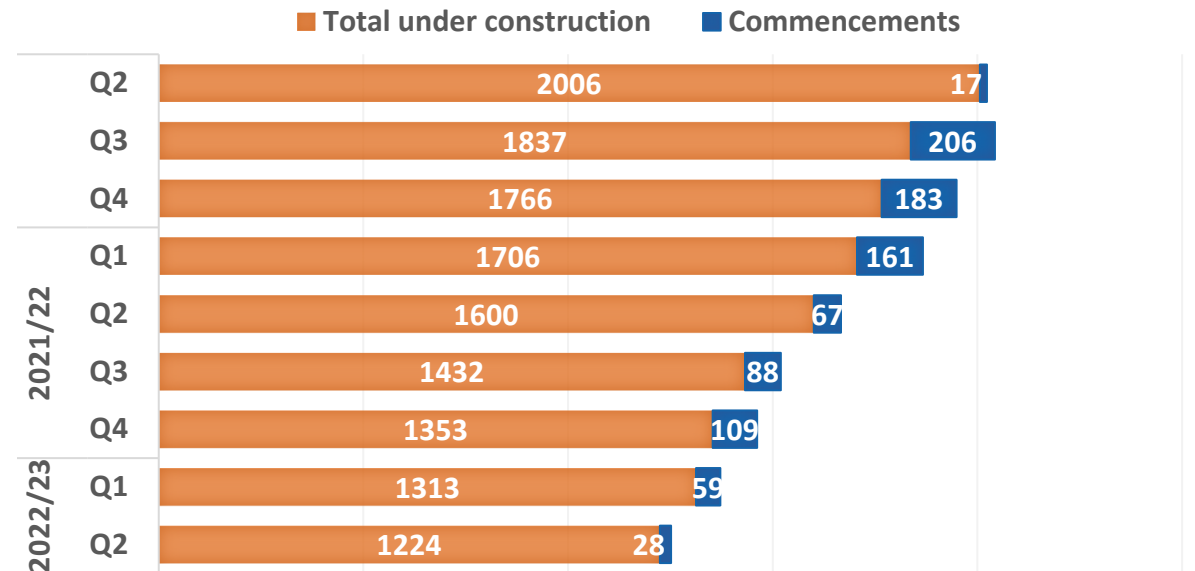
Net housing completions in Quarter 2 2022/23 have remained well within target, with a cumulative 269 completions against a target of 230.

The majority of these completions have come from the Horley, with other key contributions coming large sites such as Horley NWS, the Quarryside Business Park site and the De Burgh Gardens site.

At the close of the quarter there were 1,224 dwellings under construction, with a further 28 commencing in quarter.



Dwellings under construction and commencements



KPI 7 – Net affordable housing completions

	TARGET	ACTUAL	STATUS
Q1	25	34	GREEN
Q2	50	51	GREEN
Q3	75		
Q4	100		

Description

KPI 7 measures the number of net affordable housing completions in the borough. This targets mirror those set in the local plan and is where it is derived from.

The local plan does not set an annual target, but instead has a target of the delivery of 1,500 affordable units over a 15 year period. With the annual target here set by by dividing this total target by year. Performance reported is cumulative for the year.

Given the fluctuations in housing completions, a tolerance of 10 applies each quarter.

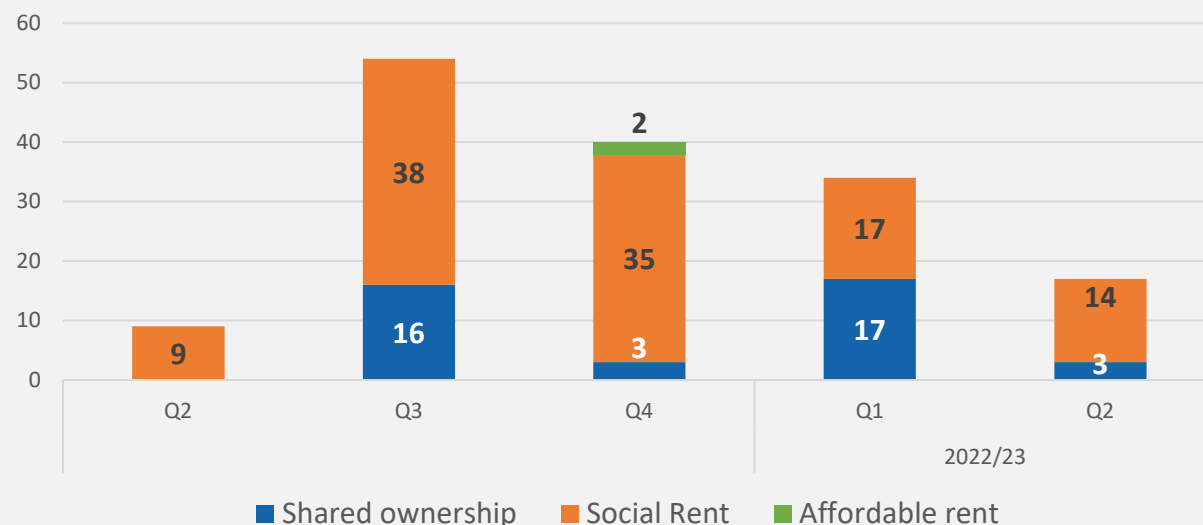
Narrative

The Council has continued its good performance for the delivery of affordable housing in the borough by meeting the target of 50, with the delivery of 51 affordable units by the close of the quarter. The majority of these stemming from the Horley NWS development site.

As of Q2 reporting, the Council has now met the 2025 objective for the delivery of 1050 affordable units over a 15 year period. In Q2, 1087 affordable units have now been delivered within the borough.

Of the 1,224 dwellings under construction at the end of Q2, 153 of these are affordable units. No new affordable dwellings saw commencement during Q2.

Affordable Housing Completions (Quarterly)



As with market completions, a combination of long-term impacts of the Covid-19 pandemic, supply chain concerns and general economic uncertainty have all had an impact on completions. Additionally, the council does not always receive timely notice of commencements, which may cause some underrepresentation of the true figures at time of reporting.

Social Rent Accommodation being where the Council expects rent to be charged in accordance with the relevant guidance with 'National Rent Scheme' at the time of the application.

Affordable Rented Accommodation being where the Council encourages affordable rented accommodation to be provided in line with monthly 'living rent' levels; not in excess of the Local Housing Allowance or 80% of the market rent, whichever is the lowest.

Shared ownership homes are offered by housing associations, local councils, and other organisations where ownership of the property is split, with residents paying shares to the other owning party.

KPI 8 – Local Environmental Quality Surveys

	TARGET	ACTUAL	STATUS
Q1	90% of sites at grade B	97%	GREEN
Q2		100%	GREEN
Q3			
Q4			

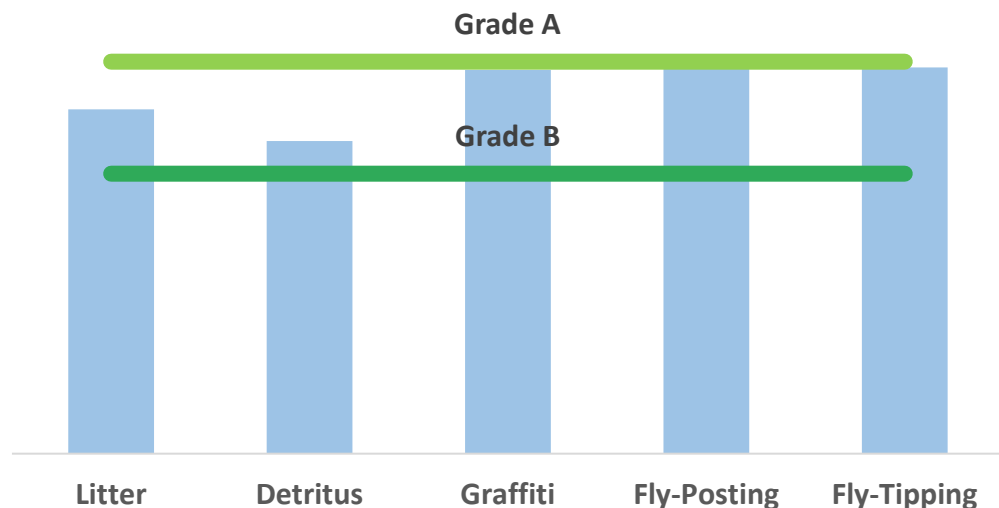
Description

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

Narrative

Of the 111 surveys carried out in Quarter 2, all sites surveyed scored grade B and above. The graph below details the average site score by category.

LEQ average site scores by category



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

	TARGET	ACTUAL	STATUS
Q1	10	1.062	GREEN
Q2		1.141	GREEN
Q3			
Q4			

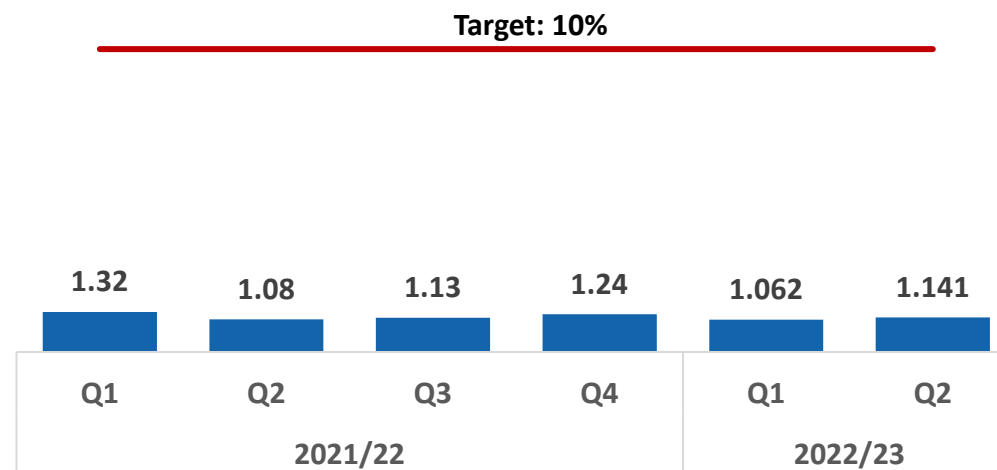
Description

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

Narrative

The Council has continued to maintain a reliable waste collection service for residents, with just over 1 bin reported as missed per 1,000 collected in Q2.

Number of missed bins per 1,000 collected



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

		TARGET	ACTUAL	STATUS
21/22	Q1	60%	56.9%	AMBER
	Q2		58.3%	AMBER
	Q3		54.0%	RED
	Q4		52.4%	RED
22/23	Q1	60%	55.8%	AMBER

Description

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

Narrative

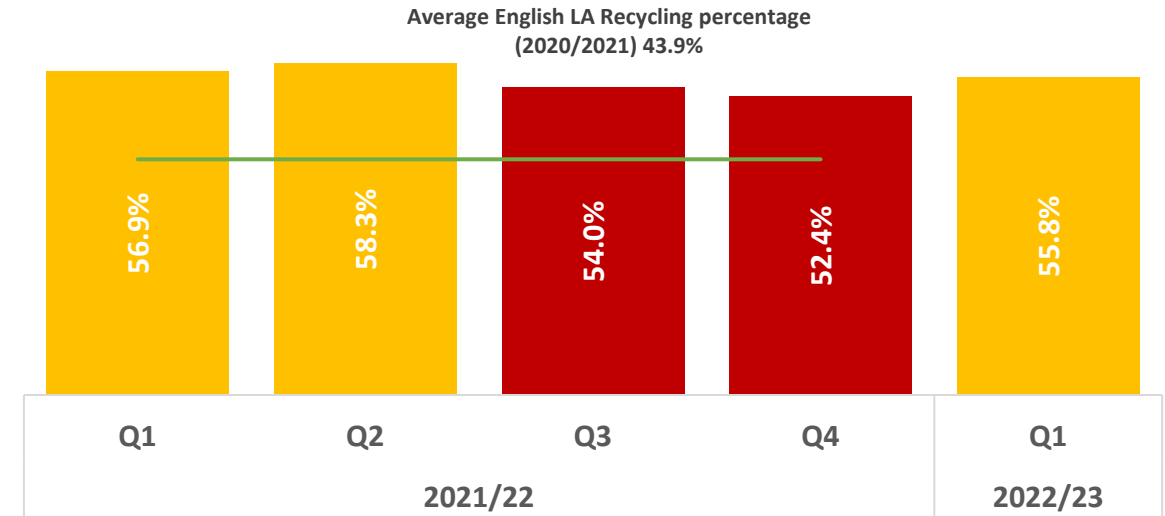
Performance for quarter 2 has been comparable to those seen in previous years, with improvement over the preceding two quarters moving performance back within tolerances.

While outside of target, the 55.8% represents an improvement over the preceding two quarters. Early indications for the upcoming Q2 data suggest a similar performance, but there may be impacts from the particularly dry summer on garden waste collection.

