Agenda

Executive

Thursday, 22 June 2023 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:	
R. Biggs (Leader)	
V. H. Lewanski	J. P. King
R. H. Ashford	R. Michalowski
H. Avery	N. C. Moses
A. King	C. M. Neame

Mari Roberts-Wood
Managing Director

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Published 14 June 2023

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

1. Apologies for absence

To receive any apologies for absence.

2. Minutes (Pages 5 - 20)

To approve the Minutes of the meeting of the Executive held on 23 March 2023.

3. Declarations of interest

To receive any declarations of interest.

4. Revenues, Benefits & Fraud - Service Provision (Pages 21 - 28)

The Executive Member for Finance, Governance and Organisation and Deputy Leader.

5. Contract Award - Facilities (Pages 29 - 38)

The Executive Member for Commercial and Community Assets.

6. Energy Supply Contract 2023/25 (Pages 39 - 44)

The Executive Member for Commercial and Community Assets.

7. Quarter 4 2022/23 performance report (Pages 45 - 94)

The Executive Member for Corporate Policy and Resources and the Executive Member for Finance, Governance and Organisation and Deputy Leader.

8. Risk management - Q4 2022/23 (Pages 95 - 120)

The Executive Member for Corporate Policy and Resources.

9. Treasury Management Strategy 2023/24 (Pages 121 - 168)

The Executive Member for Finance, Governance and Organisation and Deputy Leader.

10. Statements

To receive any statements from the Leader of the Council, Members of the Executive or the Managing Director.

11. Exempt business

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

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

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

12. Any other urgent business

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

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

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

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

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

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

Minutes of a meeting of the **Executive** held at the **New Council Chamber - Town Hall, Reigate** on
Thursday, 23 March 2023 at **7.30 pm**.

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

Visiting Members present: Councillors Blacker, Chandler, Essex, J. King, Walsh

65 Apologies for absence

Apologies for absence were received from Councillor Bramhall and Councillor Neame.

Apologies were received from Chair of Overview and Scrutiny Committee, Councillor Harrison who was represented by Vice-Chair, Councillor Walsh.

66 Minutes

RESOLVED – that the minutes of the meeting of the Executive held on 26 January 2023 be approved.

67 Declarations of interest

Visiting Member, Councillor Blacker, declared an interest in Item 7 – Retender of Home Improvement Agency and Handy Person Services, as a structural engineering consultant for Millbrook Healthcare. The current contract of these services was provided by Millbrook Healthcare.

68 Leisure and Culture strategy

Executive member for Leisure and Culture, Councillor Sachdeva, introduced the Council's proposed new Leisure & Culture Strategy. This set out the Council's overarching vision for leisure and culture in the borough, defining the Council's role and articulating the benefits that these services bring to residents and communities.

There were four core objectives to the strategy:

- To inspire residents to lead healthy and active lives
- To provide sustainable and accessible services
- To work in partnership with other organisations to provide services and support the local leisure and cultural sector
- To ensure our services are delivered in a financially sustainable way.

The strategy had been discussed at Overview and Scrutiny Committee the week previously at its meeting on 16 March. The Committee had recommended that:

- The strategy be reviewed further and developed to identify the current leisure and culture offer to residents and what it aims to provide.
- The strategy set out how the objectives will be achieved; and
- How any weaknesses and challenges in the current leisure and culture offer will be overcome.

Councillor Sachdeva said that work on more detailed delivery plans was already in progress. The strategy set the overall direction in this service area. However, following recommendations from Overview and Scrutiny Committee, the proposal before Executive was to prepare a more formal Part 2 of the strategy to provide more detail about strategy delivery and implementation. This would include input from other service areas. It would be developed in consultation with relevant Executive and O&S Members. Amendments to the recommendations to Executive and proposed amendments to the report had been published as an Addendum to the agenda pack.

Leader, Councillor Brunt, noted that this was a high-level strategy and there had been agreement about the overall direction. The strategy was not designed to set out operational or financial information but instead be used to guide the development of detailed implementation plans to deliver on the objectives set out in the strategy.

He noted that in the past, leisure and cultural activities had been focused on the three leisure centres in the borough and the Harlequin theatre and cinema in Redhill. However this is only a small part of borough’s leisure and culture activities that included numerous parks and greenspaces in the borough as well as allotments, activities at three community centres and children’s sports holiday activities. The new Leisure & Culture Strategy set out a broader scope to support and encourage partnership working and community groups such as the Archway theatre company in Horley, the Chipstead Players Theatre Group and other local arts events. There were also sports and other facilities across the borough including those not in the control of the council such as in the private and not-for-profit sector.

Executive Members asked questions and made comments on the following areas:

- A firm timeline for completion of Part 2 of the strategy to avoid a long implementation period.
- If outside leisure and sports bodies could be included in the consultation as well as internal resources.
- How the objectives set out in the strategy would be achieved.

The Leader said it was important to set and agree the objectives to go forward following which the implementation plan could be developed.

Managing Director, Mari Roberts-Wood, took an action to go back to officers to confirm timescales at the beginning of the next municipal year in June to appear back to Overview and Scrutiny Committee and Executive before the end of the year.

Vice-Chair of Overview and Scrutiny Committee, Councillor Walsh, reiterated the feedback from Overview and Scrutiny Committee which included consultation with the Committee, a set timeline and a part 2 detailed plan to ensure residents get the benefit of a wider look at leisure and culture. The Committee had asked for information on capital spend and requested measurable objectives.

Visiting Members asked questions on the following areas:

- Information about fees charged to organisations running events in the borough's park.
- Environmental issues in relation to health and wellbeing linked to environmental concerns. Councillor Sachdeva noted that environmental sustainability considerations were addressed in the strategy (p37 in the published agenda pack).

Deputy Leader and Executive Member for Finance and Governance, Councillor Schofield, said the strategy had been a huge piece of work and gave a firm direction to services for residents. It was a living document, and the next exciting step was to agree the projects and tasks to deliver on this strategic plan.

RESOLVED – that the Executive:

(i) Approves the Leisure & Culture Strategy Part 1, as amended by the published addendum;

(ii) Supports the ongoing development of Part 2 of the Leisure & Culture Strategy, and notes that this will be developed in consultation with the Overview & Scrutiny Committee before being brought to a future Executive meeting for approval in no less than 6 months.

69 CIL Strategic Infrastructure Programme 2023-2027

Executive Member for Planning Policy and Place Delivery, Councillor Biggs, set out the report on the Community Infrastructure Levy (CIL) Strategic Infrastructure Programme (SIP) 2023-2027 to Executive. This is a charge collected from developers of new house building. Eighty per cent of the CIL funding is strategic under national legislation and must be spent on infrastructure to support development in the borough. Annex 1 set out the list of project bids received for funding. Annex 2 set out the screening and assessment criteria to ensure consistency and transparency, Annex 3 set out the Project Assessment Summary and Annex 4 set out the Council's priorities for spending the strategic CIL funding.

Infrastructure providers had been invited to bid for a total of up to £18.2m of strategic CIL funding to run during the five-year-period, 2023 to 2027. Seventy-five project bids were received. All bids had been assessed against statutory requirements and the screening and assessment criteria. Almost half of the successful 51 project bids were in Redhill and Horley – the main location for recent development. It was agreed that the Executive would receive an annual update report on progress in transferring CIL funding and the delivery of the SIP projects. No Members of the Council were involved in prioritisation of the projects which was carried out by officers using the transparent scoring assessment process.

Councillor Biggs thanked all the community organisations that had been involved and had bid for this funding. He also thanked officers, including the Principal Planning Development Officer and Head of Planning, for their hard work to bring these bids and successful projects to Executive for approval. The Leader, Councillor Brunt, also expressed thanks to local groups to apply for CIL funding and Members who had encouraged them to bid. He hoped that those groups not successful this time would continue to engage with the Council for future bids.

Overview and Scrutiny Committee had reviewed the report on the CIL assessment process at their meeting on 16 March 2023 and their observations were published as an Addendum (Draft O&S Minute 73).

Executive Members made the following observations and comments:

- **Assessment of business plans** discussed at Overview and Scrutiny Committee – it was confirmed that one of the assessment criteria used in assessing all CIL bids was for organisations to include an acceptable business case.

Visiting Members asked questions and made observations in the following points:

- **Scrutiny of the project bids** – Overview and Scrutiny Committee Members had requested wider scrutiny of the bids and their full assessments . Annex 1 is the summary of all bids but the detail of at least the successful bids was requested. Annex 2 the screening and assessment criteria had been reviewed by the Committee but not the full details of Annex 3 – the full project bid scoring. Members asked for the application forms that had been submitted as well as the full assessment scoring (which was summarised in Annex 3) to be shared with them so they could see the breakdown of scoring on the bids for transparency. It was agreed that project bids could be shared to help Members give guidance to organisations for future bids.
- **Qualitative commentary** – Members queried the commentary on the qualitative considerations which varied between bids and asked for further information. It was confirmed that there was more commentary on larger bids. Officers could provide further information to Members if required.
- **Earlswood Scout headquarters bid and Battlebridge recreation ground athletics track bid** on p95 of the report was discussed. The latter had received a high score but had not been successful. It was confirmed that these two project applications had not received funding this time, but as both bids had been “screened in” they, or a variation of them, could be considered again through the annual review of the SIP (paragraph 66 of the report). It was agreed that project submission forms could be shared with councillors.
- **Battlebridge recreation ground skate ramp** – As discussed at a previous meeting of the Executive, this had burnt down and replacement costs with a concrete ramp were high. SIP Funding is to be allocated for a new outdoor Multi-Use-Games Area (MUGA) at Battlebridge Club (p97 of the report). There was scope for a skate ramp in the future in an appropriate location but made of alternatives to wood for insurance purposes but this was not part of the current CIL funding. Its replacement is considered too costly for one Local CIL Area Panel to fund, but could be re-provided in Redhill or in Merstham. It was referenced in the RBBC Playing Pitch and Outdoor Sports Facilities Study and a solution for an appropriate location and a design of a new one was being discussed with Greenspaces .
- **Carbon neutral and environmental sustainability projects** – it was noted that a number of bids that had been put forward for projects to reduce energy and carbon emissions and to add solar panels to buildings had been accepted, which Members acknowledged and were pleased had been included in the SIP.

- **Redhill Memorial Park upgrade to play area and outdoor gym equipment** – this was set to receive a maximum of £113,824 of CIL funding which was seen as important as there were increasing numbers of new flats in Redhill. It is requested that additional play equipment is provided using strategic CIL rather than local CIL.
- **Solar-powered 80 Big Belly bins** – Members questioned whether there could be separate recycling Big Belly bins to avoid recycling being compacted with general rubbish and then sent to landfill. It was confirmed that there were options for both recycling and non-recycling bins.
- **Surrey County Council bids** – good matching SCC bids and a large project to improve Redhill Library (with £500,000 funding) was noted. There had been some funding for improving the cycling infrastructure but match funding and proposal to implement further cycle lanes had been disappointing.
- **Three Arch Road and A23 junction** – this was subject to a Surrey County Council public consultation and a funding bid. Improvements to walkers and cyclists in this area was discussed.
- **Communication with those bidding for funding** – Members asked about the communications plan for letting bidders know who had been successful or not successful this time. It was noted that only 1 bid made in Banstead, which was not successful. There are also several successful bids which include locations in Banstead. It was confirmed that all applicants had been informed about the Executive meeting and could view via the webcast. All those assessed would be emailed to let them know the outcome. Banstead Community Centre and Lady Neville Park had received funding. Even if unsuccessful at this stage, all bids assessed will stay on the list and can be reviewed annually.
- **Timing for funding released to successful applicants** – it was confirmed that funding would be released subject to conditions specific to projects' funding allocations. There is some flexibility between the years' funding allocations to bring projects forward subject to funding being available.
- **Transparency of scoring projects was welcomed** to help councillors explain why some projects are included and others are not. For example, benefits of the bid for drainage improvements to two rugby pitches compared to benefits of the bid for Woodhatch Road junction with A217 improvements. The latter was not successful due to the details of the bid and the current design option, which is at a relatively early stage which has not yet subject to initial public consultation, and which included highways proposal related to the proposed move of Priory School, which is not currently going ahead. Officers could provide the full assessment scoring. The Director of Place confirmed that she had met with SCC partners recently to discuss how to bring about improvements to this junction, which is a priority for both organisations. There remain funding opportunities from this SIP through annual reviews and potentially also from other sources.
- **Surrey and Sussex Healthcare NHS Trust bids** – it was noted that feedback would be given by officers to the Trust as the quality and structure of their bids could be improved and there was a need for improved infrastructure projects in this area, for example, at local GP and dentist surgeries. Bids should be linked to health care strategies. The Leader would also raise this with the East Surrey Hospital Chief Executive.

RESOLVED – that the Executive:

(i) Agrees the Council's second Community Infrastructure Levy Strategic Infrastructure Programme (CIL SIP) 2023-2027 with the amounts to be

allocated in each relevant year including the national RICS CIL index (at Annex 4).

(ii) Agrees that the release of Community Infrastructure Levy funding to infrastructure providers for projects on the Community Infrastructure Levy Strategic Infrastructure Programme (CIL SIP) 2023-2027 (at Annex 4 or as amended by any subsequent annual review) be delegated to the relevant Head of Service for CIL in consultation with the relevant Portfolio Holder for CIL and Chief Finance Officer.

(iii) Agrees to receive an annual review of the Community Infrastructure Levy Strategic Infrastructure Programme (CIL SIP) 2023-2027, noting the reported delivery progress of projects in the SIP and updating the SIP as appropriate.

70 Local Authority Housing Fund

Members received a report on grant funding from the Government's Local Authority Housing Fund towards purchasing properties to be used to accommodate families arriving in the UK via the Ukrainian and Afghan resettlement programmes. The Council had been allocated £2.158m towards the purchase of 12 homes in the borough.

The Leader, Councillor Brunt introduced the report as Councillor Neame, Executive Member for Housing and Support, had sent her apologies.

The Executive were asked to:

- Purchase and refurbish up to four properties to be retained in the Council's ownership for use as temporary accommodation and let to households that meet the criteria set by the Department for Levelling Up, Housing and Communities (DLUHC).
- Approval to release up to £1.050m from the Housing Delivery Strategy Revenue Reserve as match funding for the four properties retained in the Council's ownership.
- Authorise a capital grant of up to £0.110m from the Housing Delivery Strategy Revenue Reserve to partner Registered Providers, Raven Housing Trust and Mount Green Housing Association to support delivery of 2 x 4 bed properties at an affordable rent level.

There was an additional £20k DLUHC grant on each property to allow for refurbishment and other associated on-costs. It was expected by DLUHC that the properties should be purchased and ready-to-let by November 2023. The Council intended to deliver the housing in partnership with the Registered Providers to resource the purchase and refurbishment of the properties and let some of the properties on assured tenancies others as temporary accommodation. The Council only had the capacity and expertise to manage temporary and emergency unsecure tenancies.

It was noted that paragraph 15 on p114 of the agenda pack should read that the 2 x 4 bedroom properties will be let on assured tenancies (rather than secure tenancies).

The Council-owned four properties would be temporary accommodation and let at social rents. In future the properties could be used for emergency accommodation and would continue to be assets held and to be used for the borough. This was a great opportunity to bring more stock into a constrained system, including 4-bedroom properties – vital for housing larger families.

Visiting Members asked the following questions:

- **Housing Delivery Strategy Revenue Reserve** – It was proposed to release up to £1.050m from this reserve which covered up to 40% of the capital cost. Where was the shortfall and where is the remainder of funding coming from? Officers highlighted the table at paragraph 40 (p117 of the agenda pack) that showed the breakdown of funding. The balance to fund up to 8 properties purchased by partner Registered Providers would be provided by the Registered Providers. The 4 Council owned properties would remain in the ownership of the borough council and would save up to an estimated £63k a year in emergency accommodation costs.
- **House prices** – Members queried the £390,000 for a three-bedroom property. Officers confirmed that this was achievable mainly in Merstham and Horley on properties that needed refurbishment or were more difficult to sell in the marketplace and could be brought back into use.
- **Refurbishment costs** – it was confirmed that if under £20k was spent on refurbishing properties then this grant funding could be transferred to other properties.