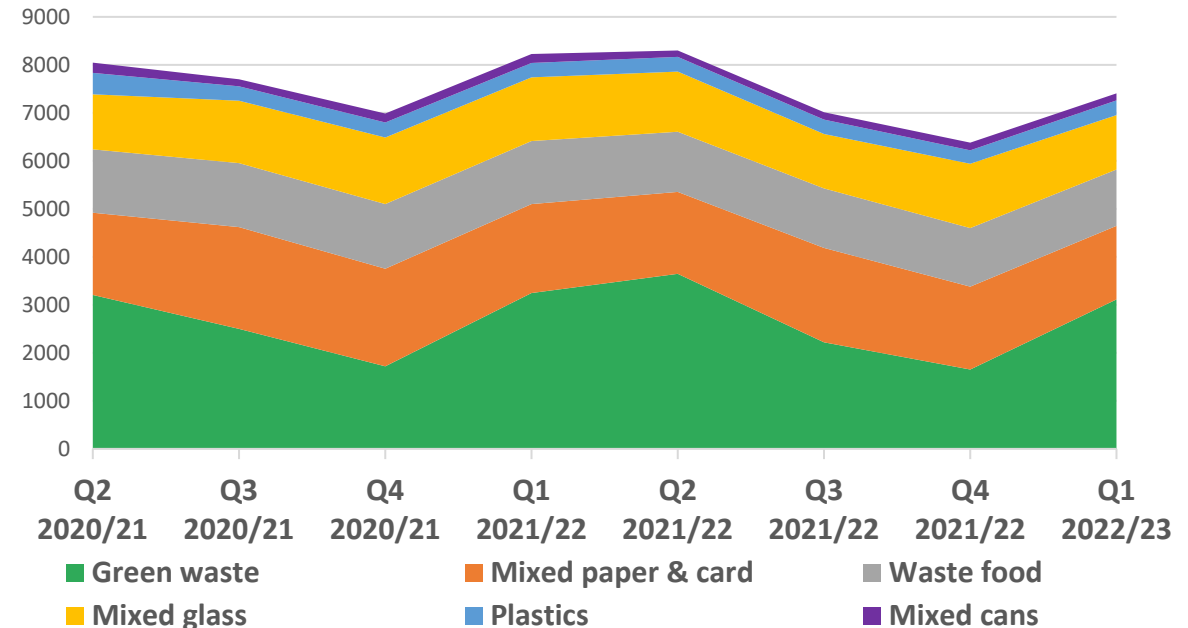
The continued roll out to flats, reduction in contamination and a rationalisation of bring sites is expected to further improve upon these results. The Council is supporting the Surrey Environment Partnership with their campaign informing and encouraging residents recycling habits. Additionally, the council is conducting internal research and review into waste collection and practices to identify further improvement activities to improve on this measure.

As can be seen in the graphics overleaf, levels of residual waste per household have continued to remain low following the pandemic, with a very minor decline in Q1.

The % of household waste that is recycled and composted



Top Recycling Streams Collected by Tonnage



KPI 10 – Recycling (contextual)

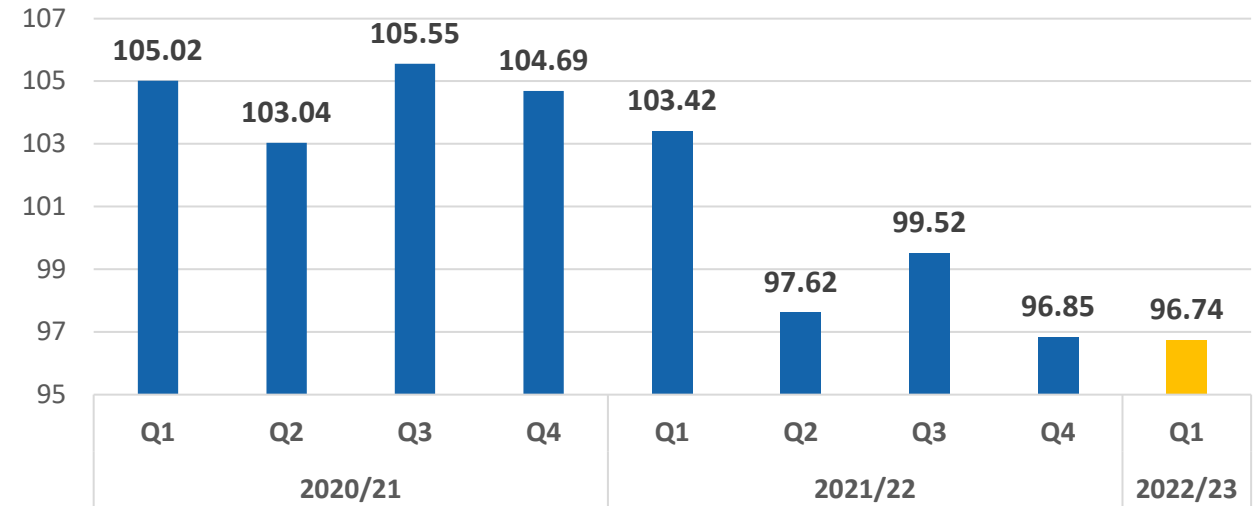
Narrative

In Q1, the residual waste per household (Kg) has remained steady with a minor decrease recorded. Rationale behind this decrease is under review, with one theory suggesting a return to higher levels of commuting for work/pleasure may influence household waste produced in borough.

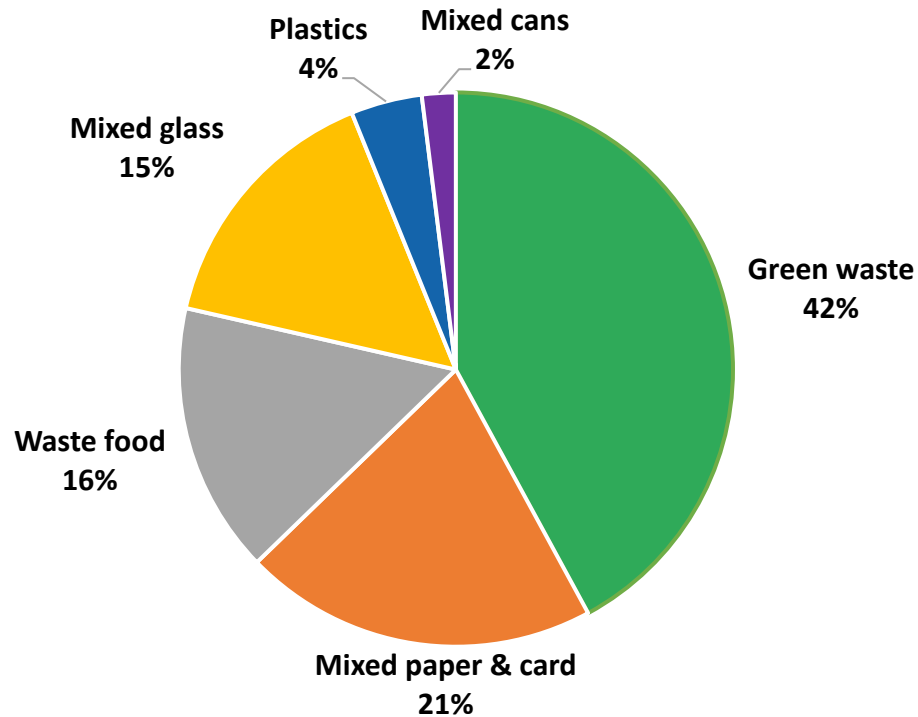
The percentage makeup of recycled materials has changed somewhat in Q1, with green waste back up to around 43%; the summer months being a key period for green waste collection.

Green waste, Food waste and mixed paper and card continue to dominate the makeup of recycling tonnage, representing 79% of all recycling collected in the quarter.

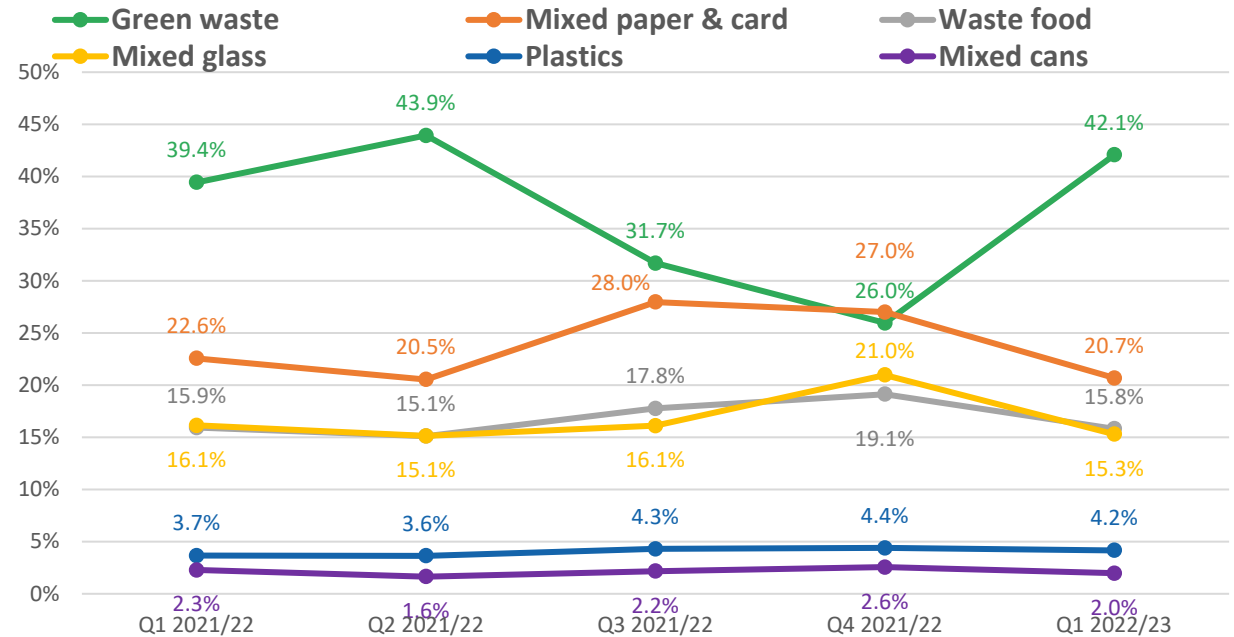
Residual Waste Per Household (kg)



Recycling percentage by material (Q2)



Material as a % of the total recycling collected (Contextual)



2022/23 Period 6: Revenue Budget Monitoring

Summary

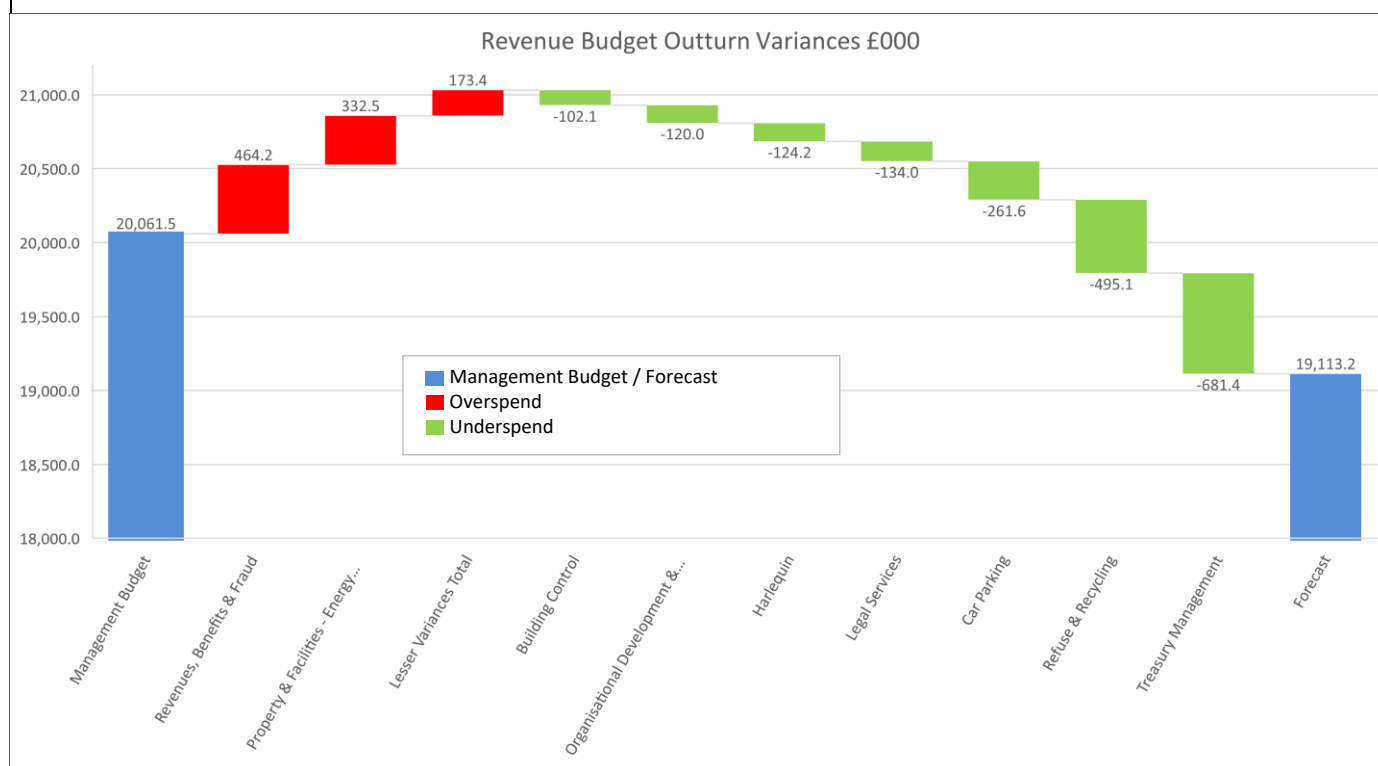
The full year forecast at the end of Quarter 2 for underlying Service budgets is £-263k (-1.5%) lower than the management budget; the Central budgets are forecast to be £-674k (32.4%) lower than budget, resulting in an overall forecast of £-948k (-4.7%) lower than budget.

Reconciliation of Original Budget to Management Budget for 2022/23

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

Headline Revenue Budget Information 2022/23

	£000
Management Budget	20,062
Year End Forecast	19,113
Projected underspend	<u>-948</u> (-4.7% of the budget)



Forecast for Services is £263k under budget. Significant variances summarised below:

Revenues, Benefits & Fraud: £464k overspend driven by £409k net impact of lower subsidy, £138k higher Housing Benefit costs, £120k higher temporary staff costs and £56k lower Homelessness Grant receipts are partially offset by £190k lower staff costs due to vacancies and £100k higher Council Tax Fees & Charges income.

Property & Facilities - Energy Costs: £332k overspend driven by increased costs of gas & electricity.

Building Control: £102k underspend: Joint Venture is now forecast to provide a net surplus rather than the small loss budgeted.

Organisational Development & Human Resources: £120k underspend driven by vacancies across the team.

Harlequin: £124k underspend driven by higher income from Amateur Shows and lower staff costs due to vacancies.

Legal Services: £134k underspend driven by vacancies.

Car Parking: £262k underspend driven by higher than expected revenue in off-street parking.

Refuse & Recycling: £495k underspend driven by higher Garden Waste income, lower waste disposal costs and lower temporary staff requirement.

Forecast for Central Budgets is £674k under budget. Significant variances summarised below:

Treasury Management: £681k underspend. Higher than budgeted interest income due both to favourable rates and more funds on deposit.

1. General Fund Reserve		£000	£000
Balance at start of year			3,000.0
Add: Projected underspend	at 31 March 2023		948.4
Anticipated balance at End of Year before Reserves Review/Reallocations*			3,948.4
*Maximum General Fund Balance Required (2022/23 = £3m)		2,997.0	

Budget Monitoring: Summary 2022-23

Responsible Officer	Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Outturn £000	Year End Variance £000	Commentary
1. Service Budgets							
1a. Organisation							
Catherine Rose	Corporate Policy	236.0	0.0	236.0	236.0	0.0	
	Projects & Business Assurance	212.6	0.0	212.6	212.6	0.0	
Carys Jones	Communications	734.6	0.0	734.6	734.6	0.0	
	Customer Contact	416.8	0.0	416.8	416.8	0.0	
Darren Wray	Information & Communications Technology	1,810.0	0.0	1,810.0	1,891.7	81.7	Inflationary and other contract increases partially offset by saving in staff costs due to vacancies.
Kate Brown	Organisational Development & Human Resources	816.1	0.0	816.1	696.1	(120.0)	Saving in staff costs due to vacancies.
Joyce Hamilton	Legal Services	824.5	0.0	824.5	690.5	(134.0)	Saving in staff costs due to vacancies.
	Land Charges	-102.1	0.0	-102.1	-120.2	(18.1)	Saving due to lower SCC Land Changes expense.
	Democratic Services	868.3	0.0	868.3	854.7	(13.6)	Saving in staff costs partially offset by increased Members Allowances.
	Electoral Services	502.5	0.0	502.5	472.9	(29.6)	Saving in staff costs partially offset by increased elections cost.
Pat Main	Corporate Support	187.5	0.0	187.5	161.1	(26.4)	Savings in stationery and postage costs.
	Finance	1,368.3	-124.0	1,244.3	1,332.5	88.2	Increased costs due to use of specialist interim resources
	Property & Facilities - Energy Costs	370.9	0.0	370.9	703.4	332.5	Increase in costs of gas and electricity
	Property & Facilities	-1,723.7	0.0	-1,723.7	-1,676.3	47.4	Minor variance
	Commercial & Investment	149.3	0.0	149.3	149.3	0.0	
1b. Place							
Simon Bland	Economic Prosperity	282.4	0.0	282.4	337.2	54.8	Lower markets income due to reduced demand, relating to increased cost of living.
Morag Williams	Fleet	1,458.7	0.0	1,458.7	1,525.6	66.9	Increase in cost of fuel, partially offset by minor undespends.
	Refuse & Recycling	1,165.8	0.0	1,165.8	670.7	(495.1)	£300k higher Garden Waste income, £157k lower waste disposal cost driven by lower volumes, £60k lower temporary staff costs.
	Engineering & Construction	63.2	0.0	63.2	83.5	20.3	Capitalised salary recharge will not take place this year as the team no longer carry out capital works. The ongoing requirement for this budget has been reviewed as part of service & financial planning 2023/24.
	Environmental Health & JET	1,130.8	78.6	1,209.4	1,133.4	(76.0)	Higher income due to successful court actions against landlords.
	Environmental Licencing	-190.1	-78.6	-268.7	-266.3	2.4	Minor variance
	Greenspaces	1,546.9	0.0	1,546.9	1,547.1	0.2	Minor variance
	Car Parking	-804.1	0.0	-804.1	-1,065.7	(261.6)	Higher income from off-street parking.
	Street Cleansing	952.7	0.0	952.7	980.1	27.4	Higher overtime costs.
Peter Boarder	Place Delivery	370.9	0.0	370.9	351.9	(19.0)	Lower consultancy costs partially offset by higher salaries costs. This has been reviewed as part of service & financial planning 2023/24.
Andrew Benson	Building Control	45.0	0.0	45.0	-57.1	(102.1)	£41k lower Joint Venture costs and £61k extra income. The lower costs have been given up as saving in the 23/24 S&FP exercise.
	Planning Policy & Development Services	673.2	0.0	673.2	698.2	25.0	£229k lower staff costs due to 5 vacancies and £130k extra grant income partially offset by £231k lower income in planning fees due to lower volume of applications and £160k higher consultancy costs.

Budget Monitoring: Summary 2022-23

Responsible Officer	Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Outturn £000	Year End Variance £000	Commentary
1c. People							
Justine Chatfield	Community Development	426.7	-42.0	384.7	326.9	(57.8)	External grant income to fund some roles.
	Partnerships	303.1	87.3	390.4	344.5	(45.9)	Saving in staff costs due to Partnerships Officer vacancy. This has been reviewed as part of service & financial planning 2023/24.
	Community Centres	382.5	10.0	392.5	375.8	(16.7)	Saving in staff costs.
	Voluntary Sector Support	200.1	26.1	226.2	226.2	0.0	
Richard Robinson	Housing Services	1,026.3	0.0	1,026.3	1,119.6	93.3	Extra Bed & Breakfast accommodation provision has driven higher net costs.
Simon Rosser	Revenues, Benefits & Fraud	805.9	0.0	805.9	1,270.1	464.2	£409k net impact of reduced Housing Benefit subsidy, £138k higher Housing Benefit costs, £120k higher temporary staff costs and £56k lower Homelessness Grant contribution are partially offset by £190k lower staff costs due to vacancies and £100k higher Council Tax Fees & Charges income.
Duane Kirkland	Supporting People	167.3	0.0	167.3	142.3	(25.0)	Underspend on a budget that is no longer required. This has been reviewed as part of service & financial planning 2023/24.
	Supporting Families	56.4	0.0	56.4	60.7	4.3	Minor variance
	Harlequin	380.8	0.0	380.8	256.6	(124.2)	£74k higher income relating to Amateur Shows and £61k lower staff costs due to vacancies.
	Leisure Services	-66.4	0.0	-66.4	-84.3	(17.9)	Management fee income higher than budget. This has been reviewed as part of service & financial
1d. Management Team							
Mari Roberts-Wood	Management Team	933.2	0.0	933.2	933.2	0.0	
Frank Etheridge	Emergency Planning	39.7	0.0	39.7	39.7	0.0	
Total Services		18,022.6	-42.6	17,980.0	17,705.6	(274.4)	

2. Central Budgets

Pat Main	Insurance	465.0	0.0	465.0	452.9	(12.1)	Actuals on renewal were slightly lower than budgeted.
	Treasury Management - Interest on Investments	-1,195.0	124.0	-1,071.0	-1,646.2	(575.2)	Includes interest on commercial loans and updated BoE interest forecasts.
	Treasury Management - Interest on Borrowing	455.0	0.0	455.0	366.8	(88.2)	Lower cost of borrowing for capital programme than originally forecast.
	Treasury Management - Interest on Trust Funds	18.0	0.0	18.0	0.0	(18.0)	
	Minimum Revenue Provision	1,361.0	0.0	1,361.0	1,361.0	0.0	
	Employer Pension Costs	400.0	0.0	400.0	400.0	0.0	
Kate Brown	Apprenticeship Levy	78.0	0.0	78.0	78.0	0.0	
	Recruitment Expenses	40.0	0.0	40.0	40.0	0.0	
	Corporate Human Resources Expenses	86.8	0.0	86.8	86.8	0.0	
Pat Main	Central Budget Contingencies	99.2	0.0	99.2	99.2	0.0	
	Preceptor Grants	37.5	0.0	37.5	37.5	0.0	
	External Audit Fees	53.0	0.0	53.0	72.0	19.0	Forecat based on most recent fee estimates.
	Internal Audit	59.0	0.0	59.0	59.6	0.6	

Total Central Items 1,957.5 124.0 2,081.5 1,407.6 (673.9)

Grand Total 19,980.1 81.4 20,061.5 19,113.2 (948.3)

2022/23 COVID-19 Expenditure & Funding @ P6 2022/23	Funding B/Fwd From 21/22 £m	Funding Received In 22/23 £m	Forecast Expenditure £m	Forecast Repayment to Government £m
Covid-19				
Closed Grants				
Additional Restrictions Grant	(0.281)	-	-	0.281
Omicron Hospitality & Leisure Grant	(0.109)	-	0.109	-
Reopening High Streets / Welcome Back Fund	(0.036)	-	0.036	-
Grants Continuing Beyond 1st April '22				
Council Tax Hardship Grant	(0.254)	-	0.254	-
Environmental Health SLA	(0.120)	(0.062)	0.155	0.027
Test & Trace - Admin Funding	(0.050)	-	0.040	-
General Funding	(0.036)	-	0.030	-
New Burdens Funding	-	(0.032)	0.032	-
Test & Trace - Mandatory Scheme	(0.013)	(0.016)	0.031	-
Forecast Expenditure and Income 2022/23	(0.899)	(0.110)	0.687	0.308
Expected Net Underspend 2022/23			(0.014)	

2022/23 COVID ADDITIONAL RELIEF FUND	Forecast Expenditure £m	Forecast Funding £m
Expenditure & Funding @ P6 2022/23		
<u>Covid Additional Relief Fund (CARF)</u>		
Funding Received In 2021/22		(3.514)
NNDR Reliefs Granted During 2021/22	0.041	
Balance Carried Forward Into 2022/23	3.473	
	3.514	(3.514)
Balance Brought Forward From 2021/22		(3.473)
NNDR Reliefs Expected To Be Granted During 2022/23	0.087	
Remaining Balance (Repayable To DLUHC)	3.386	
	3.473	(3.473)

2022/23 COUNCIL TAX ENERGY REBATE	Forecast Expenditure £m	Forecast Funding £m
Expenditure & Funding @ P6 2022/23		
<u>Core Scheme</u> (ended 30.09.22)		
Funding Received		(5.153)
£150 Payments To Band A-D Council Tax Payers	4.819	
£150 Council Tax Credits Made To Band A-D Council Tax Payers	0.318	
£150 Payments To Band A-D Council Tax Payers - Expected Future Payments	scheme ceased	
Final Expenditure and Income 2022/23	5.137	(5.153)
Final Nett Funding (Returnable To DLUHC)	(0.016)	
<u>Discretionary Scheme</u> (ends 30.11.22)		
Funding Received		(0.332)
£150 Discretionary Payments - Paid To 30th September	0.025	
£150 Discretionary Payments - Estimated Future Payments	0.200	
Forecast Expenditure and Income 2022/23	0.225	(0.332)
Forecast Nett Funding (Returnable To DLUHC)	(0.107)	
<u>Administrative Costs</u>		
Funding Received		(0.057)
Software & Processing Costs - Paid To 30th September	0.034	
Staffing & Administration Costs - Paid To 30th September	0.038	
Expected Future Costs	0.010	
Forecast Expenditure and Income 2022/23	0.082	(0.057)
Forecast Nett Expenditure (further funding determinations are currently underway)	0.025	
Forecast Expenditure and Income 2022/23 (All Elements)	5.444	(5.542)
Forecast Net Funding (All Elements)	(0.098)	
Summary:-		
Surplus Income Returnable To DLUHC	(0.123)	
Potential Cost To Be Borne By RBBC (worst-case, assumes no further Admin funding is received)	0.025	

2022/23 UKRAINIAN REFUGEE SCHEMES	Forecast Expenditure £m	Forecast Funding £m
Expenditure & Funding @ P6 2022/23		
<u>Ukraine Family Scheme</u>		
Funding Received (costs reimbursed in arrears by SCC)		(0.021)
Refugee Accommodation Costs	0.015	
Refugee Travel Costs	0.001	
Prepaid Cards	0.001	
Interpretation/Translation Costs	0.002	
Staff Overtime / Additional Hours	0.001	
Staff Travel Costs	0.001	
Forecast Expenditure and Income 2022/23	0.021	(0.021)
Forecast Nett Expenditure	0.000	
<u>Homes For Ukraine Scheme</u>		
Funding Received (costs reimbursed in arrears By SCC)		(0.358)
Sponsorship Payments (estimate based on current no. of sponsors)	0.305	
Refugee Accommodation Costs	0.020	
Refugee Travel Costs	0.002	
Interpretation & Translation Services	0.002	
Prepaid Cards	-	
Staff Overtime / Additional Hours	0.025	
Staff Travel Costs	0.004	
Forecast Expenditure and Income 2022/23	0.358	(0.358)
Forecast Nett Expenditure	0.000	
Forecast Expenditure and Income 2022/23 (All Schemes)	0.379	(0.379)
Forecast Nett Expenditure (All Schemes)	0.000	
Summary:-		
Surplus Income Returnable To SCC	0.000	
Potential Cost To Be Borne By RBBC	0.000	