RESOLVED – that the Executive agreed:

The Chief Finance Officer be authorised to:

(i) Agree to and sign the Memorandum of Understanding with DLUHC in order to secure grant funding from the Local Authority Housing Fund and comply with the associated terms.

The Head of Housing be authorised in consultation with the Chief Finance Officer, Strategic Head of Legal & Governance, Executive Member for Housing & Support, Deputy Leader and Executive Member for Finance & Governance, and Executive Member for Investment & Companies, to:

(ii) Use up to £0.600 million of Local Authority Housing Fund (grant funding), to purchase and refurbish up to 4 properties, to be retained in the Council's ownership, for use as temporary accommodation and let to households that meet the criteria set out by DLUHC;

(iii) Release up to £1.050 million from the Housing Delivery Strategy Revenue Reserve as match funding when purchasing the 4 properties that will be retained in the Council's ownership;

(iv) Authorise a capital grant of up to £0.110 million, from the Housing Delivery Strategy Revenue Reserve, to partner Registered Providers (RPs), Raven Housing Trust and Mount Green Housing Association, to support delivery of 2 x 4 bed properties at an affordable rent level;

(v) Obtain any necessary surveys, planning consents, quotes and tenders as required to carry out refurbishment work; and

(vi) Appoint and enter contracts as required, with legal advisors, consultants, suppliers and builders.

The Head of Housing be authorised in consultation with Chief Finance Officer, Strategic Head of Legal & Governance, Executive Member for Housing & Support, Deputy Leader and Executive Member for Finance & Governance, and Executive Member for Investment & Companies, to:

(vii) Enter into Memoranda of Understanding with partner Registered Providers, Raven Housing Trust and Mount Green Housing Association, to enable them to participate in the proposed purchase and refurbishment of properties under this programme, and to ensure delivery compliance;

(viii) Provide capital grants, funded from the Local Authority Housing Fund, to Registered Providers to enable them to assist with the delivery of the required properties.

71 Retender of Home Improvement Agency and Handy Person Services

The Executive was asked to approve the procurement by re-tender of the Home Improvement Agency and Handy Person Services (HIA and HPS) contract and to approve the award of the contract by the Head of Neighbourhood Services in consultation with the Strategic Head of Legal & Governance and Chief Finance Officer, in accordance with the outcome of the procurement process. The current contract was due to expire in January 2024 at the end of the full five-year-term. The service had been outsourced for many years and was worth at least £0.600 million over five years. Since 2018, the services had been delivered by Millbrook Healthcare Limited on behalf of the Council as well as Mole Valley and Tandridge District Councils, operating under three separate contracts following a joint procurement.

The Leader, Councillor Brunt, said that the Disabled Facility Grant scheme, which is one of the core elements provided by the HIA contract, was funded by the government and enabled those in need of support to maintain their independence in their own home by providing adaptations to improve their quality of life, health and wellbeing. Services were primarily used to assist older or disabled people or people on low incomes with additional needs and support them to live at home independently for as long as possible. He encouraged Members to promote awareness of the service and make sure residents knew about the benefits of this scheme.

Executive Members noted that it was a positive scheme and enabled elderly and disabled people to be able to stay in own homes as a result of these services and continue to live independent lives.

The Home Improvement Agency and Handy Person Services had been outsourced for over ten years. Visiting Members asked about:

- Improving the **environmental sustainability** in the quality of building stock.
- How **feedback from residents** was taken on board
- Support for subsequent **ongoing or future maintenance** (such as for stairlifts) not just the installation.

Officers confirmed that the procurement exercise and retender would give the Council an opportunity to review the terms of reference and service specifications and learn any lessons from the last five years to improve services. This included making any changes to the environmental sustainability aspects in the contract within the limitations of the scheme. The scheme was governed by the Council's Housing

Assistance Policy which was brought to Executive in 2022. This had included a change of policy so ongoing issues of maintenance were covered. This included a standard five-year warranty in the lifts grants package.

- Members asked how the **Housing Assistance Policy** was aligned with the two neighbouring borough councils. Officers confirmed that the three Councils aimed to be broadly consistent with each other and any differences were mainly budget driven.
- **Funding sources** – Members asked for a breakdown of the costs and funding sources. The majority of the contract was funded from an annual block fee, as well as from technical fees charged on completed Disabled Facilities Grants, funded from the grant allocation. It was expected that the new contract price would increase broadly in line with inflation. Further information could be provided to Overview and Scrutiny Committee.

RESOLVED – that the Executive:

(i) Approves the procurement by retender of Home Improvement Agency and Handy Person Services;

(ii) Approves the award of the contract by the Head of Neighbourhood Services in consultation with the Strategic Head of Legal & Governance and Chief Finance Officer, in accordance with the outcome of the procurement process.

72 Quarter 3 2022/23 performance report

Executive Member for Corporate Policy and Resources, Councillor Lewanski, introduced the performance report and Key Performance Indicators (KPIs) up to the end of Quarter 3 (October to December 2022) (Annex 1).

The Deputy Leader and Executive Member for Finance and Governance also set out the Budget Monitoring forecasts (Annex 2 and 3) for the quarter and progress update on the Financial Sustainability Programme (Annex 4).

Councillor Lewanski told Executive that of the 10 KPIs reported on in Q3, eight were on target and two were off target. The two red-rated indicators were:

- KPI 3 – Staff turnover which was 18% which was higher than the target of 12%. This was due to a buoyant labour market following the low turnover of staff during the pandemic.
- KPI 10 – Recycling – a particularly dry summer had an impact on garden waste tonnage and collection levels were 53.9% against a target of 60%.

The report introduced KPIs planned for the 2023/24 financial year which were similar to the previous year. One new KPI was proposed on the number of accepted Stage 1 complaints received by the Council.

The Q3 performance 2022/23 reports were considered by the Overview and Scrutiny Committee at their meeting on 16 March 2023. Their observations were published as draft minutes in an Addendum to the Executive's agenda pack.

Visiting Members asked questions on the following KPIs:

- **KPI 3 Staff turnover and any areas of persistent vacancies.** Managing Director, Mari Roberts-Wood, noted that it was a competitive recruitment market currently. However, there was not a concentration of vacancies in one job area. The Council was also targeting potential applicants through social media, including LinkedIn, as well as exploring different types of advertising. A recent senior job advertisement had attracted over 90 applications.
- **Cost of living crisis framework and tracking reports**. A briefing session for Members had taken place and the data and insight team were continuing to track external indicators. Uptake of frontline intervention services is also tracked to make sure the Council was providing services most needed by residents. Consideration will be given to how best these contextual data sources can be reported to Overview and Scrutiny Committee.
- **KPI 10 Recycling percentages excluding garden waste** – it was confirmed by officers that this was provided in supporting information for the KPI. Councillor Lewanski highlighted that the Council was a high performer on recycling when measured against other local authorities.

O&S Vice-Chair Councillor Walsh commented on the positive reporting on KPI 6 (Net housing completions) and KPI 7 (Net affordable housing completions). He noted the response on KPI 3 on staff turnover which had been expected to rise and welcomed the action taken to increase staff retention.

Councillor Schofield, Executive Member for Finance and Governance, presented the Council's Revenue and Capital Budget position for Quarter 3 to the end of December. The projected full year outturn was forecast to be £18.532m against a management budget of £20.062m resulting in an underspend for the year of £1.530m (7.6%). Significant budget variances were set out in the report and chart on p167.

The full year Capital Programme forecast at the end of Q3 was £31.99m (55.6%) below the approved Programme for the year. The variance was a result of slippage in allocated investment for housing developments primarily due to related business cases that had not yet been fully developed.

Annex 3 to the report set out in-year Capital Programme approvals of £4.46m to reflect planned investment in housing and parking assets to be completed during 2023/24. These were fully funded through S106 funding and the Community Infrastructure Levy (CIL). This recommendation will be brought for approval to Full Council at its meeting on 30 March 2023.

Executive Members and Visiting Members made no further comments.

RESOLVED – that the Executive:

(i) **Note the Key Performance Indicator performance for Q3 2022/23 as detailed in the report and Annex 1;**
(ii) **Approve the Key Performance Indicators to be reported on in 2023/24 as detailed in Annex 1.1; and**
(iii) **Note the Budget Monitoring forecasts for Q3 2022/23 as detailed in the report and at Annexes 2 and 3 and the progress update on the Financial Sustainability Programme at Annex 4.**

Recommend to Council to:

(iv) **Approve the recommended £4.46m increase in the Capital Programme for investment in housing and parking assets, funded from Section 106 and Strategic Community Infrastructure Levy resources, that were approved during the quarter.**

73 Risk management - Q3 2022/23

Executive Member for Corporate Policy and Resources, Councillor Lewanski, gave Members the Quarter 3 update on risk management 2022/23 (from October to December 2022). There were no new strategic risks in Q3. One strategic risk was recommended for closure – SR1 Coronavirus Pandemic as responding to COVID-19 was now part of business as usual for the Council.

At the end of Quarter 3 there was one red-rated operational risk. Additional detail on this was provided in a Part 2 exempt annex. There was no discussion on this item.

The report was considered by the Audit Committee at its meeting on 15 March 2023. The Committee sought clarification on the direction of travel for red-rated risks and requested further detail on measures to mitigate the risks. Further information on the Financial Sustainability programme had been provided.

Chairman of the Audit Committee, Councillor James King, confirmed that the further details and information requested had been received by the Audit Committee.

There were no further questions from Executive or Visiting Members.

RESOLVED – that the Executive:

(i) Notes the Q3 2022/23 update on risk management provided by the report and associated annexes.
(ii) Approves the closure of SR1 – 'Coronavirus pandemic'.

74 Strategic risks 2023/24

The Deputy Leader and Executive Member for Finance and Governance, Councillor Schofield, set out the proposed Strategic Risks for the coming 2023/24 financial year as set out in the covering report and Annex 1. Strategic risks were those risks that have an impact on the medium to long term priorities of the Council as set out in the Corporate Plan and Medium-Term Financial Plan.

The Strategic Risks had been reviewed in consultation with the risk owners and, where necessary, had received contextual updates to reflect the anticipated position on 1 April 2023.

The Audit Committee had considered the report at its meeting on 15 March 2023 and had made no formal observations or recommendations to the Executive.

There were no comments from Executive or Visiting Members.

RESOLVED – that the Executive:

(i) Approves the strategic risks for 2023/24 as detailed in Annex 1 of the report to Executive.

75 Risk Management Strategy - 2023/24- 2025/26

Executive Member for Corporate Policy and Resources, Councillor Lewanski, introduced the Risk Management Strategy for 2023/24 to 2025/26 which was set out in Annex 1 of the report to Executive. The report recommended that the Executive endorse the strategy for approval at Full Council on 30 March 2023.

Councillor Lewanski told Members that the strategy, which is renewed every three years, set out the Council's approach to manage risk effectively. It explained how the Council identifies, assesses, manages and reports on the risks that it faces. The main changes proposed were:

- Inclusion of a corporate risk appetite statement to define the level of risk the Council was willing to accept and provide clarity and direction to risk management activities. The team had commissioned Zurich Resilience Solutions to assist with this work. Executive and Audit Committee Members had an input into this work. Zurich's opinion report was set out in Annex 2.
- Introduction of an assurance framework to document the principal risks faced by the Council and to map the corresponding controls – to be published annually.

Annex 3 set out a methodology document to provide greater detail about how the strategy will be implemented.

The proposed Risk Management Strategy and methodology was considered by the Audit Committee at its meeting in December. Councillor James King, Chairman of the Audit Committee told Executive Members that the work with Zurich and with officers had been very effective. Audit Committee Members had welcomed the opportunity to give their input and feedback on Zurich's work.

A Visiting Member asked if the quarterly monitoring of risk was sufficient.

Councillor Lewanski provided assurance that operational risks were reviewed regularly. Part of business as usual work was to monitor risks such as IT security on a day to day basis. Levels of risk can be raised if required.

RESOLVED – that the Executive:

(i) Endorse the updated Risk Management Strategy (2023/24-2025/26)
(ii) Recommend that Council approve the updated Risk Management Strategy (2023/24-2025/2026).

76 Debt Write Off 2022/23

Deputy Leader and Executive Member for Finance and Governance, Councillor Schofield, set out the Debt write off and recovery 2022/23 report and annexes. This recommended the write off of six irrecoverable debts totalling £203,770.73.

The circumstances surrounding each debt were set out in the report. Councillor Schofield reassured members that all possible recovery action had been taken in each of these cases and officers worked with a company or an individual in difficulty to conclude the matter satisfactorily. If this was not possible, the Council used its powers under law to recover debt until it became impossible, unlawful or uneconomic to do so. Write-off was only recommended when all possible avenues had been exhausted.

The Leader said the Council was sensitive to debt issues faced by residents and supported those facing financial issues before moving into debt recovery action.

RESOLVED – that the Executive approves:

(i) That six irrecoverable debts totalling £203,770.73 (Annex 1) be written out of the Council's accounts.

77 Council chamber IT upgrade

Deputy Leader and Executive Member for Finance and Governance, Councillor Schofield, introduced the Council Chamber IT upgrade report to the Committee. The report recommended to Full Council an increase of £0.150 million to the approved Capital Programme 2023/24 to 2027/28 to fund the upgrade of hybrid meeting and webcasting equipment in the New Council Chamber.

The Council had webcast its public Committee meetings since 2014 to increase accessibility, openness and provide opportunities for public engagement. The equipment was at the end of its lifetime and increasingly experiencing technical failures and overdue for replacement. The report and Annex 1 set out the business case for the project to ensure the local democratic process remained open and transparent for residents. Since 2021, the equipment had been used for hybrid meetings to make meetings accessible to those attending meetings remotely whether residents, Members or officers. This particularly helped those with families or caring responsibilities attend meetings virtually.

The upgrade also aimed to improve the user experience for operators so that the system was easier to set up and be more reliable as well as improve the audio and video quality. It would also provide an opportunity to consolidate support and maintenance contracts and identify potential savings.

The Leader said using the equipment had presented challenges during remote and hybrid meetings that took place during the pandemic. It was the right time to invest in updated equipment and software to provide ongoing transparency and support to those using the Reigate Town Hall Chamber.

There were no comments from Executive or Visiting Members.

RESOLVED – that the Executive:

RECOMMEND to Full Council to agree an increase of £0.150 million to the approved Capital Programme 2023/24 to 2027/28 to fund the upgrade of hybrid meeting and webcasting equipment in the New Council Chamber.

78 Overview and Scrutiny Annual Work Programme 2023/24

Executive Members received the proposed Overview and Scrutiny Committee Work Programme for 2023/24. Councillor Walsh, Vice-Chairman of the Overview and

Scrutiny Committee, introduced the proposed work programme for the coming year. This set out the activity that was in line with the Council's priorities such as scrutinising performance and budget monitoring and receiving regular updates from Portfolio Holders and the new Leader. In addition to the Budget Scrutiny Panel, which was working well scrutinising the annual budget, three Members had been appointed to the Local Planning Advisory Group.

Councillor Walsh noted that the review of the work of Greenspaces team in regard to the countryside spaces in the borough and delivery of the Greenspaces work programme would be rolled forward to the coming year. This would be considered once the Greenspaces strategy had been reviewed and approved.

There had been consultation between the Overview and Scrutiny Committee Chairman and Vice-Chairman and Managing Director before the Work Programme was agreed at Overview and Scrutiny Committee on 16 March 2023 for approval by Full Council on 30 March 2023. It was noted that the Committee acted as a critical friend to the Council and to Executive members.

Leader, Councillor Brunt, thanked the Committee and its Members for its work, in particular the work of the Chairman and the Vice-Chairman throughout the year.

RESOLVED – that the Executive:

(i) To receive and note the Overview and Scrutiny Committee proposed Annual Work Programme 2023/24 and make any observations to Full Council for approval at its meeting on 30 March 2023.

79 Appointment to the Board of Banstead Commons Conservators (2023)

Members considered the nominations to the Board of the Banstead Commons Conservators who maintain and protect the integrity of the Banstead Commons, a strategic part of the green belt in Reigate and Banstead.

Councillor Harp had nominated himself for reappointment to the landowner representative position which was for a period of three years. This was agreed by the Executive.

The terms of two Conservators, Mr Nick Cull and Mr David Atkins concluded at the end of March. Banstead Commons Conservators had recommended that Mr Atkins be reappointed due to his wealth of knowledge on Banstead Commons and common land legislation and to ensure continuity on the board. This was agreed by Executive Members.

The nominations for the vacancies to be determined for the second appointment were set out in the report and in Annex 1 which was exempt and discussed in private session.

It was agreed that decision on the second appointment would be deferred while Banstead Commons Conservators were reconsulted to recommend to the Council the second appointment from applications received.

The Board and retiring representatives were thanked for their work to protect Banstead Commons.

RESOLVED – that Executive:

(i) **Appoint Councillor Harp as a landowner representative to the Banstead Commons Conservators for the period April 2023 to March 2026 or until they no longer serve as a councillor.**
(ii) **Elect Mr David Atkins as a conservator to the Board of Banstead Common Conservators for the period until March 2026 as recommended by the Banstead Commons Conservators.**
(iii) **Defer the appointment of the second conservator to the Board of Banstead Commons Conservators and ask Banstead Commons Conservators to recommend to the Council the second appointment from applications received.**

80 Statements

The Leader, Councillor Mark Brunt, made a Statement at this last meeting of the Municipal Year. He thanked all the Executive Members for their hard work during the year.

He also thanked Councillor Archer and Councillor Bramhall who were leaving the Council, as retiring Members, for all their support to the Leader and their role on the Executive and wished them well for the future. In particular, he recognised the work of Councillor Bramhall who had served on the Executive for most of her 23 years as a Councillor.

This was also Councillor Brunt's last meeting as Leader of the Executive as he was leaving the Council in May. Councillor Brunt recorded his personal thanks to all Members of the Executive, Members of the Overview and Scrutiny Committee, other Members and to all the Council's officers, the clerk and Democratic Services team for their support to enable him to carry out all of the Executive functions.

He told the Committee: " I have been very honoured to have worked with you all. We have carried out a huge amount of work over the years to make a big difference to this borough and to residents."

81 Any other urgent business

There was no urgent business.

82 Exempt business

It was agreed that agenda item 15 – Appointment to the Board of the Banstead Commons Conservators – would be discussed in private session as they related to information relating to individuals.

Following this discussion, the Executive agreed the recommendations in public session (see Minute 79).

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

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

(ii) It involves information relating to any individual; and

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

The meeting finished at 10.04 pm

Reigate & Banstead
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SIGNED OFF BY:	Chief Finance Officer
AUTHOR:	Simon Rosser Pat Main
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E-MAIL:	simon.rosser@reigate-banstead.gov.uk pat.main@reigate-banstead.gov.uk
TO:	Overview & Scrutiny Executive
DATE:	Thursday 15 June 2023 Thursday 23 June 2023
EXECUTIVE MEMBER:	Deputy Leader and Portfolio Holder for Finance and Governance

KEY DECISION REQUIRED:	NO
WARD (S) AFFECTED:	ALL

SUBJECT:	**Revenues, Benefits & Fraud, Service Update**

RECOMMENDATIONS:

That the Overview and Scrutiny Committee:

(i) Provide any observations to Executive on the plans for continued development of the Revenues, Benefits and Fraud service's joint-working with other councils and external bodies, specifically with Tandridge District Council.

That Executive:

(i) Endorses the continued development of the Revenues, Benefits and Fraud service's joint-working with other councils and external bodies; and

(ii)	**Endorses the development of shared services for Revenues and Benefits with Tandridge District Council, noting the intention to create a Centre of Excellence across the two councils**

REASONS FOR RECOMMENDATIONS:

To provide an update on the joint-working that Revenues, Benefits & Fraud team carries out with other councils and organisations and seek endorsement to continue.

REASONS FOR RECOMMENDATIONS:

To provide an update on the joint-working that Revenues, Benefits & Fraud service carries out with other councils and organisations and seek endorsement to continue.

EXECUTIVE SUMMARY:

This report provides an update on the joint work that has been undertaken by the Revenues, Benefits and Fraud service with other authorities and external bodies.

It also sets out plans for further development which includes pursuing a shared approach to Revenues, Benefits & Fraud services with Tandridge District Council, ultimately moving towards a joint Centre of Excellence. A plan for implementation is now being developed.

STATUTORY POWERS

1. Section 113 of the Local Government Act 1972 states that a local authority may enter into an agreement with another local authority for the placing at the disposal of the latter for the purposes of their functions, on such terms as may be provided by the agreement, of the services of officers employed by the former, but shall not enter into any such agreement with respect to any officer without consulting him.

2. Section 93 of the Local Government Act 2003 empowers councils to charge for any discretionary services on a cost recovery basis.

BACKGROUND

3. Provision of work for other local authorities by the Council's Revenues, Benefits and Fraud service began in 2015 and has developed across several key areas of work, including counter fraud, debt recovery, property inspections, IT system support, business rates and housing benefits. Significantly, the Council provides full counter-fraud services to five other Surrey boroughs as well as several housing providers. By 2023/24 these services are now being provided to at least 28 separate organisations.

4. A key benefit of this arrangement is that it helps ensure that our own service is able to maintain capacity, skills, flexibility and resilience to meet this authority's

service requirements while sharing staff costs and a contribution towards service overheads with external customers. It also provides opportunities for staff to gain experience and skills which has positive impacts on recruitment and retention. .

KEY INFORMATION

Current Service Context

5. The primary objectives for the Revenues and Benefits service, as set out in the service's 2023/24 business plan are:

    - To maintain high collection rates for Council Tax and Business Rates, identify and prevent fraud against the Council, maximise income through debt recovery and ensure correct payment of Housing Benefit avoiding fraud and subsidy loss;

    - Further development of our commercial and shared services with other local authorities and organisations. Enhancement of our private sector partnerships and examining potential efficiencies and income through working closer with Surrey local authorities;

    - Review of our customer engagement through technology, which will include extension of e-Revenues and e-Benefits services for residents, automation, and e-billing in the drive to reduce increasing postal costs and reduce our carbon footprint;

    - Succession management – to develop future managers within the service, and ensure that there is a plan in place to ensure high performance of Council services, and management of external contracts.

6. Developing joint working as a means of delivering the above is a key element of the approach to service delivery.

Joint-Working with Tandridge District Council

7. During 2022/23, following an approach from Tandridge District Council (TDC), the two authorities jointly commissioned consultants, who were already supporting TDC with a transformation programme, to explore the service delivery options available.

8. The aim of the review was to develop an outline business case to enable both Councils to make an informed decision on whether to proceed with one of options identified.

9. The review was based on an analysis of the cost, structure and performance metrics for each service, along with potential to generate external income.

10. The review identified four potential options for a shared service:

(i) Tactical sharing – e.g. counter fraud initiatives, digital / IT, taxbase maximisation, channel shift. This would build on the approach that this authority has already adopted when working with other organisations;

(ii) Tactical sharing as set out at (i) plus shared management and support – as (i) above but with integrated posts where possible;

(iii) Lead council model with a fully integrated service – including a common structure and fully integrated approach to service delivery; and

(iv) Centre of Excellence – structured to deliver commercial opportunities and a competitive and attractive offer to other councils

11. The options were assessed against the following criteria:
    - Service resilience
    - Service improvement
    - Risks
    - Financial benefits
    - Staff impacts
    - Flexibility
    - Commercial income potential
    - Ability to deal with external changes

Outcome of the Review

12. The outcome was to conclude that all four options were viable but that a movement towards option (iv) a Centre of Excellence is most likely to offer the best outcome in terms of cost reduction/income generation potential and enhanced resilience.

13. The review was reported to TBC’s Strategy and Resources Committee on 30 March 2023. Members endorsed the development of shared services for TDC’s Revenues and Benefits service with this authority, noting the intention to create a Centre of Excellence across the two Councils and plans to develop a full business case

14. It was agreed that this report would also be submitted to this Council’s Executive to seek equivalent endorsement of the planned approach.

Creation of a Centre of Excellence

15. Both services intend to move towards a Centre of Excellence model on a carefully managed and phased basis, rather than as a potentially destabilising ‘big bang’ implementation.

16. Taking controlled steps towards joint working allows each service to demonstrate its commitment to collaboration whilst minimising any impacts on service delivery.

17. Retaining the expertise and knowledge of staff will be key to maintaining and building a resilient and commercially attractive service.

18. The next step will be to adopt a joint phased implementation plan which takes advantage of immediate opportunities for tactical collaboration, some of which are already in place, and move towards a greater degree of sharing over time.

19. Immediate tactical improvements include:

- Recruitment a Property Inspector to deliver property inspections on behalf of both councils with potential to roll-out to others, supplementing existing capacity within each Council;

- Agreeing a Memorandum of Understanding for Fraud work, drawing on this Council's expertise and capacity to review TDC's approach to fraud Governance and to undertake defined pieces of anti-fraud work; and

- Joint participation in a County-wide single person discount review, with RBBC playing a lead role in promoting the initiative.

Potential for Additional Income Generation

20. As highlighted above, this Council's service already generates income by collaborating with other organisations to provide services. Both councils see an opportunity to expand these activities by drawing on the collective knowledge and experience of their teams.

21. There may also be further opportunities to operate on a more wide-ranging commercial basis over time, however this would need to be considered alongside the appropriate operating structure to ensure compliance with legislation governing local authority commercial activity.

Next Steps

22. The focus is now on progressing the timetable for delivery:

Activity	**Timetable**	**Owner**
Progress to Date		
TDC - Service Review Phase 1 and Restructure.	January to April 2023	TDC CFO
Options appraisal for shared services and other models delivered by PeopleToo.	February 2023	TDC CFO RBBC CFO and Revenues, Benefits & Fraud Head of Service
Delivering MoU for provision of Fraud Services	February 2023	Revenues, Benefit & Fraud Leads

Activity	Timetable	Owner
Strategy and Resources Committee Approval of recommended approach	March 2023	TDC CFO
Future Steps		
Kick-off meeting for shared approach, including Chief Executives discussing with staff	May 2023	TDC CX/CFO RBBC Managing Director, CFO and Revenues, Benefits & Fraud Head of Service
Formulate opportunities	July 2023	Revenues, Benefit & Fraud Leads
Identify risks	July 2023	Revenues, Benefit & Fraud Leads
Agree opportunities to pursue	August 2023	TDC CFO RBBC CFO and Revenues, Benefits & Fraud Head of Service
Agree implementation plan	September 2023	TDC CFO RBBC CFO and Revenues, Benefits & Fraud Head of Service
Deliver implementation	Subject to above	Revenues, Benefit & Fraud Leads

OPTIONS

23. The Overview and Scrutiny Committee has two options:

    Option 1: Note the report with no observations to the Executive.

    Option 2: Note the report and make any observations to the Executive.

24. The Executive has two options:

    Option 1: Approve the report and make no observations/comments

    Option 2: Approve the report and make any observations/comments

LEGAL IMPLICATIONS

25. The Council will ensure that it carries out services within the boundaries of the Local Government Act 1972 and Local Government Act 2003. All agreements that are in place are supported by an agreed template or Memorandum of Understanding.

FINANCIAL IMPLICATIONS

26. The Revenues, Benefits and Fraud service's revenue budget for 2023/24 is £2.16 million; it employs 54.0 FTE.

	Budget 2023/24
	£000s
Employee Costs	2,456.8
Supplies & Services	349.0
Travel Costs	11.5
Gross Expenditure	**2,817.3**
Grants & Third Party Contributions	(361.5)
Income from Fees & Charges	(294.6)
Net Expenditure	**2,161.2**

	Budget 2023/24
	£000s
Rent Allowances	547.9
Counter-Fraud	312.1
Council Tax	605.2
NNDR and Debt Recovery	329.9
Business Support	395.7
Commercial Trading (Net)	(29.6)
Net Expenditure	**2,161.2**

27. The budget includes £0.600 million income from external contracts and joint-working which income covers the cost of staff directly employed on work for other organisations plus a contribution towards management overheads.

EQUALITIES IMPLICATIONS

28. The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
    - Eliminate discrimination harassment and victimisation and any other conduct prohibited under the Act;
    - Advance equality of opportunity between people who share those protected characteristics and people who do not; and
    - Foster good relations between people who share those characteristics and people who do not.

29. The three parts of the duty applies to the following protected characteristics: age; disability; gender reassignment; pregnancy/maternity; race; religion/faith; sex and sexual orientation. In addition, marriage and civil partnership status applies to the first part of the duty.

30. Any changes to staff roles as a consequence of joint-working will be implemented with consideration to these duties.

COMMUNICATION IMPLICATIONS

31. There are no communications implications arising from this report

ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS

32. There are no additional environmental sustainability implications arising from this report.

RISK MANAGEMENT CONSIDERATIONS

33. There are no additional risk management implications.

CONSULTATION

34. The Portfolioholder for Finance & Governance has been consulted on the proposals and is provided with regular progress updates.

35. Any changes to staff roles as a consequence of joint-working are subject to consultation in line with the Council's human resources policies and procedures.

POLICY FRAMEWORK

36. The proposals in this report are compliant with the Council's Policy framework and Constitution.

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Signed off by	Chief Finance Officer
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To	Executive
Date	Thursday, 22 June 2023
Executive Member	Portfolio Holder for Commercial and Community Assets

Key Decision Required	Y
Wards Affected	(All Wards);

Subject	Contract Award - Facilities

RECOMMENDATIONS

Executive is recommended to endorse:

(i) The award of a three year contract to AP Security (APS) Limited as the provider of Security & Housekeeping services from 01 May 2023 to 31 March 2026, as set out in the exempt report in Part 2 of this agenda

REASONS FOR RECOMMENDATIONS

As a result of changes to the Council's property portfolio and service requirements, and to ensure best value, the Council has procured a new Security & Housekeeping services contract.

Executive approval is required for this contract as this is a strategic procurement under the Council's Contract Procedure Rules.

The previous Security & Housekeeping services was originally tendered in 2017, based upon a three year contract with the option for two one year extensions to the contract.

The contract was extended under an exemption in 2021 during the pandemic; this extension has now come to an end.

The recent tender having been procured in line with EU Procurement Regulations and the Council's procurement procedures and has demonstrated best value.