HOUSEHOLD SUPPORT FUND ROUNDS 1 TO 3 Expenditure & Funding @ P6 2022/23	Round #1 (period covered:- 06.10.21 - 31.03.22)		Round #2 (period covered:- 01.04.22 - 30.09.22)		Round #3 (period covered:- 01.10.22 - 31.03.23)	
	Funding £m	Expenditure £m	Funding £m	Expenditure £m	Funding £m	Expenditure £m
The Household Support Fund is a Government scheme aimed at alleviating the financial pressures falling on households as a result of the cost of living crisis. There is a specific focus on supporting households with energy, food & water bills.	(actuals)	(actuals)	(actuals)	(actuals)	(forecast)	(forecast)
Initial Grant Allocation (received via Surrey County Council)	(0.383)		(0.324)		tbc	
Support Issued To Households						
Council Tax Reduction Strand (pro-active payments made to CTR recipients)		0.181		-		
Referral Strand (referrals made to us from 3rd parties)		0.103		-		
Fuel Vouchers (distributed via VCS partners)		0.019		0.025		
Food Vouchers (distributed via VCS partners)		-		0.053		
Cash Payments (made to pensioner households on Council Tax Support)		-		0.188		
		0.303		0.266		tbc
Contributions To Voluntary/Community Sector Partners						
Stripey Stork		0.008		-		
Fuel Grants		0.008		-		
East Surrey Domestic Abuse Service		0.006		-		
Reigate & Banstead Women's Aid		0.006		-		
Food Clubs		0.005		-		
Renewed Hope Trust		0.002		-		
Gateway Allotment Project		0.002		-		
Merstham Mix		0.001		-		
Surrey Community Action		0.001		-		
		0.039		0.000		tbc
Housing Support						
Contributions Towards Rent Arrears		0.023		0.020		
Rent Assistance (Rehoming Donyings Cabin Occupants)		0.008		-		
Contribution To ESDAS Sanctuary		0.005		0.005		
		0.036		0.025		tbc
Administration Costs						
RBBC Staff Costs (costs falling outside BAU)		0.003		0.009		
Admin Contributions Claimed By VCS Partners		0.005		0.001		
Software & Administration Services (NEC Software Solutions)		-		0.015		
		0.008		0.025		tbc
		(2.20% of spend)		(8.08% of spend)		
Grant Closure/Reconciliation						
Grant Top-Up To Eliminate Overspend (received from Surrey County Council)	(0.003)		-		tbc	
Recoupment Of Unspent Grant (excess funding returned to Surrey County Council)		-		0.008		tbc
No. Of Households Supported		4,294		2,451		tbc
Total Funding & Expenditure	(0.386)	0.386	(0.324)	0.324	0.000	0.000

2022-23 Outturn Capital Programme Monitoring Q2

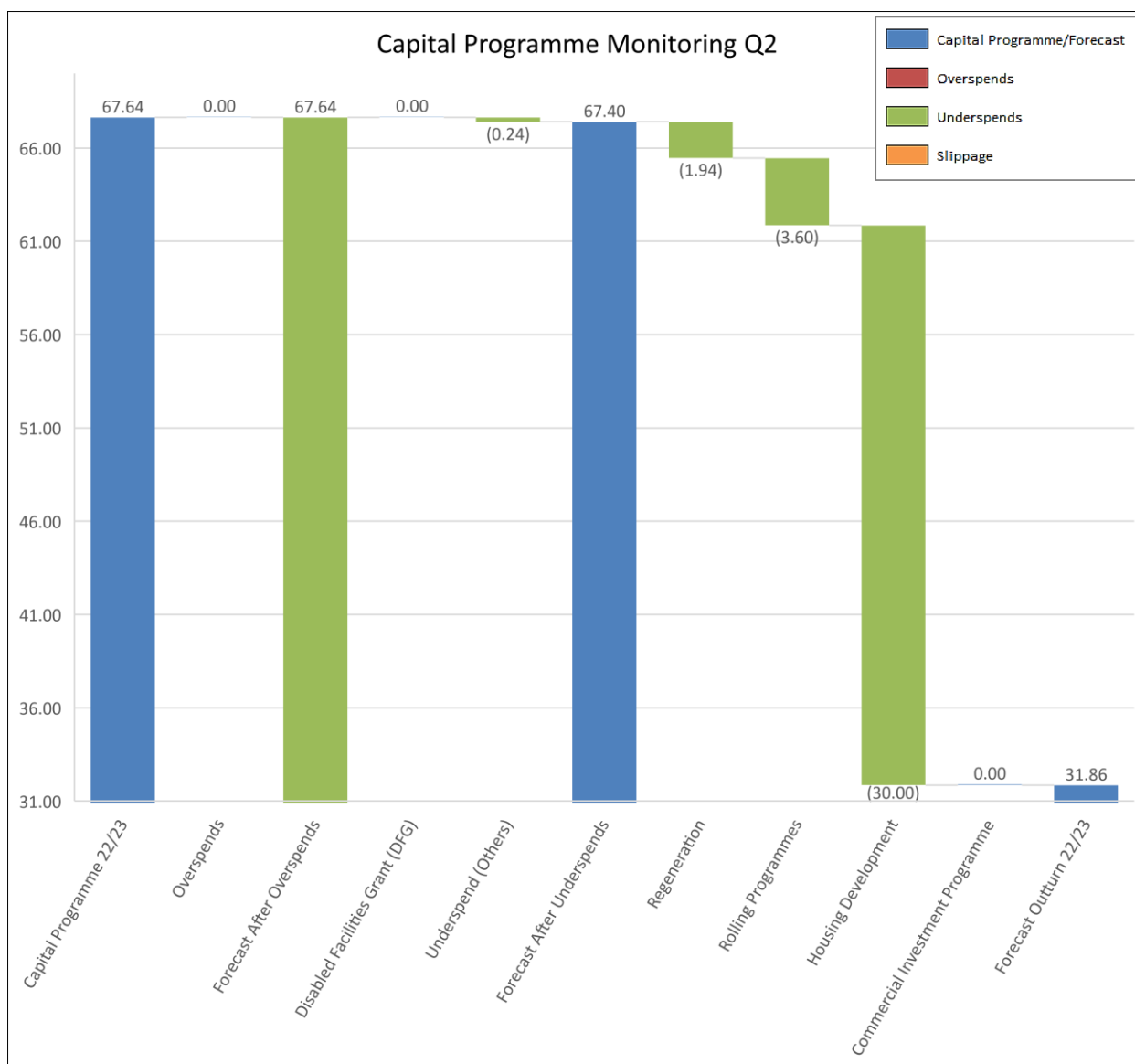
Summary

Full year expenditure forecast against the Capital Programme at the end of Quarter 2 is £31.86m which is £35.78m (53%) below the approved Programme for the year. The variance is predominantly a result of £30.00m slippage on the Housing Delivery Programme.

Headline Capital Budget Information 2022-23

£m

Current Budget (Section 1):	67.64
Projected Net Overspends	0.00 (or 0 % of Programme)
Projected Net Underspends	(0.24) (or 0 % of Programme)
Projected Slippage	(35.54) (or 53 % of Programme)
Total Capital Expenditure	31.86



Underspends, £0.240m. Significant variances summarised below:

Regeneration	Vibrant Towns & Villages (£0.100m underspend) - No demands are expected on this programme in made on this programme in 2022/23.
Others	CCTV Rolling Programme (£0.100m underspend) - No expenditure now expected in 2022/23

Slippage, £35.54m. Significant variances summarised below:

Housing Development	Housing Delivery Programme (£30.000m slippage) - Capital funds allocated to fund investment in new affordable housing. There are no specific developments planned at this time. Forecasts will be updated when new business cases are developed.
Strategic Property	Beech House - (£3.000m slippage) - Expenditure expected in 2023/24, subject to business case approval.
	Car Parks Programme - (£0.548m slippage) - Expenditure will now take place after Car Park asset review.
Regeneration	Merstham Recreation Ground - (£1.360m slippage) - The majority of construction spend is now expected in 2023/24.
	Horley Public Realm Improvements (£0.525m slippage) - The majority of expenditure is now expected in 2023/24

Capital ANNEX 3: Section 1

Reconciliation of Capital Programme to Approved Budgets 2022-23

	£000
Original Capital Budget	30,282.7
Budget approved but not yet released ¹	0.0
	<u>30,282.7</u>
Additions	
Carry Forwards from previous year	36,983.1
Budgets released during the year ¹	0.0
Reprofiling of projects	0.0
Other Changes	374.5
Current Capital Budget	<u>67,640.3</u>

Notes

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

Capital ANNEX 2: Section 2

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

Programme/Project	Original Budget	Approved Budgets Not Released	Carry Forwards	Other Changes	Current Budget	Year End Outturn	Year End Variance	Quarter 1: Explanation of Significant Variances	Quarter 2: Explanation of Significant Variances
	£000	£000	£000	£000	£000	£000	£000		
Operational Buildings	110.0	0.0	260.0	0.0	370.0	370.0	0.0		
Day Centres Programme	75.0	0.0	34.0	0.0	109.0	109.0	0.0		
Existing Pavilions Programme	50.0	0.0	168.0	0.0	218.0	218.0	0.0		
Leisure Centre Maintenance	210.0	0.0	17.0	0.0	227.0	227.0	0.0		
Harlequin Property Maintenance	110.0	0.0	205.9	0.0	315.9	315.9	0.0		
Tenanted Properties	100.0	0.0	100.0	0.0	200.0	200.0	0.0		
Crown House	75.0	0.0	210.0	0.0	285.0	285.0	0.0		
Units 1-5 Redhill Dist Centre Salfords	57.5	0.0	57.0	0.0	114.5	114.5	0.0		
Linden House, 51B High Street Reigate	28.8	0.0	28.0	0.0	56.8	56.8	0.0		
Unit 61E Albert Road North	200.0	0.0	62.0	0.0	262.0	262.0	0.0		
Forum House, Brighton Road Redhill	100.0	0.0	170.0	0.0	270.0	270.0	0.0		
Beech House, London Road Reigate	0.0	0.0	3,000.0	0.0	3,000.0	0.0	-3,000.0	Expenditure subject to Business Case approval.	Expenditure subject to Business Case approval.
Regent House, 1-3 Queensway Redhill	100.0	0.0	75.0	0.0	175.0	175.0	0.0		
Tenanted Property Assets	76.0	0.0	60.0	0.0	136.0	136.0	0.0		
Infra-structure (walls)	60.0	0.0	26.0	0.0	86.0	86.0	0.0		
Car Parks Capital Works Programme	190.0	0.0	358.0	0.0	548.0	0.0	-548.0	Allocation carried forward from 21/22 will not be spent in full in 22/23. Awaiting outcome of Car Park review.	Allocation carried forward from 21/22 will not be spent in 22/23. Awaiting outcome of Car Park review.
Earlswood Depot/Park Farm Depot	20.0	0.0	52.0	0.0	72.0	72.0	0.0		
Public Conveniences	4.0	0.0	17.0	0.0	21.0	21.0	0.0		
Cemeteries & Chapel	20.0	0.0	60.0	0.0	80.0	80.0	0.0		
Allotments	12.0	0.0	30.0	0.0	42.0	42.0	0.0		
Building Maintenance - Capitalised Staff Costs	28.0	0.0	0.0	0.0	28.0	28.0	0.0		
Pavilion Replacement - Woodmansterne	0.0	0.0	20.0	0.0	20.0	20.0	0.0		
Priory Park	10.0	0.0	213.0	0.0	223.0	223.0	0.0		
Strategic Property	1,636.3	0.0	5,222.9	0.0	6,859.2	3,311.2	-3,548.0		
ICT Replacement Programme	200.0	0.0	224.0	0.0	424.0	424.0	0.0		
Environmental Strategy Delivery	0.0	0.0	250.0	0.0	250.0	250.0	0.0		
Corporate Resources	200.0	0.0	474.0	0.0	674.0	674.0	0.0		
Great Workplace Programme - Phase 2	250.0	0.0	451.5	0.0	701.5	701.5	0.0		
Organisational Development	250.0	0.0	451.5	0.0	701.5	701.5	0.0		
Organisation Capital Budget	2,086.3	0.0	6,148.4	0.0	8,234.7	4,686.7	-3,548.0		

Capital ANNEX 2: Section 2

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

Programme/Project	Original Budget	Approved Budgets Not Released	Carry Forwards	Other Changes	Current Budget	Year End Outturn	Year End Variance	Quarter 1: Explanation of Significant Variances	Quarter 2: Explanation of Significant Variances
	£000	£000	£000	£000	£000	£000	£000		
Small Works Assistance	50.0	0.0	0.0	0.0	50.0	10.0	-40.0	This programme relates to Small Works Assistance - the Handy Person Scheme feeds into the 'Home Improvement Agency' programme (CB01202). The scheme descriptions will be reviewed as part of Q2 budget monitoring to ensure they more accurately reflect the nature of this expenditure.	
Home Improvement Agency & Handy Person Scheme	120.0	0.0	0.0	0.0	120.0	120.0	0.0	This programme also includes 'Handy Person Scheme'; The scheme descriptions will be reviewed as part of Q2 budget monitoring to ensure they more accurately reflect the nature of this expenditure.	
Disabled Facilities Grant	1,134.0	0.0	0.0	0.0	1,134.0	1,131.0	-3.0		
Repossession Prevention Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Lee Street Bungalows	0.0	0.0	326.9	0.0	326.9	326.9	0.0		
Massetts Road	21.0	0.0	0.0	0.0	21.0	21.0	0.0		
Housing Delivery Programme	10,000.0	0.0	20,000.0	0.0	30,000.0	0.0	-30,000.0	There are no specific developments planned at this time. Forecasts will be updated when new business cases are developed.	There are no specific developments planned at this time. Forecasts will be updated when new business cases are developed.
Development of Court Lodge Residential Site	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Cromwell Road Development 2016	0.0	0.0	149.6	0.0	149.6	149.6	0.0		
Unit 1 Pitwood Park Tadworth	0.0	0.0	42.9	0.0	42.9	42.9	0.0		
Housing	11,325.0	0.0	20,519.4	0.0	31,844.4	1,801.4	-30,043.0		
Harlequin - Service Development	100.0	0.0	171.8	0.0	271.8	210.0	-61.8		Projects have been identified and ready to
Leisure & Intervention	100.0	0.0	171.8	0.0	271.8	210.0	-61.8		
CCTV Rolling Programme	30.0	0.0	74.6	0.0	104.6	0.0	-104.6		No expenditure expected in 22/23
Community Partnerships	30.0	0.0	74.6	0.0	104.6	0.0	-104.6		
People Services Capital Budget	11,455.0	0.0	20,765.7	0.0	32,220.7	2,011.4	-30,209.3		