The new contract consolidates a number of existing services, providing both centralisation and simplification for management purposes, along with a 24hour 365 day responsive and alarm monitoring service. The contract covers the following sites:

- Town Hall, Castlefield Road, Reigate RH2 0SH
- Priory Gate, Castlefield Road, Reigate RH2 0SH
- Earlswood Depot, Horley Road, Redhill RH1 6PN
- Harlequin Theatre, Warwick Road, Redhill RH1 1NN
- Priory Park Pavilion, Priory Park, Reigate RH2 7RL
- Banstead Community Centre, Bolters Lane, Banstead SM7 2BQ
- Woodhatch Community Centre, Whitebeam Drive, Reigate RH2 7LS
- Horley Community Centre, Albert Road, Horley RH6 7JA
- Memorial Park Pavilion, Memorial Park, Redhill RH1 1SZ
- Lady Neville Pavilion, Avenue Road, Banstead SM7 2PF
- Beecholme Pavilion, Osier Way, Nork SM7 1LL
- Priory Park Depot, Priory Park, Reigate RH2 7RL
- Clarendon Road Multi Storey Car Park, Clarendon Road, Redhill RH1 1QZ
- Bancroft Road Multi Storey Car Park, Reigate RH2 7RP
- Portacabin Victoria Road Car Park, Horley RH6 7AS
- Bell Street Public Conveniences, Reigate RH2 7JB
- Banstead Car Park, High Street, Banstead
- Horley Public Conveniences, Consort Way, Horley RH6 7AF
- Redstone Cemetery, Philanthropic Road, Redhill RH1 4DG
- Priory Park Changing Rooms, Priory Park, Reigate RH2 7RL
- Reigate Heath Pavilion, Flanchford Road, Reigate RH2 8QR

- Walton on the Hill Pavilion, Howard Close, Walton on the Hill KT20 7QF
- Tattenham Way Pavilion, Tadworth SM7 1LL
- Allotment Hut, Park Lane, Reigate RH2 8JX
- Former Red Cross Site Car Park, London Road, Reigate RH2 9PU (included)
- Meter in Club/Caves/Lighting, Tunnel Road, Reigate RH2 9AA
- Lower Kingswood Recreation Ground, Lower Kingswood KT10 6SY
- Reigate Hill Centre, Wray Lane, Reigate RH2 0HU
- Public Convenience, Earlswood Lakes, Woodhatch Road, Reigate RH2 7QH
- Merstham Recreation Ground, Albury Road, Redhill RH1 3LP
- The Ring Sports Pavilion, Brighton Road, St Johns, Earlswood RH1 6QE
- Park Farm Depot, Holly Lane, Banstead SM7 2BY
- New Pond Depot, New Pond Farm, Woodhatch RH2 7QH
- Woodhatch Recreation Ground, Whitebeam Drive, Woodhatch RH2 8BS

EXECUTIVE SUMMARY

The Security & Housekeeping Contract combines a number of security and housekeeping operations, including in-person guarding, keyholding and lockup service, testing and maintenance of CCTV, intruder alarms, fire-protection equipment and the regular testing of emergency lighting and fire alarms

Based upon the successful tenderer’s submission it is anticipated that the costs for years 1 to 3 of this contract (1 May 2023 to 31 March 2026) will be as set out in the exempt report in Part 2 of the agenda.

The contract includes the option of extending on a yearly basis after the initial contract period for a further two years.

The aggregative value of this contract requires Executive approval.

The Executive has authority to approve the above recommendation.

STATUTORY POWERS

1. Service contracts of a total value of £181,302 and above must comply with the requirements of EU Procurement Regulations.

BACKGROUND INFORMATION

2. The current contracts for the services that have been included within this procurement have been in place for a number of years. It has been necessary to re-tender them in order to comply with both Council policy, health & safety legislative compliance and procurement regulations.

3. Tendering has provided an opportunity to update requirements across the portfolio of services and an opportunity for tenderers to demonstrate more efficient ways of providing these services

4. The Security & Housekeeping Services contract was tendered under Lot 4A of the ESPO Security Services Framework 347_22 which facilitated the participation of both local companies and Small and Medium Enterprises [SMEs], as well as large managed services corporations. The tender was in line with EU Procurement Regulations and the Council’s Contract Procedure Rules.

5. The tendered contract was based upon a five year period (three plus two, one-year, optional extensions). The contract covers the following sites:

- Town Hall, Castlefield Road, Reigate RH2 0SH
- Priory Gate, Castlefield Road, Reigate RH2 0SH
- Earlswood Depot, Horley Road, Redhill RH1 6PN
- Harlequin Theatre, Warwick Road, Redhill RH1 1NN
- Priory Park Pavilion, Priory Park, Reigate RH2 7RL
- Banstead Community Centre, Bolters Lane, Banstead SM7 2BQ
- Woodhatch Community Centre, Whitebeam Drive, Reigate RH2 7LS
- Horley Community Centre, Albert Road, Horley RH6 7JA
- Memorial Park Pavilion, Memorial Park, Redhill RH1 1SZ
- Lady Neville Pavilion, Avenue Road, Banstead SM7 2PF
- Beecholme Pavilion, Osier Way, Nork SM7 1LL
- Priory Park Depot, Priory Park, Reigate RH2 7RL
- Clarendon Road Multi Storey Car Park, Clarendon Road, Redhill RH1 1QZ
- Bancroft Road Multi Storey Car Park, Reigate RH2 7RP
- Portacabin Victoria Road Car Park, Horley RH6 7AS
- Bell Street Public Conveniences, Reigate RH2 7JB
- Banstead Car Park, High Street, Banstead
- Horley Public Conveniences, Consort Way, Horley RH6 7AF
- Redstone Cemetery, Philanthropic Road, Redhill RH1 4DG
- Priory Park Changing Rooms, Priory Park, Reigate RH2 7RL
- Reigate Heath Pavilion, Flanchford Road, Reigate RH2 8QR
- Walton on the Hill Pavilion, Howard Close, Walton on the Hill KT20 7QF
- Tattenham Way Pavilion, Tadworth SM7 1LL
- Allotment Hut, Park Lane, Reigate RH2 8JX
- Former Red Cross Site Car Park, London Road, Reigate RH2 9PU (included)
- Meter in Club/Caves/Lighting, Tunnel Road, Reigate RH2 9AA

- Lower Kingswood Recreation Ground, Lower Kingswood KT10 6SY
- Reigate Hill Centre, Wray Lane, Reigate RH2 0HU
- Public Convenience, Earlswood Lakes, Woodhatch Road, Reigate RH2 7QH
- Merstham Recreation Ground, Albury Road, Redhill RH1 3LP
- The Ring Sports Pavilion, Brighton Road, St Johns, Earlswood RH1 6QE
- Park Farm Depot, Holly Lane, Banstead SM7 2BY
- New Pond Depot, New Pond Farm, Woodhatch RH2 7QH
- Woodhatch Recreation Ground, Whitebeam Drive, Woodhatch RH2 8BS

6. Two compliant submissions were received on 31 March 2023 and were assessed against price, compared with the services currently provided by the previous provider and against ability to fulfil the extended role.

7. The outcome is set out in the exempt report in Part 2 of the agenda.

OPTIONS

Option 1 – Award a contract based upon the recent tender process, under new five year contract to the successful contractor. [Three years plus two one-year optional extensions]

This is the recommended Option

The Council will be able to get best value for the services and demonstrate that the contract has been fairly and competitively tendered. It is compliant with EU Procurement Regulations.

The range of included services has ensured competitive bids.

The Council will not have to incur the time and costs of re-tendering for three to five years.

The Contract has been drawn up to allow the Council to terminate the contract for poor or non-performance. Appropriate contract management arrangements will be put in place internally to oversee this.

It is expected that, due to the length of the contract, the Contractor will invest in resources to support and run the contract efficiently.

Option 2 – Continue with the current suppliers.

This is not the recommended option.

It would not be compliant with the Council's or EU Procurement Regulations.

The Council would have no way of confirming whether we are achieving best value

There is risk of the service declining for reasons that include contractor complacency.

Option 3 – Re-tender these services on an annual basis.

This is not the recommended option

This process could be considered as not being compliant with current legislation, which expressly forbids splitting tenders to avoid the OJEU Supplies and Services threshold.

While it would provide some competition and an indication of whether we are receiving good value services, companies may decline to bid for a one year contract due the costs and time involved in them bidding.

Successful tenderers may not invest in equipment and resources to support the contract and costs may be higher as the supplier's investment could only be spread across a year rather than a longer period.

The time, effort and cost involved in re-tendering, along with the need to repeat this process every year, would not be an efficient use of officer time.

As this contract involves employees protected under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (SI 2006/246) [TUPE]. Where there is a transfer of an undertaking (or possibly part of one) the new employer takes over any employment liabilities and the responsibility for the employment contracts of employees, who then transfer on their previous terms and conditions of service. However, this could prove unsettling for individuals employed under this contract to potentially transfer between employers on an annual basis and may result in high volume of staff turnover.

LEGAL IMPLICATIONS

Procurement

1. The recommended option of a five year contract (three years plus two sequential one year options to extend) is compliant with the Council's Contract Procedure Rules and EU Procurement Regulations. The other options detailed in this report are not available to the Council as they are not legally compliant and the Council would be open to legal challenge.

2. The contract was tendered under a further competition under Lot 4A of the ESPO Security Services Framework 347_22.

3. The contract is to be awarded under the ESPO Security Services Framework 347_22

EMPLOYMENT
4. .Where applicable any existing staff working on the existing contract, that meet the qualification criteria, would have an opportunity to transfer to the new provider under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (SI 2006/246) [TUPE].
FINANCIAL IMPLICATIONS
5. The financial implications of the contract are set out in detail in the exempt report at Part 2 of this agenda. 6. The costs will be funded within the service's approved revenue budget. 7. The new contract consolidates a number of existing services, providing both centralisation and simplification for management purposes, thus reducing administrative costs and officer time for both the Property and Finance teams, along with formalising a 24hour 365 day responsive and alarm monitoring service for the elements included within this contract.
EQUALITIES IMPLICATIONS
8. The contract documentation requires that the successful tenderer to adhere to the Council's obligations in connection with equality & diversity and makes provision for the Council to monitor its compliance throughout the contract period.
COMMUNICATION IMPLICATIONS
9. There are no communications implications arising from this report.
ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS
10. **Sustainability** - The contract documentation requires that the successful tenderer to ensure compliance with a number of corporate considerations when providing its services either directly or via a third party. Consequently, requires the successful tenderer to assist the Council in the following duties: Health and Well Being; Our Local Economy; Smarter Travel; Biodiversity & Character of our countryside and Efficient use of our resources – energy waste and water. 11. **Environmental Issues** -The contract documentation requires that the successful tenderer to ensure protection of the environment and the promotion of sustainable environmental development and undertake the various obligations contained within the Contract, in a non-detrimental manner to the environment.
RISK MANAGEMENT CONSIDERATIONS
12. These are set out in the paragraphs above.

CONSULTATION
13. The Executive Members for Finance & Governance and Commercial and Community Assets have been consulted on the proposals in this report.
POLICY FRAMEWORK
14. The potential value of the contract makes this a Strategic Procurement under the Council's Contract Procedure Rules.
BACKGROUND PAPERS
None

Reigate & Banstead BOROUGH COUNCIL
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Signed off by	Chief Finance Officer Head of Legal & Governance
Author	Dan Jones
Telephone	01737 276 872
Email	daniel.jones@reigate-banstead.gov.uk
To	Executive
Date	22 June 2023
Executive Member	Portfolioholder for Commercial and Community Assets

Key Decision Required	YES
Wards Affected	ALL

Subject	**ENERGY SUPPLY CONTRACT 2023/25**

Recommendations

Executive is recommended to endorse the appointment of Shell Energy as the provider of gas and electricity supplies for Council properties from 1 October 2023 to 30 September 2025.

Reasons for Recommendations

The Council's contracts for the provision of gas and electricity energy supplies for its properties were previously with multiple suppliers and had varying end dates during 2022 and 2023.

The domestic and global energy supply market since the war in Ukraine has made procurement of energy significantly more challenging and volatile energy prices have resulted in suppliers requiring virtually immediate decisions in order to secure the best prices.

These circumstances meant that it was not possible to seek approval of the recommended contract in advance but it is now set out in this report for endorsement by Executive.

Forecast contract costs also require it to be brought to Executive's attention in compliance with the Contract Procurement Rules in the Constitution.

The new contract will result in significant cost savings energy supplies to the Council's operational and other property compared to original forecast when the 2023/24 budget was approved.

Agenda Item 6

Executive Summary
Executive is asked to endorse the appointment of Shell Energy as the supplier of gas and electricity for Council-owned buildings for the period from 1 October 2023 to 30 September 2025 inclusive.
Executive has authority to approve the above recommendation

Statutory Powers

1. The Council has power to procure the supply of natural gas and electricity under section 111 of the Local Government Act 1972 which enables the council to carry out any activity that is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.
2. The Council also has power to purchase these supplies on behalf of third parties under the general power of competence set out in section 1 of the Localism Act 2011.
3. The Council may enter into contracts for such services under section 1 of the Local Government (Contracts) Act 1997.

Background

4. Currently, contracts for gas and electricity are with two suppliers. gas and some electricity is supplied by Corona Energy, while the remaining electricity is supplied by EDF Energy.
5. In order to allow the Council to invite bids for a single amalgamated contract for all energy supplies, and therefore secure the best price for both types of supply, it was necessary to seek extensions to some existing contracts in order that all contracts would expire at the same time in August 2023
6. The domestic and global energy supply market since the war commenced in Ukraine has been very volatile, which has made procurement of energy significantly more challenging, and has resulted in suppliers requiring immediate decisions when issuing a quote.
7. These circumstances meant that it was not possible to seek approval of the recommended contract in advance but it is now set out in this report for endorsement by Executive.
8. The value of the contract also requires it to be brought to Executive, in compliance with the Contract Procurement Rules in the Constitution.

Options

9. **Option 1** – Endorse the recommendations in this report so that the Council has continuity of the electricity energy supply for its buildings.

   This is the recommended option.

10. **Option 2** – To reject the recommendations in this report.

This option is not recommended, as it would result in the Council incurring significantly higher energy costs.

Legal Implications

11. Under Section 17 of the Local Government Act 1988 the Council is prohibited from taking into account in their procurement decisions, non-commercial considerations, including the location of any country or territory of the business activities or interests of contractors, or from terminating contracts for non-commercial reasons.

12. This statutory duty would therefore ordinarily preclude the Council from excluding any bid from a Russian supplier such as Gazprom, however, Procurement Practice Note 01/22 (Contracts with Suppliers from Russia and Belarus) issued on 28 March, at point 16 set out the following additional powers:

    Regarding new procurements, you could decline to consider (or otherwise exclude from participating in the procurement) bids from suppliers who are constituted or organised under the law of Russia or Belarus, or whose 'Persons of Significant Control' information states Russia or Belarus as the place of residency, unless the supplier (or any member of their supply chain they rely on to deliver the contract):

    - *is registered in the UK or in a country the UK has a relevant internationalagreement with reciprocal rights of access to public procurement; and/or*
    - *has significant business operations in the UK or in a country the UK has arelevant international agreement with reciprocal rights of access to public procurement.*

    Where the supplier has a more complex group structure involving parent or group companies based or operating in the UK, or in a country the UK has a relevant international agreement with reciprocal rights of access to procurement, you should consider the specific circumstances and take legal advice where appropriate.

13. Accordingly, it was decided not to invite, or consider bids from Gazprom as they area solely Russian-owned without UK subsidiaries.

Financial Implications

14. The selected bid from Shell Energy for a period of 24 months from 1 October 2023 to 30 September 2025 results in a saving of £0.342 million per annum, or 40.1%, against the original forecast contract cost.

15. This will reduce the call on Reserves of up to £0.700 million that was anticipated when the 2023/24 budget was set. The reduced costs will also be taken into account when setting the 2023/24 budget.

Equalities Implications

16. There are no equalities implications associated with this report

Communication Implications

17. There are no communications implications associated with this report.

Environmental Sustainability Implications

18. The new contracts offer 100% renewable energy.

Risk Management Considerations

19. There are no additional risk management implications. Price inflation risks are assessed throughout budget-setting and when updating the Medium Term Financial Plan.

Consultation

20. The Portfolioholders for Finance & Governance and Commercial & Community Assets have been consulted on this report.

Policy Framework

21. The procurement of this contract has been undertaken in accordance with the Council's Contract Procedure Rules, the Public Contracts Regulations (2015) and the Procurement Practice Note (01/22 (Contracts with Suppliers from Russia and Belarus) issued on 28 March 2022

Background Papers

None

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Signed off by	Head of Corporate Policy, Projects and Performance, Interim Head of Finance
Author	David Brown, Finance Manager, Luke Harvey, Project & Performance Team Leader, Pat Main, Chief Finance Officer, Ross Tanner, Performance Officer
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To	Overview and Scrutiny Committee Executive Committee Council
Date	Overview and Scrutiny Committee: Thursday, 15 June 2023 Executive: Thursday, 22 June 2023 Council: 20 July 2023
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 4 2022/23 performance report

Recommendations
That the Overview and Scrutiny Committee: **(i) Note the Key Performance Indicators performance for Q4 2022/23 as detailed in the report and in Annex 1 and make any observations to the Executive;** **(ii) Note the Revenue budget outturn for 2022/23 and recommended budget-carry-forwards as detailed in the report and at Annex 2 and make any observations to the Executive;** **(iii) Note the Capital Programme outturn for 2022/23 as detailed in the report and at Annex 3 and make any observations to the Executive.** **That the Executive:** **(i) Note the Key Performance Indicator performance for Q4 2022/23 as detailed in the report and Annex 1;** **(ii) Note the Revenue budget outturn for 2022/23 as detailed in the report and at Annex 2 and approve the recommended budget carry-forwards to 2023/24;** **(iv) Note the Capital Programme outturn for 2022/23 as detailed in the report and at Annex 3 and recommend the additional capital schemes that were approved during the year totalling £4.038 million to Council for inclusion in the Programme.** **That the Council:** **(i) Approve additional capital schemes that were approved during the year totalling £4.038 million for inclusion in the Programme.**
Reasons for Recommendations
For the Council's performance to be reviewed and to ensure that appropriate KPI reporting, and budget monitoring arrangements are in place.
Executive Summary
This report provides an overview of the Council's performance for Q4 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 & Scrutiny Committee and Executive Committee have the authority to approve their respective 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 take action 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.

Key Information

Key performance indicators – Q4 2022/23

7. 11 KPIs are reported on in Q4 2022/23, full detail of which is provided in Annex 1.
8. Of the 11 KPIs reported on, 10 are on target or within the agreed tolerance. One indicator is off target and outside of its tolerance and is therefore red rated. A detailed description of this KPI as of Q4 reporting is noted below:
9. KPI 3 – Staff Turnover. Levels of staff turnover have remained in excess of target in Q4, with turnover at 19% as of the end of Q4. A combination of lower than usual turnover during the pandemic and a particularly buoyant labour market have led to a release of pent-up demand for a move in job. A cross-section of exit interviews have noted that 'career change' was a leading cause amongst those seeking new employment. This increase in turnover is being managed, with workloads carefully monitored and balanced with resources redeployed if and where required. Although this performance indicator continues to remain outside of target and tolerance, there are no new causes of concern arising from these.
10. Please note, that although the updates provided in this document and the associated annexes relate to Q4 2022/23, we have updated the Portfolio Holder responsibilities to align with the upcoming arrangements for the 2023/24 year.

Revenue Budget Provisional Outturn

11. The 2022/23 Original Revenue Budget approved by Council in February 2022 was £19.980 million.

12. At 31 March the full year provisional outturn for Services and Central Budgets was £18.301 million against a management budget of £20.062 million, resulting in an overall net underspend of (£1.761m) (8.8%).

Table 1: REVENUE BUDGET MONITORING AT 31.3.23	Original Budget £m	In-Year Adjustments £m	Management Budget £m	Year-end Outturn £m	Year End Variance £m
Service Budgets	18.023	(0.043)	17.980	17.826	(0.154)
Central Budgets	1.957	0.124	2.082	0.475	(1.606)
Total	**19.980**	**0.081**	**20.062**	**18.301**	**(1.761)**

Service Budgets

13. The 2022/23 Original Budget for Services approved by Council in February 2022 was £18.023 million.

14. At 31 March 2023 the full year outturn was £17.826 million against a management budget of £17.980 million resulting in an underspend of £0.154 million (0.9%).

15. The key variances leading to the underspend are:

<u>Organisation</u>

- Property & Facilities Energy Costs - £0.393 million overspend due to higher costs of electricity and gas;
- Property & Facilities - £0.388 million overspend due to lower than budgeted rental income and higher rates and property maintenance costs;
- Legal Services - £0.170 million underspend due to vacancies.

<u>Place</u>

- Refuse & Recycling - £0.702 million underspend due to increased income from a higher volume of garden waste subscriptions & lower waste disposal costs;
- Car Parking - £0.515 million underspend due to higher than expected income from pay & display car parks;
- Environmental Health & JET – £0.140 million underspend due to successful court actions against landlords and higher income from EV charging points.

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<u>People</u>

- Revenues, Benefits & Fraud - £0.824 million 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 - £0.147 million underspend driven by higher income from amateur shows and lower staff costs due to vacancies.

Management Team

- £0.124 million underspend driven by lower cost of restructured team.

16. Further details on Service budget variances are provided at Sections 1 and 2 of Annex 2.

Central Budgets

17. The 2022/23 Original Budget for Central Budgets approved by Council in February 2022 was £1.957 million.

18. At 31 March the outturn was £0.475 million against a management budget of £2.082m resulting in an underspend of £1.606 million (77.1%).

19. This underspend is mainly as a result of lower Treasury Management costs and a lower Minimum Revenue Provision requirement.

20. Further details are provided at Sections 1 and 2 of Annex 2.

Proposed Revenue Budget Carry-Forwards to 2023/24

21. Revenue budgets are approved on an annual basis and there is no automatic carry over of unused budgets into the following year. However, circumstances sometimes arise beyond the control of the budget manager, where expenditure slips from the planned year to the next or funding has been received that could not be spend and needs to be carried forward for use in the next year.

22. This report therefore seeks approval from Executive to increase the previously approved service budgets for 2023/24, funded from the relevant budget carry-forward from 2022/23.

23. Proposed carry-forwards total £0.141 million and are included in this report to ensure transparency of decision-making; the details are set out at Annex 5.

Investment Income KPI

24. Total income from property rents in 2022/23 was £4.218 million compared to the £4.316 million that was received in 2021/22. This represents 21.0% of the net revenue budget for 2022/23.

Government Funding Distribution

25. 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 up to Quarter 3 are summarised at Annex 2, Section 2.1.

26. While some additional administration funding has been provided, coordination 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 allocations

Capital Programme Monitoring

27. At 31 March 2023, the Capital Programme budget was £79.958 million (including £36.983 million of approved carry-forward capital allocations from 2021/22).

28. The outturn position is £21.155 million which is £55.803 million (69.8%) below the approved Programme for the year. The variance is as a result of £55.713 million slippage and a net underspend of £0.090 million

29. The slippage is mainly due to:

    - £20.000 million on the Housing Delivery Programme
    - £13.784 million on Property Rolling Programmes
    - £5.575 million on the Marketfield Way project
    - £3.000 million on Beech House
    - £1.465 million on Merstham Recreation Ground
    - £1.022 million on the Fleet Replacement Programme

    The budgets will be carried forward to the Programme for 2023/24 onwards.

30. Further details are provided at Annex 3.

In-Year Capital Programme Approvals

31. Council is asked to approve an increase of £4.038m in the Capital Programme to reflect planned investment in housing and parking assets, funded from Government Grants and prudential borrowing, that were approved during the quarter:

    - Accommodation for Refugees (Local Authority Housing Fund) - £3.318 million
    - Purchase of commercial units at 14/16/18 Reading Arch Road - £0.720 million.

Financial Sustainability Programme (FSP) Update

32. 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.

33. 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. These forecasts were updated in November 2022 and January 2023 as part of budget-setting for 2023/24.

34. 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.

35. An update on Financial Sustainability Programme activity in Quarter 4 of 2022/23 is available at Annex 4.

Options

1. Overview and Scrutiny Committee has two options:
   - **Option 1:** note the report and make no observations to the Executive.
   - **Option 2:** note the report and make any observations to the Executive.

2. 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 Chief Finance Officer.
   - **Option 2:** Note the report and make any observations/comments to the Head of Corporate Policy, Projects and Business Assurance and/or Chief Finance Officer.

3. Council has two options:
   - **Option 1:** Approve additional capital schemes that were approved during the year for inclusion in the Programme. This is the recommended option.
   - **Option 2:** Reject additional capital schemes that were approved during the year for inclusion in the Programme. This is not the recommended option

Legal Implications

4. There are no legal implications resulting from this report.

Financial Implications

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

Equalities Implications

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

Communication Implications
7. There are no communications implications arising from this report.
Environmental Sustainability Implications
8. There are no environmental sustainability implications arising from this report.
Risk Management Considerations
9. There are no risk management implications arising from this report.
Other Implications
10. There are no other implications arising from this report
Consultation
11. The report has been reviewed by the Council's Corporate Governance Group. There are no other consultation implications arising from this report.
Policy Framework
12. Robust performance management is integral to measuring the extent to which policy objectives have been achieved.
Background Powers
13. None

Q4 2022/23 Key Performance Indicators

KPI	Status	Portfolio Holder
KPI 1 – Council Tax Collection	AMBER	Cllr Lewanski
KPI 2 – Business Rates Collection	GREEN	Cllr Lewanski
KPI 3 – Staff Turnover	RED	Cllr Lewanski
KPI 4 – Staff Sickness	GREEN	Cllr Lewanski
KPI 5 – Homelessness Positive Outcomes	GREEN	Cllr Neame
KPI 6 – Housing Completions	GREEN	Cllr Michalowski
KPI 7 – Affordable Housing Completions	AMBER	Cllr Michalowski
KPI 8 – Local Environmental Quality Surveys	GREEN	Cllr Avery
KPI 9 – Missed Bins	GREEN	Cllr Avery
KPI 10 – Recycling	AMBER	Cllr Avery
KPI 11 – Reduction in the Council's Carbon Footprint	AMBER	Cllr Moses
Contextual 1 – Number of visits to the Council's leisure centres	N/A	
Contextual 2 – Intervention Service Performance	N/A	
Contextual 3 – Fraud Performance	N/A	
Contextual 4 – Corporate Complaints	N/A	

KPI 1 – The % of Council Tax collected

	TARGET	ACTUAL	STATUS
Q1	29%	29.19%	GREEN
Q2	57%	56.67%	AMBER
Q3	85%	84%	AMBER
Q4	98.80%	98.60%	AMBER

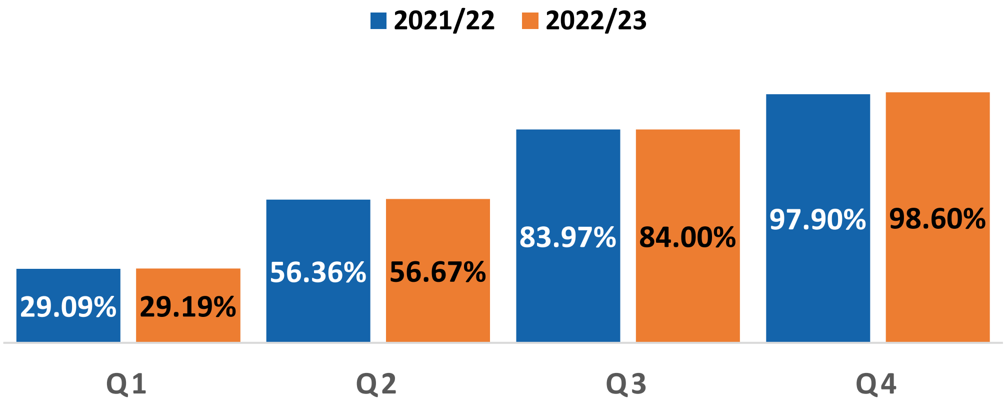
Description

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 just outside of target in Q4, but remain comfortably within agreed tolerances. The long term debt backlog from the temporary closure of the Magistrates Court in previous years continues to impact on collection however, there has been an overall improvement in year-on-year collection; which is expected to continue. Additional resourcing has been put in place and increased summonses are being issued with both of these expected to further improve performance.

Council Tax collection (end of quarter)



**Please note that the Q4 figures are reported as of the end of the quarter. Collection of the outstanding values will continue into the new year*

KPI 2 – The % of Business Rates collected

	TARGET	ACTUAL	STATUS
Q1	31%	34.26%	GREEN
Q2	58%	59.78%	GREEN
Q3	85%	84.85%	AMBER
Q4	99.8%	99.8%	GREEN

Description

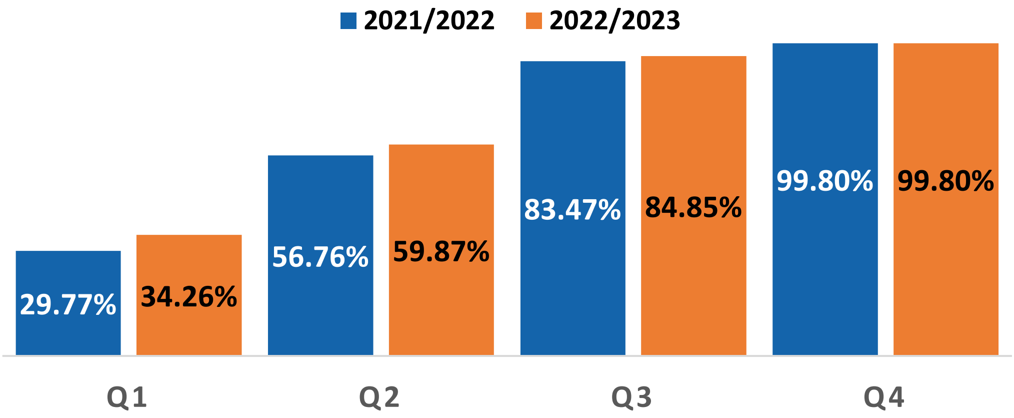
This indicator measures the percentage of non-domestic rates (NNDR) collected by the Council. The performance reported is cumulative for the year to date. A tolerance of 1% is applied each quarter.

Narrative

The Council's collection of Business Rates has dipped just below target in Q4, although levels remain comfortably within tolerances. As of the Q4 end of year reporting, the Council has seen a collection rate of 99.8%.

This bring RBBC inline with its annual target and has continued its good performance from the previous year for business rates collection.

Business Rates Collection



KPI 3 – Staff turnover

	TARGET	ACTUAL	STATUS
Q1	12%	10%	GREEN
Q2	12%	16%	RED
Q3	12%	18%	RED
Q4	12%	19%	RED

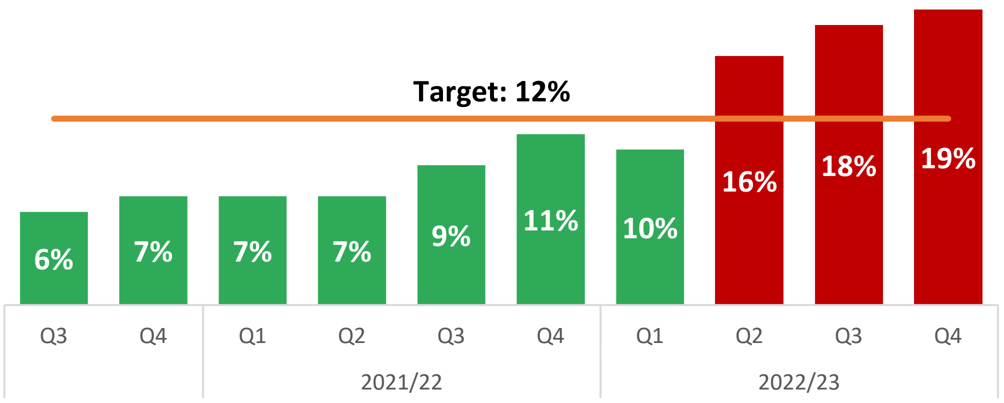
Description

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 have remained in excess of target in Q4, with levels up by a further 1% for a total of 19% turnover at end of quarter 4 and the financial year. A combination of low turnover during the pandemic and a particularly buoyant labour market have led to a release of the pent-up demand for a move in job across the 2022/23 year. While levels are high there has only been an increase of 1% in quarter.