Capital ANNEX 2: Section 2

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

Programme/Project	Original Budget	Approved Budgets Not Released	Carry Forwards	Other Changes	Current Budget	Year End Outturn	Year End Variance	Quarter 1: Explanation of Significant Variances	Quarter 2: Explanation of Significant Variances
	£000	£000	£000	£000	£000	£000	£000		
Vehicles & Plant Programme	1,056.0	0.0	181.7	0.0	1,237.7	1,237.7	0.0		
Fleet Vehicle Wash-Bay Replacement	0.0	0.0	350.0	0.0	350.0	350.0	0.0		Current discussion as to whether expenditure will be in 22/23 or 23/24
Workshop Refurbishment	160.0	0.0	0.0	0.0	160.0	160.0	0.0		Current discussion as to whether expenditure will be in 22/23 or 23/24
Land Flood Prevention Programme	10.5	0.0	0.0	0.0	10.5	10.5	0.0		
Play Area Improvement Programme	230.0	0.0	0.0	0.0	230.0	230.0	0.0		
Parks & Countryside - Infrastructure & Fencing	45.0	0.0	0.0	0.0	45.0	45.0	0.0		
Air Quality Monitoring Equipment	40.0	0.0	0.0	0.0	40.0	47.5	7.5		
Contribution to Surrey Transit Site	0.0	0.0	127.0	0.0	127.0	127.0	0.0		
Neighbourhood Operations	1,541.5	0.0	658.7	0.0	2,200.2	2,207.7	7.5		
Pay-on-Exit Car Parking at Central Car Park and Victoria	0.0	0.0	52.0	0.0	52.0	0.0	-52.0		expenditure will take place in 23/24
Horley Public Realm Improvements - Phase 4	0.0	0.0	575.1	0.0	575.1	50.0	-525.1		Remaining expenditure will take place in 23/24
Subway Refurbishment, Horley	0.0	0.0	0.0	0.0	0.0	0.0	0.0		Expected Local Growth Fund and s106 funding
Marketfield Way Redevelopment	15,100.0	0.0	6,986.0	0.0	22,086.0	22,086.0	0.0		
Redhill Public Realm Improvements	0.0	0.0	30.0	0.0	30.0	30.0	0.0		
Merstham Recreation Ground	0.0	0.0	1,419.3	0.0	1,419.3	54.7	-1,364.6		Remaining expenditure will take place in 23/24
Preston - Parking Improvements	0.0	0.0	347.8	374.5	722.3	722.3	0.0	<i>A further £374k CIL funds were applied for and authorised by the Head of Planning and CIL Portfolio holder.</i>	
Place Delivery	15,100.0	0.0	9,410.2	374.5	24,884.7	22,942.9	-1,941.8		
Vibrant Towns & Villages	100.0	0.0	0.0	0.0	100.0	0.0	-100.0		No expenditure expected in 22/23.
Economic Prosperity	100.0	0.0	0.0	0.0	100.0	0.0	-100.0		
Place Services Capital Budget	16,741.5	0.0	10,068.9	374.5	27,184.9	25,150.7	-2,034.2		
Corporate Capital Budget	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Total Capital Budget	30,282.7	0.0	36,983.1	374.5	67,640.3	31,848.7	-35,791.6		

Financial Sustainability Programme: Quarterly Update

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

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

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

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

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

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



Signed off by	Head of Corporate Policy, Projects and Performance
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To	Audit Committee
Date	Wednesday, 7 December 2022
Executive Member	Portfolio Holder for Corporate Policy and Resources

Key Decision Required	N
Wards Affected	(All Wards);

Subject	Risk management - Q2 2022/23
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Recommendations
<p>That the Audit Committee:</p> <p>(i) Note the Q2 2022/23 update on risk management provided by the report and make any observations to the Executive.</p> <p>That the Executive:</p> <p>(i) Note the Q2 2022/23 update on risk management provided by the report.</p>
Reasons for Recommendations
The Audit Committee and Executive's constitutional responsibilities require the regular receipt of updates on risk management.
Executive Summary
This report provides an update on risk management in Q2 2022/23.

Agenda Item 6

Statutory Powers

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

Background

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

Key Information

Q2 2022/23 risk management update

10. The full strategic risk register is available at annex 1 of this report.

11. In Q2 no new strategic risks were identified and no strategic risks were identified for closure.

Red rated operational risk

12. In Q2 there was one red rated operational risk, the detail of which is set out in the part 2 exempt annex 2.
13. The full risk registers, as well as the Council's risk management strategy, are made available to all members through the ModernGov document library.

Options

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

Legal Implications

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

Financial Implications

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

Equalities Implications

19. There are no equality implications arising from this report

Communication Implications

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

Environmental Sustainability Implications

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

Risk Management Considerations

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

Agenda Item 6

Other Implications

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

Consultation

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

Policy Framework

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

Background Powers

RBBC Risk Management Strategy:

https://www.reigate-banstead.gov.uk/info/20090/council_policy/929/risk_management

Risk management

Strategic risk register

Quarter 2 – July to September 2022

Strategic Risks

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

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

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

Risk rating

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

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

Risk status

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

RISK RATINGS

77

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

SR1		Coronavirus pandemic		GREEN
Description		The Council will continue to respond to the Covid-19 pandemic in supporting residents, businesses as well as partner voluntary and public sector organisations. However, the effects of, and the ongoing response to, the pandemic could result in significant disruption to the delivery of services and the wider achievement of corporate objectives.		
Owner		Portfolio Holder	Cllr Brunt	
		Officers	Mari Roberts-Wood and Luci Mould	
Controls		<p>Ongoing planning for disruption caused by the pandemic, including maintaining organisational preparedness via emergency and business continuity planning as well as robust risk assessments.</p> <p>The resumption of Covid-19 command and control processes and procedures if required.</p> <p>Liaison and engagement with partners and the Surrey Local Resilience Forum.</p>		
Mitigating actions/progress		<p>Operating within the confines of, and responding to, Covid-19 has now become part of 'business as usual' for the Council, with disruption being proactively planned for. The impact of Covid-19 on the Council continues to decline, though the risk will continue to be monitored, particularly in the autumn and winter period. Assuming that the impacts of Covid-19 continue to be low, it is expected that this risk will be closed later in 2022/23.</p> <p>The process to review the Council's emergency pandemic plan began in Q2. It will address the learning from the Covid-19 pandemic and will also incorporate the current national planning assumptions.</p> <p>The Council's offices have now fully reopened to staff with Covid-19 control measures in place to mitigate against workplace transmission, safeguarding staff health and business continuity.</p>		
Score	Likelihood	Unlikely	Direction of travel	-
	Impact	Minor		
Status		Treat		
Last update		9 November 2022		

SR2	Financial sustainability		RED
<p>Description</p>	<p>The effects of the Covid-19 pandemic, coupled with current adverse macroeconomic conditions and the wider local government funding context, have created conditions of unprecedented financial uncertainty and challenge for the Council.</p> <p>The Council is therefore increasingly reliant on generating additional income and identifying savings and efficiencies from existing budgets. If not mitigated, these financial challenges risk an adverse impact on the Council's ability to deliver its Corporate Plan objectives.</p>		
<p>Owner</p>	<p>Portfolio Holder</p>	<p>Cllr Schofield</p>	
	<p>Officers</p>	<p>Pat Main</p>	
<p>Controls</p>	<p>The Council will continue to ensure that strong financial management arrangements are in place and will continue investment in skills and expertise to support the delivery of the Council's financial and commercial objectives while managing risks.</p> <p>The Medium-Term Financial Plan (MTFP) sets out the forecast budget challenges over the coming five years and forms the basis for service and financial planning, while the Capital Investment Strategy provides an overview of how capital expenditure, capital financing and treasury management activity contributes to the provision of Council services and how associated risk is managed.</p> <p>The budget pressures identified by the MTFP will be addressed by the Council's Financial Sustainability Programme.</p> <p>The Commercial Strategy sets out the commercial activity the Council will consider, provide a framework on option evaluation, and provide the basis on which commercial decision making will be made.</p> <p>The Annual Revenue Budget sets out funding allocations for the current year and confirms officer accountability for ensuring that expenditure and income are managed within limits approved by Members. In year budget monitoring reports confirm compliance with these limits and report any action required to manage budget variances.</p> <p>The Treasury Management Strategy helps ensure that investments achieve target returns within approved security and liquidity limits and that borrowing to fund the Capital Programme is affordable.</p> <p>Internal audit will be utilised to review the approach taken to secure financial sustainability.</p>		
<p>Mitigating actions/progress</p>	<p>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.</p> <p>The programme is premised on the following:</p> <ol style="list-style-type: none"> 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 		

SR2		Financial sustainability	RED	
		<p>delivered and that budgets are set accordingly. Opportunities for delivering services in a different way to unlock savings will also be explored.</p> <p>3. Fees and charges – carrying out a fundamental review to ensure the full application of the fees and charges policy across the Council.</p> <p>Updates to the programme will be reported to the Overview and Scrutiny Committee and Executive.</p> <p>An updated MTFP was reported to the Overview and Scrutiny Committee and Executive in July 2022 (agenda available here). This 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.</p> <p>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. Energy costs have also escalated following the most recent contract renewals and the extent of Government financial support to offset the impacts is currently uncertain.</p>		
Score	Likelihood	More than likely	Direction of travel	-
	Impact	Significant		
Status		Treat		
Last update		14 October 2022		

SR3		Commercial investment		AMBER
Description		<p>The generation of income from commercial investment is a contributor to the Council's financial sustainability. Following several high-profile commercial investment failures by local authorities, the ability to invest for a commercial purpose is being further restricted by changes in legislation, regulations, and codes of practice.</p> <p>Moreover, investing for commercial purposes – either in assets or in trading services – is not without risk due to market fluctuations and factors outside of the Council's control.</p> <p>The risks associated with commercial investment range from the non-achievement of budgeted income to significant capital and revenue losses, as well as governance, legal and reputational issues.</p>		
Owner		Portfolio Holder	Cllrs Archer and Schofield	
		Officers	Mari Roberts-Wood and Pat Main	
Controls		<p>Effective governance arrangements for investment decision making.</p> <p>Commercial opportunities will be considered on a case-by-case basis with up-to-date market intelligence used to inform decisions.</p> <p>Investments will be predicated on robust, stress-tested business cases and financial assessments which consider risks and benefits. Benefits will be monitored via established governance and reporting processes.</p> <p>Independent valuations will be commissioned as part of the decision-making process.</p> <p>Evidence of compliance with relevant Government and CIPFA guidance will be confirmed when business cases are approved.</p> <p>Exit strategy options will be considered at the time of decision-making.</p> <p>Commercial projects will be overseen by the Commercial Ventures Executive Sub-Committee.</p>		
Mitigating actions/progress		The Council has now adopted parts 1 and 2 of the commercial strategy which sets the agreed parameters for commercial activity, including an action plan which will be reported on annually.		
Score	Likelihood	Unlikely	Direction of travel	-
	Impact	Moderate		
Status		Treat		
Last update		14 October 2022		

SR4	Challenging economic conditions for residents and businesses		RED
Description	<p>A prosperous economy is essential for the wellbeing of the borough, creating employment and wealth that benefits local people and businesses. The Covid-19 pandemic has resulted in significant negative impacts upon the economy – including on sectors particularly impacted by restrictions – the effects of these will continue to be felt for some time.</p> <p>Prevailing economic conditions have a direct impact on the Council's financial position and likewise impacts upon the demand for Council services, particularly in terms of income derived from fees and charges and the collection of monies owed.</p> <p>Challenging financial circumstances for residents may also increase their reliance on Council services which could result in cost pressures on the Council. The risk of the latter is exacerbated by household budgets being stretched by current high levels of inflation and rising consumer prices.</p>		
Owner	Portfolio Holder	Cllrs Humphreys, Neame and Ashford	
	Officers	Mari Roberts-Wood, Pat Main, Duane Kirkland, Richard Robinson, Simon Bland, and Justine Chatfield	
Controls	<p>The UK and Global Economies are outside of the control and influence of the council. However, the Council is able to provide support to residents and businesses; both via direct service delivery and also through the disbursement of grants and other sources of funding.</p> <p>The Council's Business Engagement Team provides a range of advice, support, and networking opportunities for local business, allowing the Council to receive feedback on general economic performance and conditions.</p> <p>Early and regular engagement by the Community Development and Intervention teams to support residents.</p> <p>The operation of Council owned and operated emergency accommodation to reduce spend on temporary emergency accommodation.</p> <p>Applying for government grants to fund additional support services.</p> <p>Joint working and close collaboration with partners.</p>		
Mitigating actions/progress	<p>Consumer price inflation has risen significantly across the world, including the UK where the consumer price index is forecast by the Bank of England's Monetary Policy Committee to reach 13% in 2022/23. Consumer prices are rising due to sharp increases in global energy and commodity prices as well as tradable goods prices, the latter due to global supply chain disruption and bottlenecks.</p> <p>The UK economy is forecast to enter a recession in the winter of 2022. The economic environment for residents and businesses is therefore inherently uncertain.</p> <p>In supporting local businesses, in Q2 the Council launched a communications campaign encouraging residents to buy locally.</p> <p>The Council is promoting the use of energy efficiency grants from Surrey County Council to support local businesses, highlighting energy saving and efficiency measures, such as solar panel installation and long-life lights to reduce the impact of rising energy costs.</p> <p>The Council will continue to apply for business support grants to support local employment and businesses and distribute them should they become available.</p> <p>Central government has introduced an Energy Price Guarantee which is expected to support households with their energy bills for the next 6 months (to</p>		