Staff Turnover



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	3.21 days	GREEN
Q4	4 days	3.82 days	GREEN

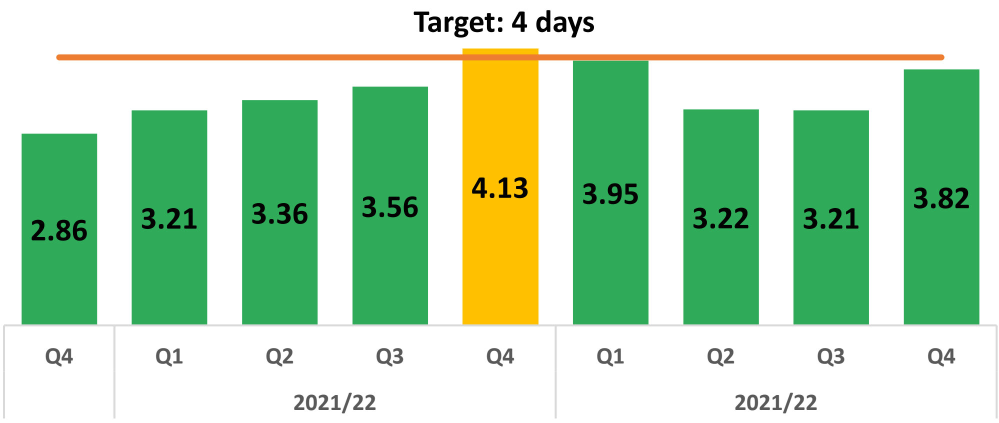
Description

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

Q4 has seen staff sickness levels continue to remain within the target range, with overall levels remaining largely stable over the last year. Levels have increased in Q4 but remain in target and similar to those seen in at the same time period in the previous year.

Staff sickness absence (days)



	TARGET	ACTUAL	STATUS
Q1	55%	62%	GREEN
Q2		63%	GREEN
Q3		72%	GREEN
Q4		59%	GREEN

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

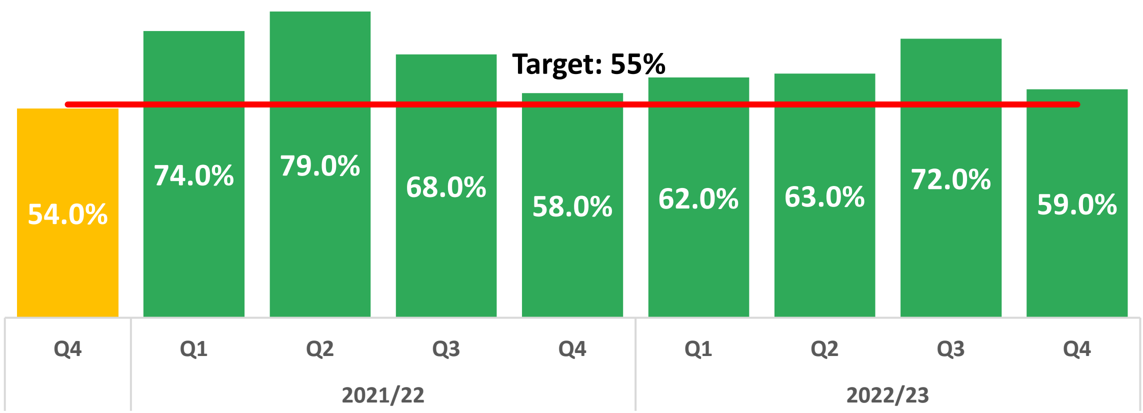
In Q4 there were 383 homelessness approaches made to the Council. Of these approaches, 137 cases met the support threshold. Approach levels remain high but remain consistent with levels (≈300-400 per quarter) seen across the last 5 quarters. Q4 has seen a continuation of the upward trend in approaches developing over the last two years.

The homelessness support provided by the Council often straddles multiple quarters as the Housing service works with clients to prevent and relieve homelessness in accordance with the 'Homelessness Reduction Act'.

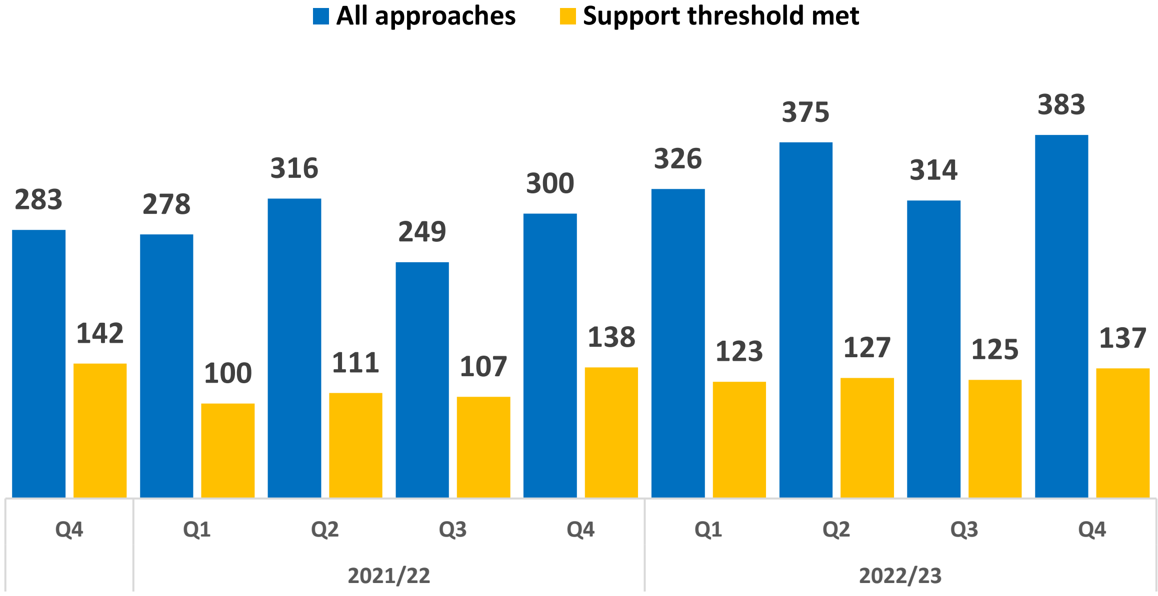
Given the present challenging economic conditions and uncertainty facing the UK economy, predicting approach levels is a difficult prospect due to inherent uncertainty. However, trends of both quantity and greater complexity are expected to continue into the foreseeable future. Despite this increase, the Council has continued to remain within target range for relief and outcomes.

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

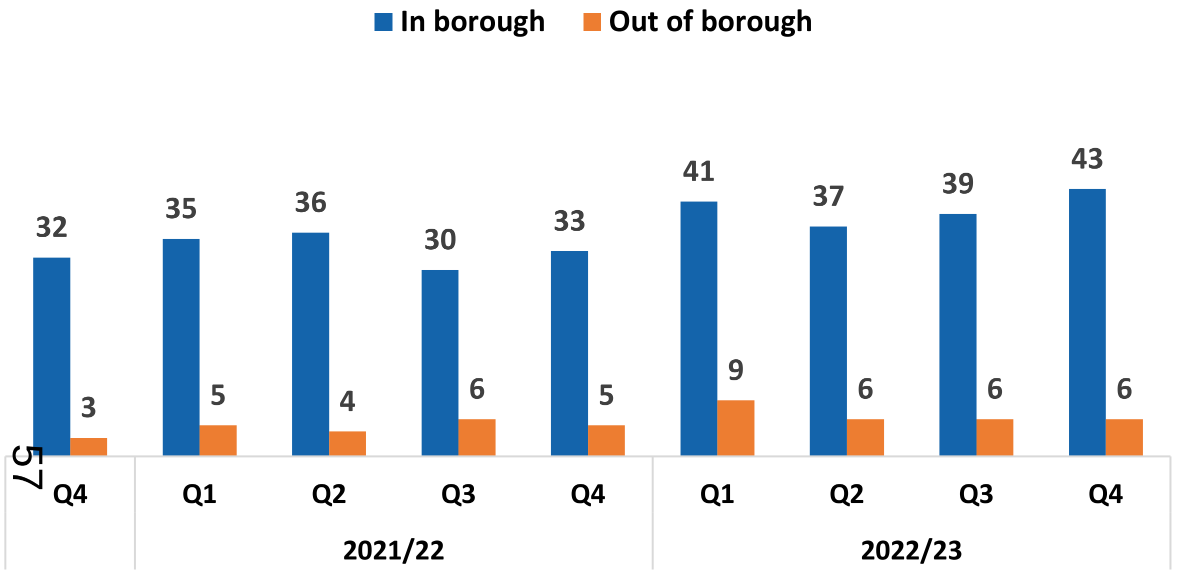
Positive homeless prevention relief and outcomes



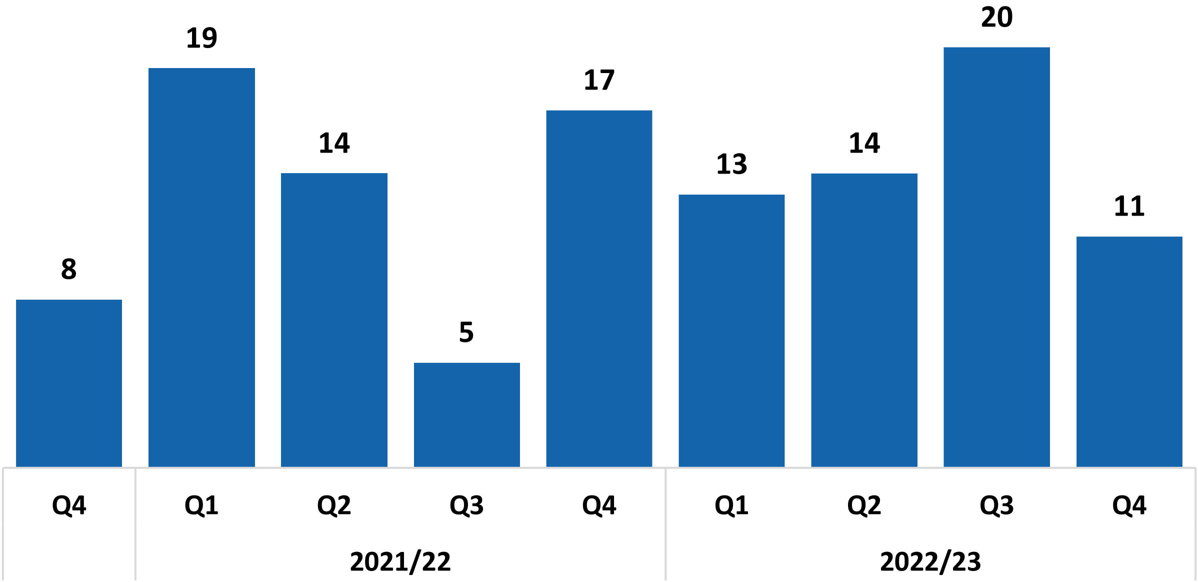
Homeless approaches (contextual)



Average number of households in temporary emergency accommodation



Main duty acceptances (contextual)



Temporary Emergency Accommodation

Complex single persons continue to make up an increasing share of those placed in temporary emergency accommodation. Q4 has seen levels remain consistent with those of previous quarters for both ‘in’ and ‘out of borough’ households for emergency accommodation, with levels now at the highest point seen since before 2020.

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

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

At the close of Q4 there were 11 main duty homelessness acceptances, down from the high point seen in Q3 and back within the general range (≈10-20) seen over the last couple of years.

The borough has seen elevated levels of applications and options to prevent homelessness are becoming harder to secure.

KPI 6 – Net housing completions

	TARGET	ACTUAL	STATUS
Q1	115	142	GREEN
Q2	230	252	GREEN
Q3	345	465	GREEN
Q4	460	613	GREEN

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.

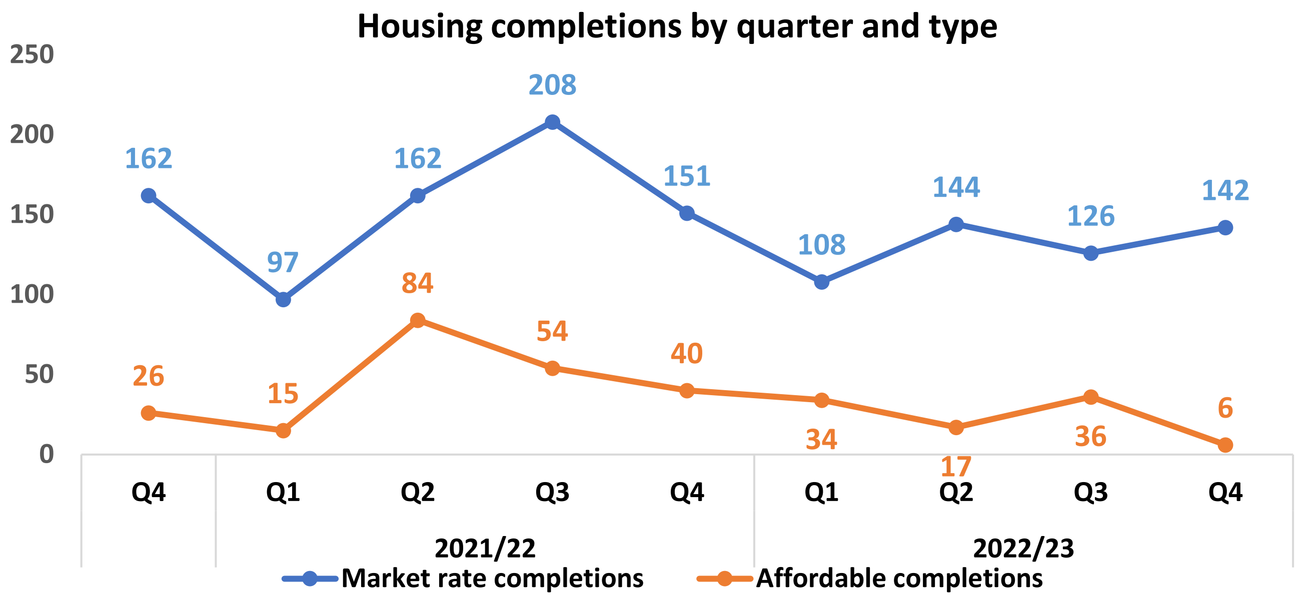
The numbers of units listed as under construction or newly commenced may be subject to change between quarters as the Council does not always receive notice or receive delayed notice from sites.

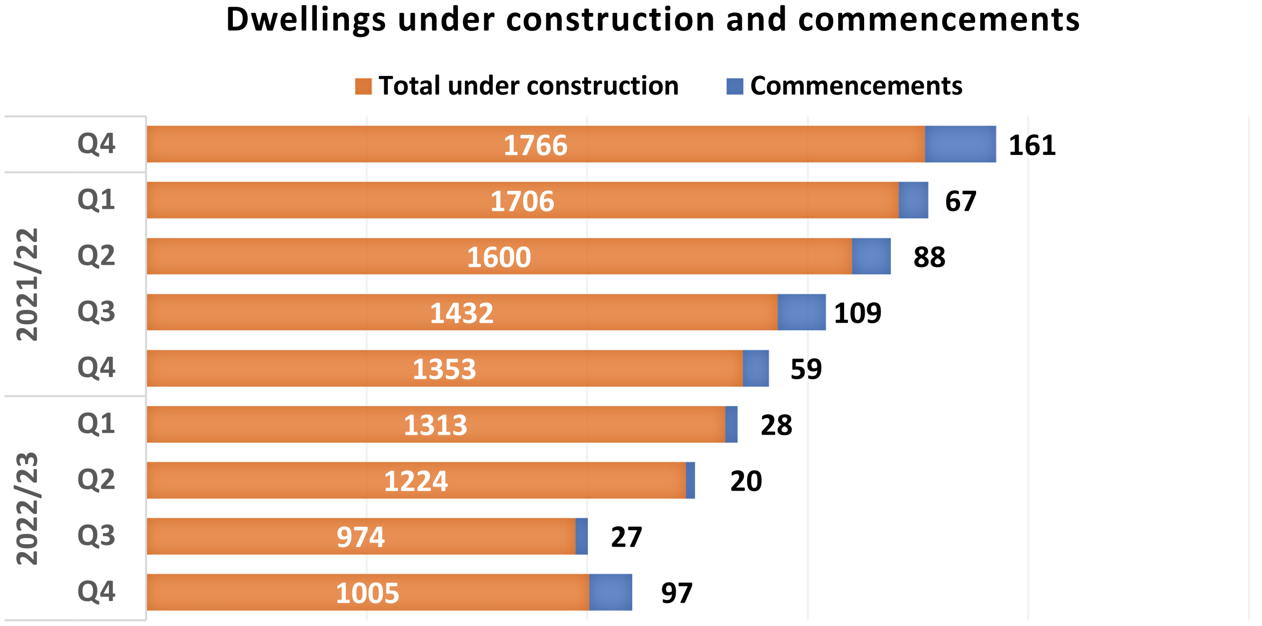
Narrative

Net housing completions in Quarter 4 have continued to remain well within target levels, with a cumulative 613 completions against a target of 345, with this annual target met ahead of schedule in Q3 reporting.