SR4		Challenging economic conditions for residents and businesses		RED
<p>April 2023). This support has also extended to the business and non-domestic sectors via the Energy Bill Relief Scheme.</p> <p>The rising cost of living along with related factors may result in increased referrals to the Council's Money Support service. Additional resourcing has been identified to support the service if necessary. The Council also facilitates closer collaboration between the various other money and debt advice services operating in the borough.</p> <p>The Council continues to closely liaise with voluntary sector partners and to participate in the Surrey wide fuel poverty group, which will look to reduce incidents and support residents at risk of fuel poverty. The Council administers grants to eligible householders to help them insulate their homes as they arise. The Council also provides grants to local voluntary sector organisations to provide utilities top-ups to residents living in fuel poverty.</p> <p>The Council is supporting those affected by food poverty in the borough by facilitating food club initiatives and facilitating coordination between food banks in the borough. Food clubs support residents experiencing financial hardship with access to food and basic supplies. They can help provide a sustainable solution to food poverty and reduce the need to use emergency food banks.</p> <p>The Council will be actively coordinating at a county level with Surrey County Council for the provision of 'Warm Hubs' for residents in need. These are intended to assist those in fuel poverty by providing warm spaces across the borough. Other actions and options are being actively considered.</p> <p>The Council continues to receive government grants to support homeless residents, or those at risk of homelessness.</p> <p>The Council has commenced a study linking affordability of housing in the borough to levels of homelessness in 2021/22. This has continued into the 2022/23 financial year with additional data from the first half of the financial year being included. This is expected to provide insights into how the Council can combat and prevent homelessness and provide additional data on the impact of local affordability on homelessness at the local level.</p> <p>The Council also continues to administer the government's Household Support Fund. The council has been received the first 3 tranches of the Household Support fund allocation, with the first and second now completed and the third about to commence. This has been used to support vulnerable households with access to food and heating, with approximately £700k spent in the first two tranches. The Council has supported our voluntary sector partners and households to prevent homelessness.</p>				
Score	Likelihood	More than likely	Direction of travel	-
	Impact	Significant		
Status		Treat/tolerate		
Last update		25 October 2022		

SR5		Organisational capacity and culture		AMBER
Description		<p>The Covid-19 pandemic has had a significant impact on the Council, with additional demands and challenges arising alongside the need to continue to deliver on corporate objectives. The pandemic has also drastically changed the way the Council operates, the context within which it does so, with a resultant shift in the organisational culture and ways of working.</p> <p>As we increasingly move into recovery, these factors underscore the importance of the Council prioritising its activities and being sustainably and efficiently resourced to meet the challenges ahead. In this new context, the embedding of a robust and resilient organisational culture that successfully supports officers and members and makes the Council an attractive place to work is similarly key. The failure to do will risk the delivery of the Council's objectives.</p>		
Owner		Portfolio Holder	Cllr Lewanski	
		Officers	Mari Roberts-Wood, Ann Slavin and Kate Brown	
Controls		<p>Implementation of the Human Resources and Organisational Development strategy.</p> <p>Development of an embedded Workforce Planning approach for the Council, alongside service and financial planning.</p> <p>Recruitment, training, and development.</p> <p>Ongoing consultation and engagement with staff.</p> <p>Succession planning.</p>		
Mitigating actions/progress		<p>Before the COVID-19 pandemic significant work was undertaken on the Council's HR and OD Work Programme (previously the 'Organisational Development Strategy') which has formed the solid basis for post-pandemic action.</p> <p>The Council continues to face challenges in regard to recruitment and retention of staff. While turnover was low during the pandemic, it has steadily increased in 2022/23 year, due to a combination of factors including a buoyant job market and built-up demand for a job move.</p> <p>Staff resourcing levels are being closely monitored and action taken as required. The Council has engaged with the Local Government Association (LGA) for support with identifying initiatives that will ensure that the Council continues to attract and retain staff.</p> <p>A Corporate Pay Board has also been established to oversee all aspects of employee pay costs and benefits.</p> <p>An embedded workforce planning approach is in place alongside service and financial planning to ensure resources meet the Council's requirements.</p>		
Score	Likelihood	Possible	Direction of travel	-
	Impact	Significant		
Status		Treat		
Last update		6 October 2022		

SR6		Cost pressures affecting the viability of Council developments		AMBER
Description		<p>The UK construction sector has seen an increase in building material and labour costs arising from global supply chain disruption and inflationary pressures.</p> <p>This disruption and increase in costs may impact the Council's ability to deliver economically viable development projects. The effects of this are multifaceted but could result in negative financial implications as well as jeopardising the delivery of strategic corporate objectives.</p>		
Owner		Portfolio Holder	Cllrs Biggs and Schofield	
		Officers	Mari Roberts-Wood, Luci Mould, Pat Main, and Peter Boarder	
Controls		<p>Robust, stress tested business cases for all development projects which are reported and monitored via established governance arrangements.</p> <p>The Council will collaborate and seek external advice from external professional teams (quantity surveyors, employers' agents, etc.) to attempt to resolve cost pressures.</p> <p>Rigorous change management processes will be put in place for all development projects.</p> <p>External grant funding opportunities will be pursued where available.</p>		
Mitigating actions/progress		<p>Cost pressures on Council development schemes are considered under the annual service and financial planning and budgeting monitoring processes. Such cost pressures are also considered as part of business case development and are closely monitored throughout a project's lifecycle.</p>		
Score	Likelihood	Possible	Direction of travel	-
	Impact	Significant		
Status		Treat		
Last update		11 October 2022		

SR7		Local government reorganisation, devolution and Levelling Up		AMBER
Description		A reorganisation of local government could be prompted by a range of scenarios and circumstances, including the financial failure of an authority within Surrey or as part of the government's devolution and 'Levelling Up' agenda. The uncertainty surrounding, and subsequent results of, any local government reorganisation could adversely affect the Council and the delivery of services for residents.		
Owner		Portfolio Holder	Cllr Brunt	
		Officers	Mari Roberts-Wood	
Controls		Close working with neighbouring and partner authorities to develop alternative proposals for the future of local government in Surrey. Lobbying central government where appropriate and necessary.		
Mitigating actions/progress		<p>In May 2022 the government published its Levelling Up and Regeneration Bill. The Bill creates the statutory basis for the new forms of devolution articulated in the earlier White Paper.</p> <p>The Bill articulates three levels of devolution. 'Level 3' describes the creation of Combined County Authorities (CCAs) with directly elected mayors as recipients of newly devolved powers and funding. Whilst the existing legislative provisions for combined authorities require all local authorities within the area covered to be a full member, the CCAs introduced by the Bill may be setup with upper-tier authorities only (county and unitary authorities).</p> <p>The Bill would also permit the Secretary of State to transfer powers and functions away from a county or districts in an area to the newly established CCA. The Bill may therefore result in a substantial transference of powers and responsibilities in areas receiving a CCA.</p> <p>Surrey County Council are at the early stages of developing a 'level 2' proposal to secure a county deal. The current draft proposals concern: (i) the creation of a single Surrey wide growth and investment fund; (ii) the creation of a Surrey growth and enterprise hub which requires changes to current Local Enterprise Partnership functions and responsibilities; (iii) Surrey CC receiving devolved skills functions and budget from central government; (iv) Surrey CC being designated the lead climate change authority; and (v) the development of a Surrey infrastructure investment plan.</p> <p>The impact – and any benefits – of the proposed changes are uncertain at this early stage. Deals at level 2 are not likely to result in any significant local government structural or governance changes, though this will be confirmed following the outcome of any negotiations with central government.</p> <p>The Council has engaged with Surrey CC as it develops its proposal and will continue to seek to proactively influence the debate on devolution deals as well as the future structure of local government in Surrey.</p>		
Score	Likelihood	Possible	Direction of travel	-
	Impact	Significant		
Status		Treat		
Last update		10 November 2022		

SR8		ICT network capacity and resilience		AMBER
Description		<p>The Covid-19 pandemic has sparked a significant shift in the way that the Council works, with increasing demands placed on technology and the underlying supporting ICT infrastructure.</p> <p>As the reliance and demands placed upon technology continues to increase, there is a risk of significant disruption to service delivery in the event of network disruption and/or outage, particularly following a cyber-attack.</p> <p>It is therefore imperative that the Council continues to invest in robust systems, infrastructure, network security and disaster recovery capabilities to manage this risk and maintain the delivery of services.</p>		
Owner		Portfolio Holder	Cllr Lewanski	
		Officers	Darren Wray	
Controls		<p>ICT has in-place several layers of defences protecting core data and systems from Internet and locally introduced threats. Including email scanning, internet browsing controls; device and server based anti-virus software and whole disk encryption for laptops.</p> <p>Virus patterns are updated on a regular basis. Firewalls are placed at points on the network where external connections join the local network.</p> <p>Implementation of the new ICT strategy to further enhance the Council's network resilience and cyber security capabilities.</p> <p>Active contract with NCCGroup, a cyber security specialist organisation for the investigation of any incidents that may arise.</p> <p>A programme of cyber security training with all staff</p>		
Mitigating actions/progress		<p>The ICT service has put in place a Service Level Agreement (SLA) with the NCCGroup, who work on behalf of the Cabinet Office on heightening cyber security across local government. The SLA provides support and instant access to the NCCGroup's expertise in the event of a cyber security incident.</p> <p>In March 2022 a proposal for significant enhancements to the Council's cyber security capabilities was approved by the Executive and Full Council as part of the Council's new ICT strategy. Implementation of the new strategy has now begun, with the procurement phase beginning in Q1 and concluding in Q2 of 2022/23. Implementation has now commenced and is expected to have completed by the end of Q3.</p>		
Score	Likelihood	Unlikely	Direction of travel	-
	Impact	Significant		
Status		Treat		
Last update		10 October 2022		

SR9		Fraud		AMBER
Description		Due to the wide range of activities undertaken by the Council, there is a risk of fraud being committed. The risk of the latter is exacerbated by the new areas of activity as part of the Council's response to the Covid-19 pandemic.		
Owner		Portfolio Holder	Cllr Schofield	
		Officers	Pat Main and Simon Rosser	
Controls		<p>The Council maintains robust control measures to protect public funds from fraudulent activity. This includes the Counter Fraud, Corruption and Bribery Policy, Whistleblowing Policy, and Prosecution Policies.</p> <p>The Council has a Fraud and Financial Investigations Team that are proactive and reactive. Investigations can be external and internal and cover all areas of corporate fraud.</p> <p>Staff induction also includes fraud awareness training, as well as awareness of established policies and procedures.</p> <p>Internal audit undertaking reviews into fraud risk areas.</p>		
Mitigating actions/progress		<p>The Council's in-house fraud team detected elevated levels of fraudulent activity during 2021/22. This had arisen from new activity areas as part of the pandemic response as well as the effects of the pandemic giving rise to increased attempts to commit fraud, such as in attempting to fraudulently join the Council's housing register.</p> <p>The Council is making proactive fraud checks on all housing applications and action will be taken where appropriate.</p> <p>A staff wide fraud awareness programme has been implemented, with training of the relevant teams continuing to take place.</p>		
Score	Likelihood	More than likely	Direction of travel	-
	Impact	Moderate		
Status		Treat		
Last update		14 October 2022		

SR10		Gatwick airport		AMBER
Description		Despite the impact of the Covid-19 pandemic on international travel, Gatwick Airport is continuing to pursue its plans for expansion. Whilst the airport is a key local employer and its operations and supply chains have a significant bearing on the borough's economy, its expansion risks local environmental and infrastructural issues if not appropriately planned and managed.		
Owner		Portfolio Holder	Cllr Biggs	
		Officers	Luci Mould and Andrew Benson	
Controls		<p>This risk is largely outside of the Council's control and is dependent on any possible support provided by the government to the aviation sector and the commercial decisions made by private companies.</p> <p>The council will continue to regularly engage throughout the planning process to mitigate negative outcomes and maximise benefits.</p> <p>Engagement with Gatwick via the formal planning process</p> <p>Cooperation with neighbouring Local Authority partners affected by the expansion</p>		
Mitigating actions/progress		<p>Gatwick continues to pursue its plans for expansion. The Council responded to a consultation in advance of the airport's application for a development consent order, which is expected to be made towards the end of 2022.</p> <p>A new phase of engagement commenced in Q1 of 2022/23, which the Council continues to participate in.</p>		
Score	Likelihood	Possible	Direction of travel	-
	Impact	Moderate		
Status		Treat/tolerate		
Last update		10 October 2022		