Over the course of Q4, 148 new dwellings saw completion, with 142 of these units at market rate and the remaining 6 being affordable units.

The majority of these completions have come from the Horley North-West sector, with other key contributions coming from Victoria Road, Oakley Outdoor Centre and Radstock Way. At the close of Q4 there were 1005 dwellings under construction, with a further 97 commencing construction in quarter; both up from there respective positions and ending the downward trends seen over the last couple of years.





KPI 7 – Net affordable housing completions

	TARGET	ACTUAL	STATUS
Q1	25	34	GREEN
Q2	50	51	GREEN
Q3	75	87	GREEN
Q4	100	93	AMBER

Description

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

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

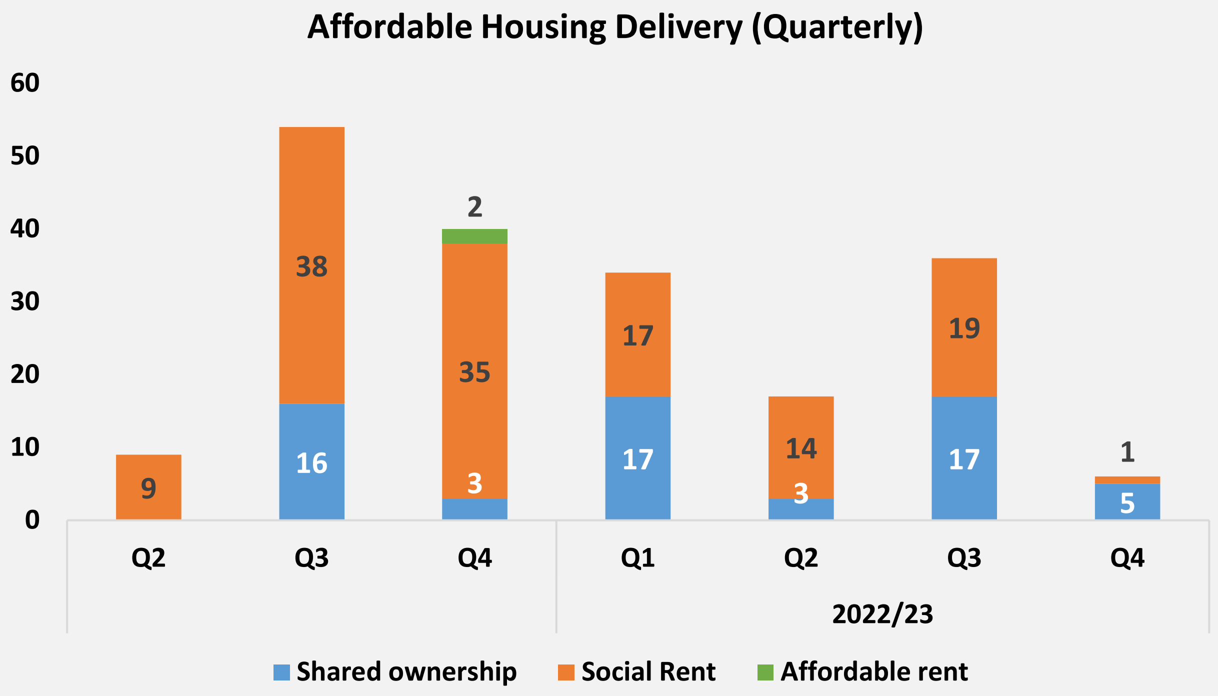
Narrative

At the end of the 2022/23 financial year RBBC has delivered 93 affordable completions against its target of 100 affordable, outside of target but within tolerances. The majority of these completions stem from the Horley NWS development site. While short of target, RBBC has now delivered 1129 affordable units against the target of 1100 affordable units set out in the 15 year plan.

Of the 1005 dwellings under construction at the end of Q3, 105 of these are affordable units.

Additionally a further 14 new affordable dwellings saw commencement in quarter.

Quarter	Shared Ownership	Social Rent	Affordable Rent
Q1	17	17	0
Q2	3	14	0
Q3	17	19	0
Q4	5	1	0



KPI 8 – Local Environmental Quality Surveys

	TARGET	ACTUAL	STATUS
Q1	90% of sites at grade B	97%	GREEN
Q2		100%	GREEN
Q3		96%	GREEN
Q4		99%	GREEN

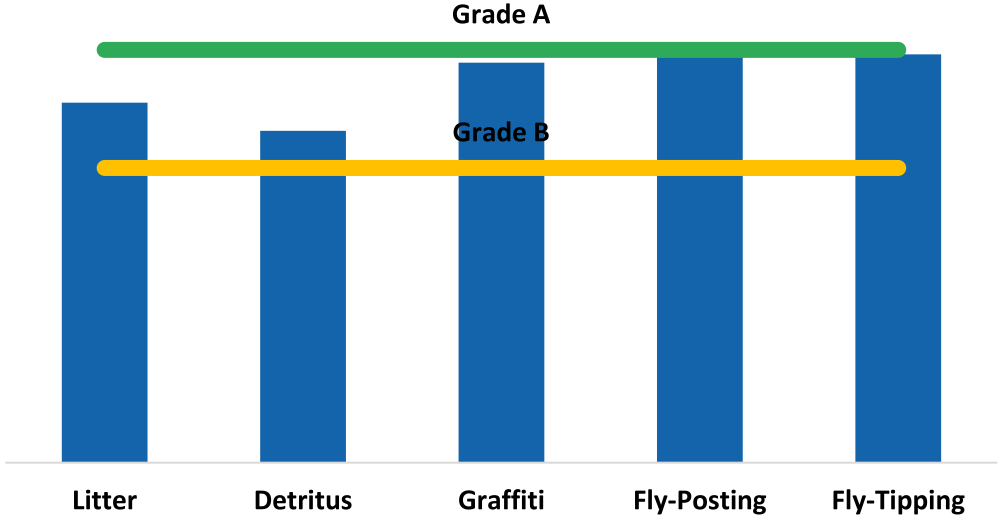
Description

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

Narrative

Of the 184 surveys carried out in Quarter 4, all sites saw an average score well above grade B. 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	1.06	GREEN
Q2		1.14	GREEN
Q3		0.94	GREEN
Q4		1.03	GREEN

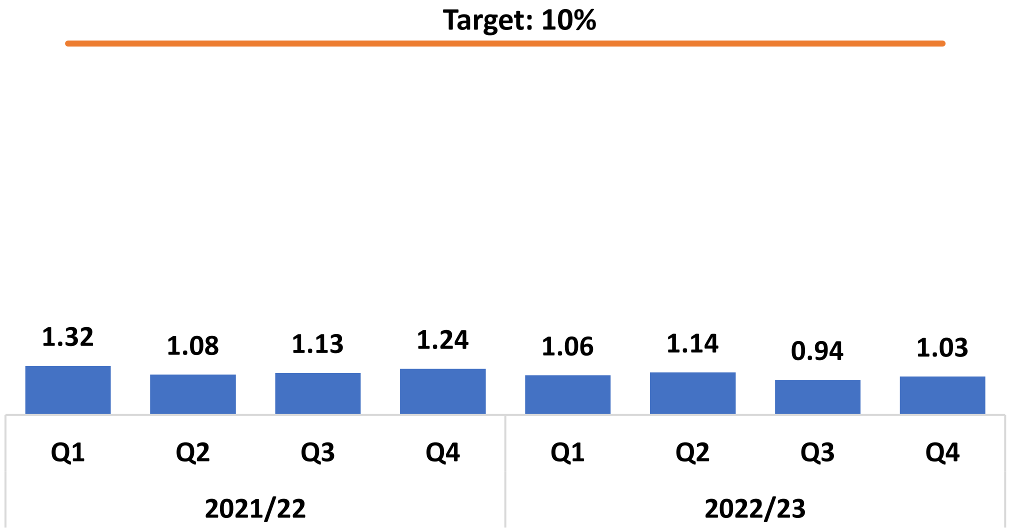
Description

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 maintained its excellent performance for providing a reliable waste collection service for residents, with levels remaining steady around 1 per 1,000 collected for almost a two year period, with 1.03 reported in Q4.

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	Q3	60%	54.0%	RED
	Q4		52.4%	RED
22/23	Q1	60%	55.8%	AMBER
	Q2		53.9%	RED
	Q3		55.0%	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.

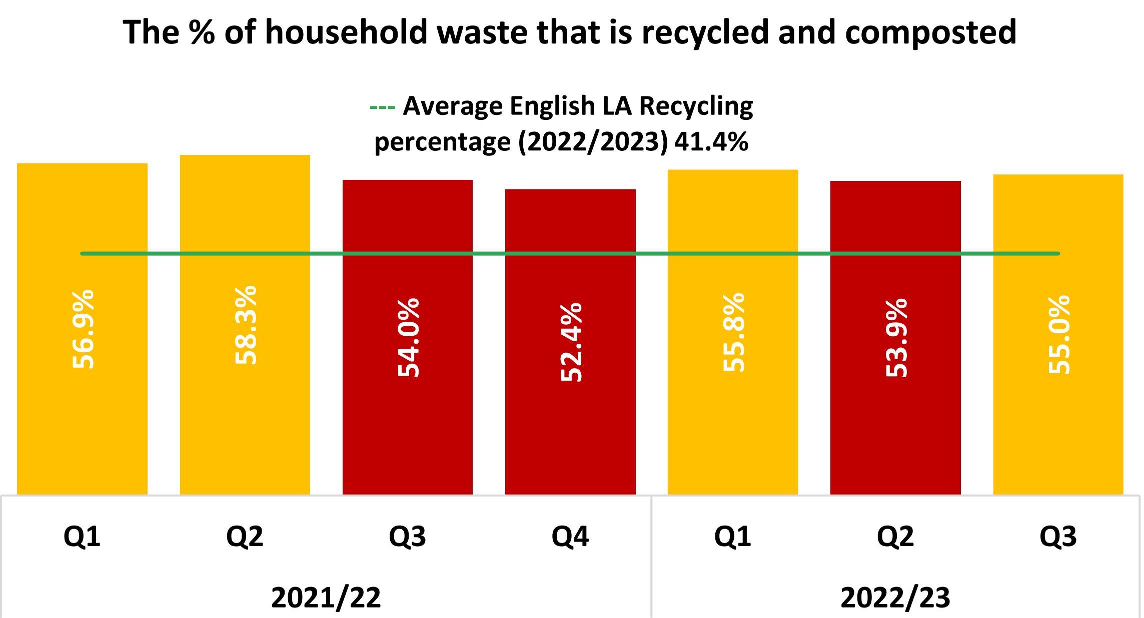
Narrative

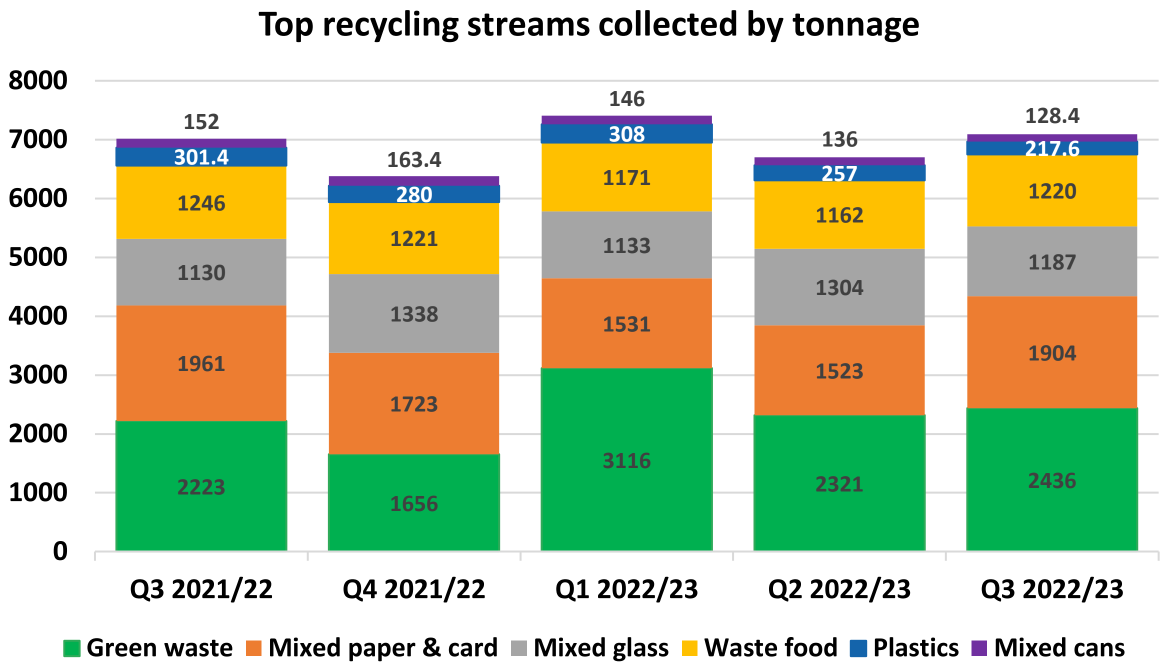
Performance for Quarter 3 has been comparable to those seen in the previous year, with recycling levels in Q3 sitting at 55%, which while outside of targets does sit within agreed tolerances.

Q3 saw a mild and wet autumn which generated higher yields of garden waste, which has somewhat off-set previous green waste reductions stemming from the summer drought. Collected tonnages for other materials has remained steady, with levels consistent with those seen at this time in previous years.

The continued roll out to flats, reduction in contamination and a rationalisation of bring sites is expected to further improve upon these results. Likewise, RBBC is supporting the Surrey Environment Partnership with a campaign informing and encouraging residents on their 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.

The graphics overleaf detail levels of residual waste per household, which have continued to remain low following the pandemic, and further analysis of waste and recycling tonnages.