SR11		Planning system reform		AMBER
Description		<p>The government is considering changes to the planning system in England. There is a risk that, if adopted in the form contained in the consultation White Paper, these changes could result in a loss of local democratic control over planning matters.</p> <p>Although the government have confirmed that they will not be increasing the threshold at which affordable housing is required from developments (which was included in a past consultation documents), there is a risk that the other proposed changes, if adopted into national policy, could result in a reduction in the delivery of affordable housing in the borough.</p>		
Owner		Portfolio Holder	Cllr Biggs	
		Officers	Luci Mould and Andrew Benson	
Controls		<p>Respond to the government's consultation as it develops, and as additional rounds of consultation are issued.</p> <p>To continue to pursue the delivery of affordable housing as detailed in the Council's housing strategy.</p>		
Mitigating actions/progress		<p>In May 2022 the Queen's Speech announced new proposed reforms to the planning system, as part of a Levelling Up and Regeneration Bill.</p> <p>The Bill has not taken forward a number of measures set out in the previous Planning for the Future White Paper.</p> <p>The highlights of these proposed reforms include:</p> <ul style="list-style-type: none"> • A new development plan system will be introduced at the local level. This may result in changes to the setting of local plans by local authorities. • The Local Planning Authorities (LPAs) being required to make all planning decisions in accordance with their development plan (and any national development management policies) unless material considerations strongly indicate otherwise. • A proposal to introduce street referenda on developments. These 'street votes' are intended to provide residents with the power to set their own development rules in suburban areas. • The introduction of a new infrastructure levy to be implemented by English local authorities to replace the Community Infrastructure Levy (CIL) and most developer contributions to local infrastructure and affordable housing via 'section 106 agreements. <p>The implications arising from the Bill will be monitored and any action taken as necessary.</p>		
Score	Likelihood	Possible	Direction of travel	-
	Impact	Moderate		
Status		Treat		
Last update		19 October 2022		

SR12		Climate change impact		AMBER
Description		<p>It is widely recognised that the Earth's climate is changing, with this forecast to result in more extreme weather. This could have negative impacts, including on the built and natural environment, with vulnerable residents likely to be most severely impacted.</p> <p>In response, the Council may encounter difficulties in delivering services and may similarly have additional demands placed upon it, particularly as climate change adaptation and mitigation becomes increasingly necessary.</p>		
Owner		Portfolio Holder	Cllrs Lewanski and Brunt	
		Officers	Cath Rose, Frank Etheridge, Andrew Benson	
Controls		<p>The Council's multi-agency adverse weather emergency plan as well as service level business continuity plans.</p> <p>Partnership work with Surrey County Council and the Environment Agency to mitigate flooding in local developments.</p> <p>The creation of an internal Sustainability Team and the associated implementation of the recommendations of the Environmental Sustainability Strategy.</p> <p>Supplementary planning document detailing climate change and sustainable construction for new developments in the borough. Consideration of climate change impacts requirements under both existing and new local plan.</p>		
Mitigating actions/progress		<p>The Council continues to actively implement measures to reduce the impact of extreme weather on local developments. For example, the installation of swales at Merstham Recreational Ground to improve drainage capacity. Further activity is taking place in the north of the borough to reduce the impact from flooding and other extreme weather events, with the Council actively engaging in local flood action groups.</p> <p>The Council has introduced a Household Emergency Plan, which details what activities households can take to minimise impact from flooding or other extreme weather events. The plan has been published on the Council's website for residents to use.</p> <p>The Council's Emergency Planning team continues to proactively engage at the Surrey Local Resilience Forum for preparing for and responding to extreme weather events.</p>		
Score	Likelihood	More than likely	Direction of travel	-
	Impact	Moderate		
Status		Tolerate/Treat		
Last update		5 October 2022		

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Agenda Item 7



SIGNED OFF BY	Chief Finance Officer
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TO	Audit Committee Executive Council
DATE	Wednesday 7 December 2022 Thursday 15 December 2022 Thursday 9 February 2023
EXECUTIVE MEMBER	Deputy Leader and Portfolio Holder for Finance and Governance
KEY DECISION REQUIRED	Y
WARDS AFFECTED	(All Wards);

SUBJECT	Treasury Management Mid-Year Report 2022/23
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<p>RECOMMENDATIONS</p> <p>Audit Committee</p> <p>(i) To consider this update on Treasury Management Performance for the year to date and provide any comments for consideration by Executive.</p> <p>Executive and Council</p> <p>(i) To note the Treasury Management Performance for the year to date and the updated prudential indicators.</p>
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Agenda Item 7

REASONS FOR RECOMMENDATIONS

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

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

- (i) **Prudential and Treasury Indicators and Treasury Strategy** – sets the framework for treasury management activities in the following financial year.
 - The Treasury Management Strategy and Performance Indicators for 2022/23 were previously approved by Council on the 7 April 2022.
- (ii) **Half-Year Treasury Management Report** – updates Members on the current borrowing and investment position, whilst amending prudential indicators and revising policies where necessary.
 - This report.
- (iii) **Annual Treasury Management Outturn Report** – a backward-looking review focussing on the previous year's performance.
 - The outturn report for 2021/22 was reported to Audit Committee on 7 September 2022, Executive on 20 October 2022 and approved by Council on 27 October 2022.

EXECUTIVE SUMMARY

This report sets out treasury management performance for 2022/23 to date including performance against the Prudential and Treasury Management Indicators.

It will be presented to Audit Committee on 7 December 2022, Executive on 15 December 2022 and on 9 February 2023 full Council will be asked to approve the recommendations.

At 30 September 2022, the position is that:

- No external borrowing has been required as the Council continues to hold sufficient cash balances to fund its expenditure plans;
- Investments in Money Market Funds totalled £26.5 million, slightly down from £26.6 million at the end of March 2022; and
- Long-term investments in companies have risen from £17.3 million at the end of March 2022 to £17.7 million in September, due to the addition of accrued loan interest.

The forecast year end position:

- External borrowing is still not anticipated before March 2023;
- Money Market Funds will continue to be utilised as they ensure achievement of the Council's security, liquidity, and yield objectives. Balances are forecast to decrease to £20.5 million; and

- Company investments, including interest, are forecast to be £18.2 million by year-end.

Council has authority to approve the recommendations.

STATUTORY POWERS

1. The Council is required to approve an annual Treasury Management Strategy Statement, Prudential Indicators, Minimum Revenue Provision Policy and Borrowing Limits so that borrowing and investments are prudent, affordable and sustainable.
2. Treasury management activity is managed as an integral part of the Council's statutory obligation to effectively manage its finances under the Local Government Act 2003 and associated guidance.
3. Treasury Management activities are undertaken in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, the Prudential Code for Capital Finance in Local Authorities, and the Government's (DLUHC) Investment Guidance.

BACKGROUND

4. The Council is required to approve an annual Treasury Management Strategy Statement ('the Strategy'), Prudential Indicators, Minimum Revenue Provision Policy and Borrowing Limits to help ensure that borrowing and investments are prudent, affordable and sustainable.
5. The Treasury Management Strategy and Performance Indicators for 2022/23 were approved by Council on 7 April 2022.
6. This report provides an update on performance at 30 September 2022.

Compliance with the Approved Strategy

7. One matter is highlighted with regard to the approved Treasury Management Strategy Statement for 2022/23:
 - Table 14 (Counterparty lists) specifies that non-UK banks must be domiciled in a country which has a minimum sovereign long-term rating of 'AA-';
 - This is not consistent with paragraph 4.3 and Appendix 5.5 in the Strategy which stipulates that the Council will only invest in countries which have sovereign ratings of AAA or higher;
 - No investments have been made outside of the UK; therefore, this has not resulted in a breach of the Treasury Management Strategy Statement;

Agenda Item 7

- The inconsistency will be updated in the 2023/24 Strategy.

8. There has been one minor breach of counter-party limits during the first six months:
- Lloyds and Bank of Scotland investments

Quarter	Days in period	Days above limit	Average above limit £
One	60	1	168,194
Two	64	-	-

Action has been taken to review investment procedures to ensure against recurrence.

OPTIONS

9. There are three options:

- (i) For Audit Committee:

Option 1 – Receive the report and provide any feedback for consideration by Executive

This is the recommended option.

Option 2 – To note the report and ask Officers to provide more information and/or clarification on any specific points

Option 3 – To reject the report. This would result in delays in achieving compliance with the guidance which requires approval of a mid-year report.

- (ii) For Executive and Council:

Option 1 – Approve the report

This is the recommended option.

Option 2 – To note the report and ask Officers to provide more information and/or clarification on any specific points

Option 3 – To reject the report. This would result in delays in achieving compliance with the guidance which requires approval of a mid-year report.

LEGAL IMPLICATIONS

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

FINANCIAL IMPLICATIONS

11. The financial implications of treasury management activities were reported in the budget section of the Quarter 1 Performance Report to Executive on 20 October 2022. There are no additional direct financial implications that arise from this report.

EQUALITIES IMPLICATIONS

12. There are no equality implications arising from this report.

ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS

13. The Treasury Management Code includes specific reference to Environmental, Social and Governance ESG considerations relating to credit and counterparty risk management: *'...The organisation's credit and counterparty policies should set out its policy and practices relating to ESG investment considerations. This is a developing area, and it is not implied that the organisation's ESG policy will include ESG scoring or other real-time ESG criteria at individual investment level...'*
14. CIPFA has indicated that they will be working with the local authority sector during 2022/23 to develop an ESG scoring methodology for treasury management investments. In the meantime CIPFA expect local authorities to have a general regard to their own existing policies for ESG issues, such as climate change, for investment decisions.

COMMUNICATION IMPLICATIONS

15. There are no communications implications arising from this report

RISK MANAGEMENT CONSIDERATIONS

16. Key risks are managed in accordance with Prudential Code guidance, with emphasis on ensuring Security, Liquidity and Yield for investments.

CONSULTATION

17. Audit Committee will be asked to consider this report at its meeting on 7 December 2022 and it will be reported to Executive on 15 December 2022. It will then be presented to Council on 9 February 2023.

POLICY FRAMEWORK

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

Annexes

1. Treasury Management Mid-Year Report 2022/23

Agenda Item 7

BACKGROUND PAPERS
Executive 24 March 2022 – <i>Treasury Management Strategy 2022/23</i>

TREASURY MANAGEMENT MID YEAR REPORT 2022/23

1. Mid-Year Performance
2. Capital Position (Prudential Indicators)
3. Investment Portfolio
4. Borrowing Strategy
5. Link Treasury Services Commentary
6. Approved Countries for Investments

1. Mid-Year Performance

Investments

The underlying economic environment continues to remain challenging due to the volatility in the market caused by increased interest rates and inflation. The approach of maintaining short-term investments with high quality counterparties has continued, which allows the Council to be responsive when allocating funding to approved projects.

To manage the associated risks, investments are limited to a small group of banks and some building societies where they meet the Council's Treasury Management Strategy. With rising interest rates, the return on investments should see an increase on prior years.

Borrowing

Borrowing options are monitored in anticipation of the forecast funding requirements of the Capital Programme. The main objective when borrowing is to strike an appropriate risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required.

Strategy Compliance

One matter is highlighted with regard to the approved Treasury Management Strategy Statement for 2022/23:

- Table 14 (Counterparty lists) specifies that non-UK banks must be domiciled in a country which has a minimum sovereign long-term rating of 'AA-';
- This is not consistent with paragraph 4.3 and Appendix 5.5 in the Strategy which stipulates that the Council will only invest in countries which have sovereign ratings of AAA or higher;
- No investments have been made outside of the UK; therefore, this has not resulted in a breach of the Treasury Management Strategy Statement;
- The inconsistency will be addressed in the 2023/24 Strategy.

2. Capital Position (Prudential Indicators)

Prudential Indicator for Capital Expenditure

The table below sets out the latest estimates for capital expenditure and any changes since the Capital Programme original budget was approved earlier this year

Table 1: CAPITAL EXPENDITURE BY SERVICE	2022/23				
	Original Forecast	Prior-Year Approvals Brought Forward	In-Year Movements	Forecast Slippage	Revised Forecast
	£000	£000	£000	£000	£000
People Services	11,455	20,765	-	(30,103)	2,117
Place Services	16,742	10,069	375	7	27,192
Organisation Services	2,086	6,148	-	-	8,235
Forecast Capital Expenditure	30,283	36,982	375	(30,097)	37,544

The primary reason for the forecast slippage is that there are not yet any firm delivery plans for the Housing Delivery programme.

Capital Programme - Financing

Forecast expenditure will be funded through use of Capital Grants and Capital Receipts.

Table 2: CAPITAL EXPENDITURE AND FINANCING	2022/23					
	Capital Programme Budget				Capital Programme Expenditure	
	Original Budget at 01-Apr-22 £000	Prior-Year Approvals Brought Forward (net) £000	In-Year Movements £000	Revised Budget at 30-Sep-22 £000	At 30-Sep-22 £000	Forecast at 31-Mar-23 £000
Capital Expenditure	30,283	6,885	375	37,544	12,819	37,544
Financed by:						
	Capital Grants & Contributions				2,649	
	Capital Receipts				34,895	
	Total Financing				37,544	
	Forecast Borrowing Requirement				-	

Prudential Indicator: Capital Financing Requirement (CFR)

The table below sets out the cumulative CFR, which is the underlying external need to incur borrowing for a capital purpose.

Table 3: COMPARISON OF BORROWING PARAMETERS TO ACTUAL EXTERNAL BORROWING	2022/23 Original estimate	2022/23 Revised Estimate	2023/24 Estimate	2024/25 Estimate
	£000	£000	£000	£000
Opening CFR	62,874	77,556	76,061	78,471
Addition to CFR	6,028	(906)	3,003	3,004
Less MRP	(666)	(589)	(593)	(677)
Closing CFR	68,236	76,061	78,471	80,799
External Borrowing	-	-	-	-
Authorised Limit	79,000	79,000	81,000	83,500
Operational Boundary	69,000	69,000	71,000	73,500

Prudential Indicator – Borrowing Limits

As set out in the table above, the CFR is currently forecast to continue to remain within the Authorised Limit during 2022/23; the Limits for 2023/24 onwards will be reviewed when preparing the Treasury Management Strategy for 2023/24.

3. Investment Portfolio

The table below sets out the net treasury investment position at 30 September 2022 and the projected position at 31 March 2023.

Table 4: INVESTMENT PORTFOLIO – TREASURY INVESTMENTS	Actual		Actual		Forecast	
	31-Mar-22		30-Sep-22		31-Mar-23	
	£000	%	£000	%	£000	%
Banks	8,182	31%	11,573	43%	8,448	41%
Building Societies	-	-	-	-	-	-
Aberdeen Liquidity Fund	4,500	17%	-	-	-	-
BlackRock ICS	4,000	15%	5,000	19%	2,000	10%
LGIM Sterling Liquidity 4	10,000	37%	10,000	38%	10,000	49%
TOTAL TREASURY INVESTMENTS	26,682	100%	26,573	100%	20,448	100%

The table below sets out total investments, including non-treasury investments such as investment in property assets and council-owned companies.

Table 5: INVESTMENT PORTFOLIO – NON-TREASURY INVESTMENTS	Actual		Actual		Forecast	
	31-Mar-22		30-Sep-22		31-Mar-23	
	£000	%	£000	%	£000	%
Third Party Loans:						
Subsidiaries - Greensand Property Holdings Ltd	15,223	25%	15,631	25%	16,036	26%
Companies - Horley Business Park Development LLP	975	2%	1024	2%	1076	2%
Associate - Pathway for Care Ltd	1,100	2%	1,100	2%	1,100	2%
Investment Property ¹	43,372	71%	43,372	71%	43,372	70%
TOTAL NON-TREASURY INVESTMENTS	60,670	100%	61,127	100%	61,584	100%

NOTE1: Investment property is valued by a professional surveyor each year

Values are gross of any impairment for credit loss and include calculated interest receivable to date.

The treasury investment portfolio yield for the first 6 months of the year was 1.22% which equals the selected benchmark, being the 6-month SONIA rate.

Strategy Compliance

There has been one minor breach of counter-party limits during the first six months:

- Lloyds and Bank of Scotland investments

Quarter	Days in period	Days above limit	Average above limit £
One	60	1	168,194
Two	64	-	-

The breach arose due to a timing miscalculation when transferring funds between accounts. Action has been taken to review investment procedures to prevent recurrence.

4. Borrowing Strategy

No external borrowing is anticipated for the foreseeable future based on forecast Capital expenditure and receipts.

5. Link Treasury Services Commentary

The Council's Treasury advisors, Link Treasury Services, provided the following commentary.

Economic update

- *The second quarter of 2022/23 saw:*
 - *GDP revised upwards in Q1 2022/23 to +0.2% q/q from -0.1%, which means the UK economy has avoided recession for the time being;*
 - *Signs of economic activity losing momentum as production fell due to rising energy prices;*
 - *CPI inflation ease to 9.9% y/y in August, having been 9.0% in April, but domestic price pressures showing little sign of abating in the near-term;*
 - *The unemployment rate fall to a 48-year low of 3.6% due to a large shortfall in labour supply;*
 - *Bank Rate rise by 100bps over the quarter, taking Bank Rate to 2.25% with further rises to come;*
 - *Gilt yields surge and sterling fall following the "fiscal event" of the new Prime Minister and Chancellor on 23rd September.*
- *The UK economy grew by 0.2% q/q in Q1 2022/23, though revisions to historic data left it below pre-pandemic levels.*
- *There are signs of higher energy prices creating more persistent downward effects in economic activity. Both industrial production (-0.3% m/m) and construction output (-0.8% m/m) fell in July 2022 for a second month in a row. Although some of this was probably due to the heat wave at the time, manufacturing output fell in some of the most energy intensive sectors (e.g., chemicals), pointing to signs of higher energy prices weighing on production. With the drag on real activity from high inflation having grown in recent months, GDP is at risk of contracting through the autumn and winter months.*
- *The fall in the composite PMI from 49.6 in August to a 20-month low preliminary reading of 48.4 in September points to a fall in GDP of around 0.2% q/q in Q3 and consumer confidence is at a record low. Retail sales volumes fell by 1.6% m/m in August, which was the ninth fall in 10 months. That left sales volumes in August just 0.5% above their pre-Covid level and 3.3%*

below their level at the start of the year. There are also signs that households are spending their excess savings in response to high prices. Indeed, cash in households' bank accounts rose by £3.2bn in August, which was below the £3.9bn rise in July and much smaller than the 2019 average monthly rate of £4.6bn.

- The labour market remained exceptionally tight. Data for July and August provided further evidence that the weaker economy is leading to a cooling in labour demand. Labour Force Survey (LFS) employment rose by 40,000 in the three months to July (the smallest rise since February). But a renewed rise in inactivity of 154,000 over the same period meant that the unemployment rate fell from 3.8% in June to a new 48-year low of 3.6%. The single-month data showed that inactivity rose by 354,000 in July itself and there are now 904,000 more inactive people aged 16+ compared to before the pandemic in February 2020. The number of vacancies has started to level off from recent record highs but there have been few signs of a slowing in the upward momentum on wage growth. Indeed, in July, the 3m/y rate of average earnings growth rose from 5.2% in June to 5.5%.
- CPI inflation eased from 10.1% in July to 9.9% in August, though inflation has not peaked yet. The easing in August was mainly due to a decline in fuel prices reducing fuel inflation from 43.7% to 32.1%. And with the oil price now just below \$90pb, we would expect to see fuel prices fall further in the coming months.
- However, utility price inflation is expected to add 0.7% to CPI inflation in October when the Ofgem unit price cap increases to, typically, £2,500 per household (prior to any benefit payments). But, as the government has frozen utility prices at that level for two years, energy price inflation will fall sharply after October and have a big downward influence on CPI inflation.
- Nonetheless, the rise in services CPI inflation from 5.7% y/y in July to a 30-year high of 5.9% y/y in August suggests that domestic price pressures are showing little sign of abating. A lot of that is being driven by the tight labour market and strong wage growth. CPI inflation is expected to peak close to 10.4% in November and, with the supply of workers set to remain unusually low, the tight labour market will keep underlying inflationary pressures strong until early next year.
- During H1 2022, there has been a change of both Prime Minister and Chancellor. The new team (Liz Truss and Kwasi Kwarteng) have made a step change in government policy. The government's huge fiscal loosening from its proposed significant tax cuts will add to existing domestic inflationary pressures and will potentially leave a legacy of higher interest rates and public debt. Whilst the government's utility price freeze, which could cost up to £150bn (5.7% of GDP) over 2 years, will reduce peak inflation from 14.5% in January next year to 10.4% in November this year, the long list of tax measures announced at the "fiscal event" adds up to a loosening in fiscal policy relative to the previous government's plans of £44.8bn (1.8% of GDP) by 2026/27. These included the reversal of April's national insurance tax on 6th November, the cut in the basic rate of income tax from 20p to 19p in April 2023, the cancellation of next April's corporation tax rise, the cut to stamp duty and the removal of the 45p tax rate, although the 45p tax rate cut announcement has already been reversed.
- Fears that the government has no fiscal anchor on the back of these announcements has meant that the pound has weakened again, adding further upward pressure to interest rates. Whilst the pound fell to a record low of \$1.035 on the Monday following the government's "fiscal event", it has since recovered to around \$1.12. That is due to hopes that the Bank of England will deliver a very big rise in interest rates at the policy meeting on 3rd November and the government will lay out a credible medium-term plan in the near term. This was originally expected as part of the fiscal statement on 23rd November but has subsequently been moved forward to an expected release date in October. Nevertheless, with concerns over a global recession growing, there are downside risks to the pound.
- The MPC has now increased interest rates seven times in as many meetings in 2022 and has raised rates to their highest level since the Global Financial Crisis. Even so, coming after the Fed and ECB raised rates by 75 basis points (bps) in their most recent meetings, the Bank of England's latest 50 basis points hike looks relatively dovish. However, the UK's status as a large importer of commodities, which have jumped in price, means that households in the UK are now facing a much larger squeeze on their real incomes.

- *Since the fiscal event on 23rd September, we now expect the Monetary Policy Committee (MPC) to increase interest rates further and faster, from 2.25% currently to a peak of 5.00% in February 2023. The combination of the government's fiscal loosening, the tight labour market and sticky inflation expectations means we expect the MPC to raise interest rates by 100bps at the policy meetings in November (to 3.25%) and 75 basis points in December (to 4%) followed by further 50 basis point hikes in February and March (to 5.00%). Market expectations for what the MPC will do are volatile. If Bank Rate climbs to these levels the housing market looks very vulnerable, which is one reason why the peak in our forecast is lower than the peak of 5.50% - 5.75% priced into the financial markets at present.*
- *Throughout 2022/23, gilt yields have been on an upward trend. They were initially caught up in the global surge in bond yields triggered by the surprisingly strong rise in CPI inflation in the US in May. The rises in two-year gilt yields (to a peak of 2.37% on 21st June) and 10-year yields (to a peak of 2.62%) took them to their highest level since 2008 and 2014 respectively. However, the upward trend was exceptionally sharply at the end of September as investors demanded a higher risk premium and expected faster and higher interest rate rises to offset the government's extraordinary fiscal stimulus plans. The 30-year gilt yield rose from 3.60% to 5.10% following the "fiscal event", which threatened financial stability by forcing pension funds to sell assets into a falling market to meet cash collateral requirements. In response, the Bank did two things. First, it postponed its plans to start selling some of its quantitative easing (QE) gilt holdings until 31st October. Second, it committed to buy up to £65bn of long-term gilts to "restore orderly market conditions" until 14th October. In other words, the Bank is restarting QE, although for financial stability reasons rather than monetary policy reasons.*
- *Since the Bank's announcement on 28th September, the 30-year gilt yield has fallen back from 5.10% to 3.83%. The 2-year gilt yield dropped from 4.70% to 4.30% and the 10-year yield fell back from 4.55% to 4.09%.*
- *There is a possibility that the Bank continues with QE at the long-end beyond 14th October or it decides to delay quantitative tightening beyond 31st October, even as it raises interest rates. So far at least, investors seem to have taken the Bank at its word that this is not a change in the direction of monetary policy nor a step towards monetary financing of the government's deficit. But instead, that it is a temporary intervention with financial stability in mind.*
- *After a shaky start to the year, the S&P 500 and FTSE 100 climbed in the first half of Q2 2022/23 before falling to their lowest levels since November 2020 and July 2021 respectively. The S&P 500 is 7.2% below its level at the start of the quarter, whilst the FTSE 100 is 5.2% below it as the fall in the pound has boosted the value of overseas earnings in the index. The decline has, in part, been driven by the rise in global real yields and the resulting downward pressure on equity valuations as well as concerns over economic growth leading to a deterioration in investor risk appetite.*

Interest rate forecasts

- *The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.*
- *The latest forecast on 27th September sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, whilst the government is providing a package of fiscal loosening to try and protect households and businesses from the ravages of ultra-high wholesale gas and electricity prices.*
- *The increase in PWLB rates reflects a broad sell-off in sovereign bonds internationally but more so the disaffection investors have with the position of the UK public finances after September's "fiscal event". To that end, the MPC has tightened short-term interest rates with a view to trying to slow the economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control, but its job is that much harder now.*

- Our PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps, calculated as gilts plus 80bps) which has been accessible to most authorities since 1st November 2012.

Link Group Interest Rate View	27.09.22											
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
BANK RATE	4.00	5.00	5.00	5.00	4.50	4.00	3.75	3.25	3.00	2.75	2.75	2.50
3 month ave earnings	4.50	5.00	5.00	5.00	4.50	4.00	3.80	3.30	3.00	2.80	2.80	2.50
6 month ave earnings	4.70	5.20	5.10	5.00	4.60	4.10	3.90	3.40	3.10	3.00	2.90	2.60
12 month ave earnings	5.30	5.30	5.20	5.00	4.70	4.20	4.00	3.50	3.20	3.10	3.00	2.70
5 yr PWLB	5.00	4.90	4.70	4.50	4.20	3.90	3.70	3.50	3.40	3.30	3.20	3.20
10 yr PWLB	4.90	4.70	4.60	4.30	4.10	3.80	3.60	3.50	3.40	3.30	3.20	3.20
25 yr PWLB	5.10	4.90	4.80	4.50	4.30	4.10	3.90	3.70	3.60	3.60	3.50	3.40
50 yr PWLB	4.80	4.60	4.50	4.20	4.00	3.80	3.60	3.40	3.30	3.30	3.20	3.10

November 2022

6. Approved Countries for Investments

This list is based on those countries which have sovereign ratings of AAA or higher (lowest rating from Fitch, Moody's and S&P have banks operating in sterling markets which have credit ratings of 'green or above' in the Link Treasury Services credit worthiness service. Based on lowest available rating.

AAA

1. Australia
2. Denmark
3. Germany
4. Luxembourg
5. Netherlands
6. Norway
7. Singapore
8. Sweden
9. Switzerland

Source: Link Treasury Services
30 September 2022