KPI 10 – Recycling (contextual)

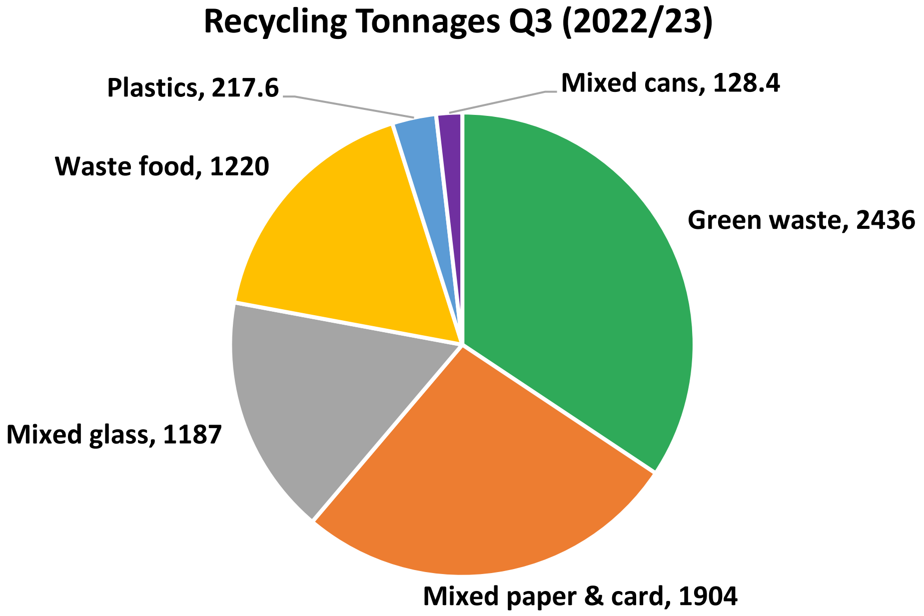
Narrative

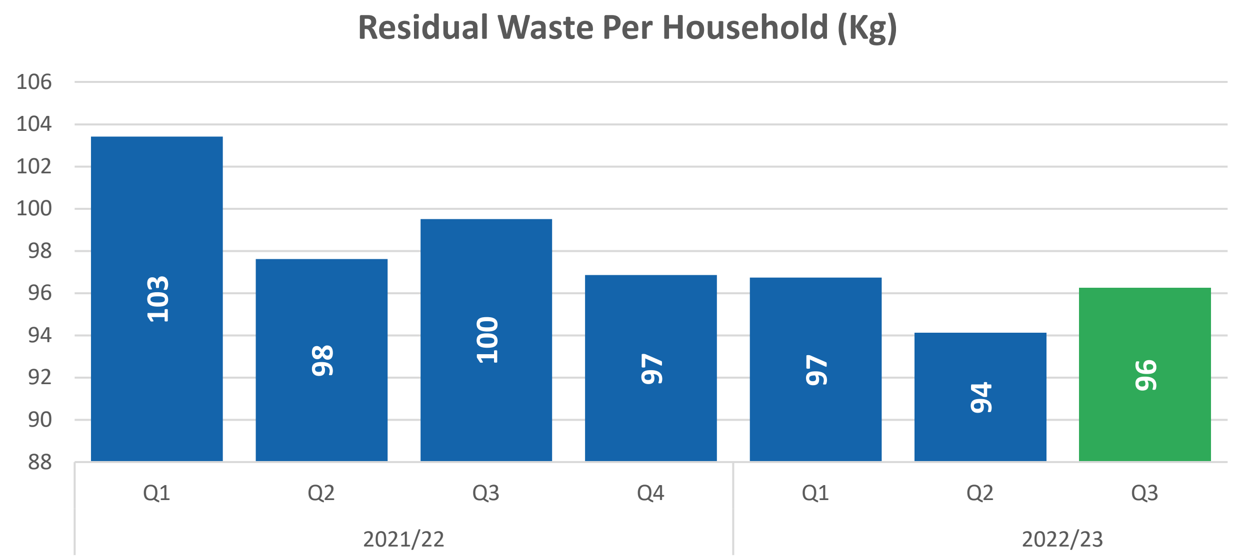
In Q3, the residual waste per household (Kg) has seen an increase in Q2, up to 96Kg per household. Rationale behind this decrease is under review, although overall reductions in household consumption, economic uncertainty and a greater number of residents travelling for work/recreation post pandemic have contributed to spreading the waste creation outside of the borough have all contribute towards this negative trend.

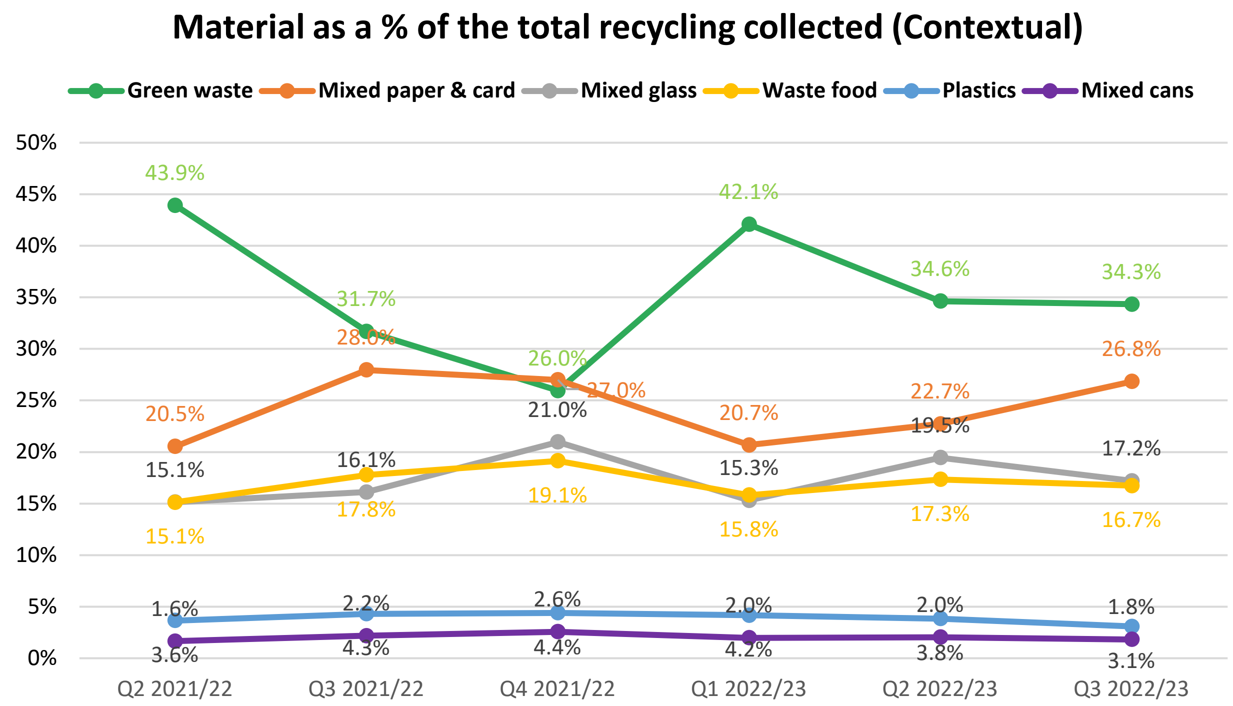
Changes in tonnage collected by quarter are also presented below. As of latest reporting, total tonnage collected is down by approximately 1,500 tonnes from the baseline point in Q1 2021/22, with the previously noted drought contributing heavily.

The percentage makeup of recycled materials remain largely consistent in Q3, with impacts on green waste continuing into this quarter, with levels steady at 34%, which is not unusual for the winter collection period and is higher than the levels seen in the previous year.

Despite green waste, mixed glass and mixed paper and card continue to encompass the majority of recycling tonnage, constituting 78% of all recycling collected the quarter.







KPI 11 – Reduction in the Council's Carbon Footprint

	TARGET	ACTUAL	STATUS
2019/20	2070	2070	N/A
2020/21	1881	1885	AMBER
2021/22	1693	1745	AMBER

Description

RBBC has made a formal commitment to making its operations carbon neutral by 2030. To achieve this goal the Council must make a sustained reduction in its emissions. This performance measure tracks this year-on-year change from the baseline measurement point in 2019/20. Targets have been derived by applying a linear downwards trajectory from the baseline year to 0 emissions in 2030; however it should be noted that actual annual carbon reductions are not expected to be linear in nature and will vary from year to year.

*This measure is reported on an annual basis and is **reported one year in arrears**. A 10% tolerance applied to the annual target. Please note the target and actual figures are rounded to the nearest whole number for ease of reading.*

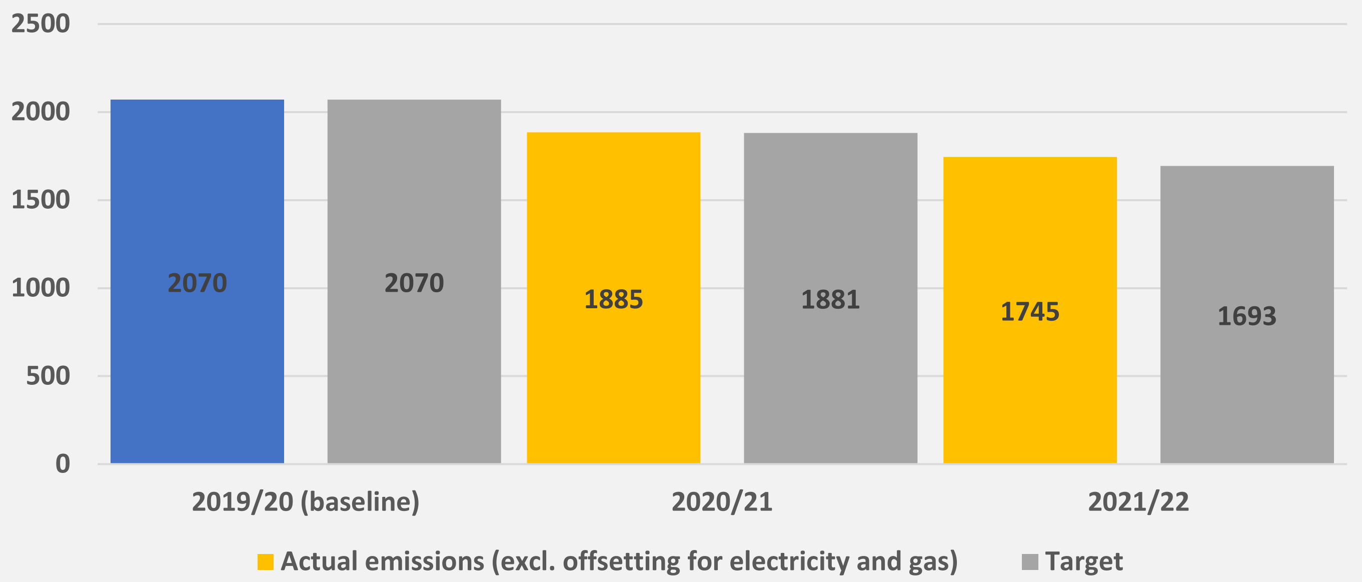
Narrative:

Reigate and Banstead has continued to see a decrease in its carbon foot print although levels are above target, they remain comfortably within tolerances. As of Q4 reporting, the Council has reduced its actual emissions down to 1,745 tonnes.

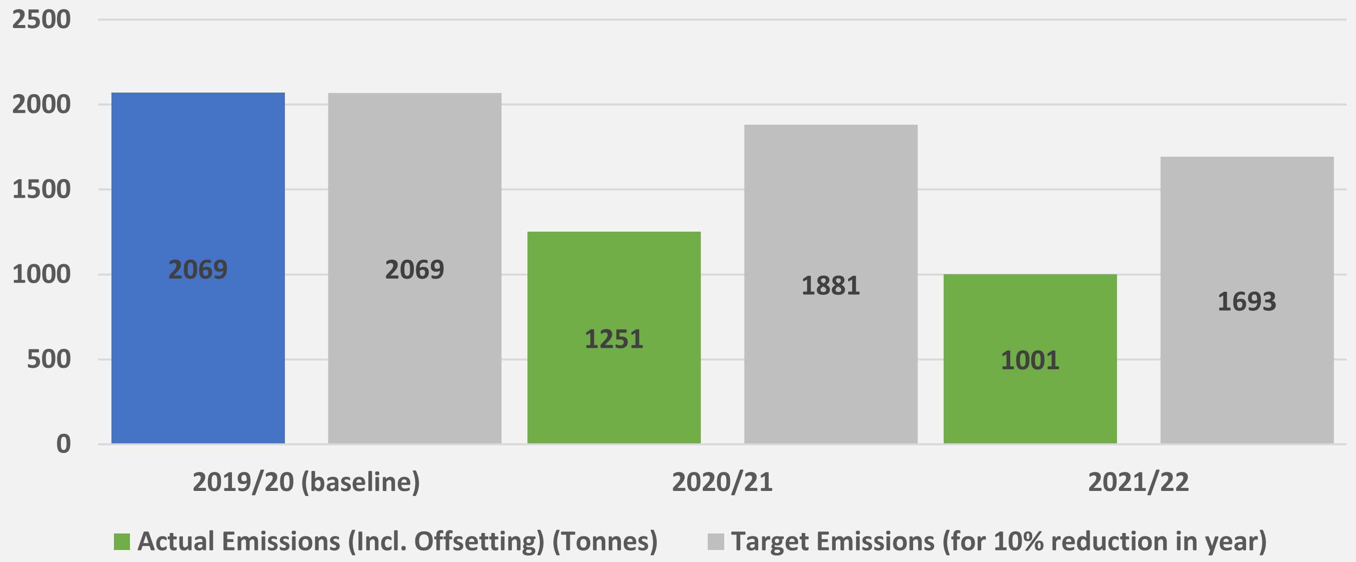
The wider impacts of the Covid 19 pandemic on the Council's emissions, particularly from the restrictions, are currently unclear and further research is needed on the wider impacts of the Council opening a number of council buildings and facilities over this period.

The Council currently also offsets carbon emissions from its electricity and gas usage as an interim measure. This is not included in the KPI figures reported above. When offsetting of carbon is accounted for, a further 744 tonnes of the total carbon reduction achieved by the Council. With this reduction, the Council has achieved 1001 tonne footprint.

RBBC Reduction in Carbon Emissions (Excluding Offsetting) (tCO2e)



RBBC Reduction in Carbon Emissions (Including Offsetting) (tCO2e)



Contextual Performance Indicator 1 – Number of visits to the Council's leisure centres

	TARGET	ACTUAL	STATUS
Q4	1.2m	1.12m	N/A

Description

This indicator measures the total number of visits to the borough's three leisure centres during the year. It is reported annually in Q4 and has a tolerance of 2.5% annually, meaning any performance between 1.17 – 1.19m would fall within tolerances.

Narrative:

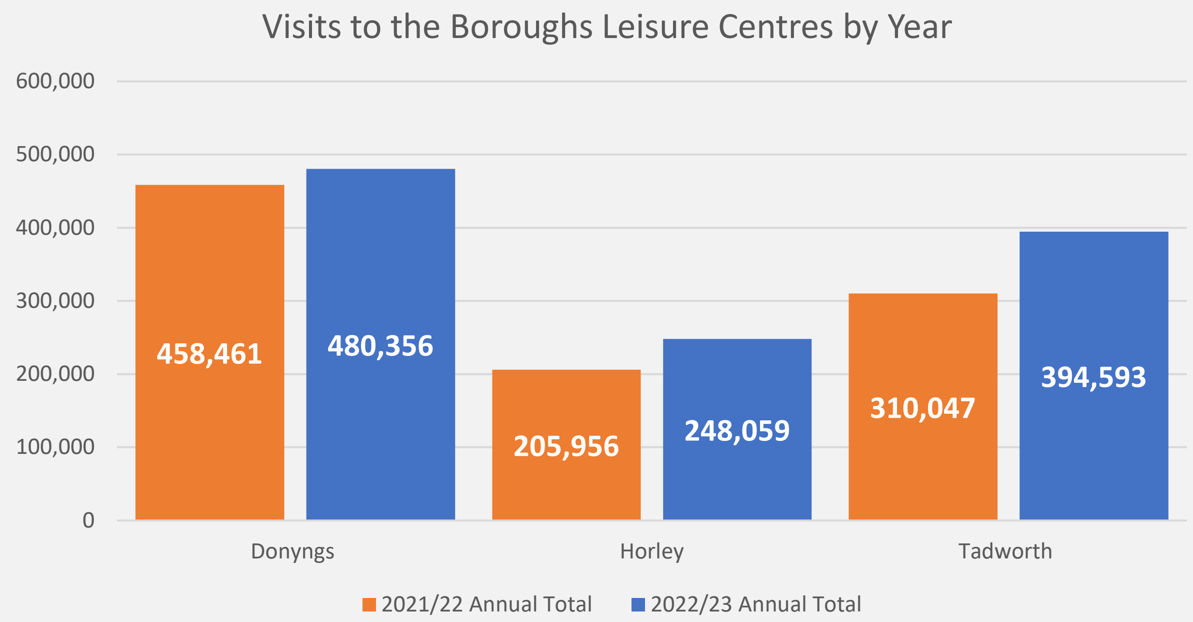
While Leisure centre usage has seen improvements compared to the previous year, it remains lower than levels seen in the pre-pandemic period. Each of the centres saw approximately 100,000 more visitors than in the previous years with Donyngs continuing to see the highest level usage.

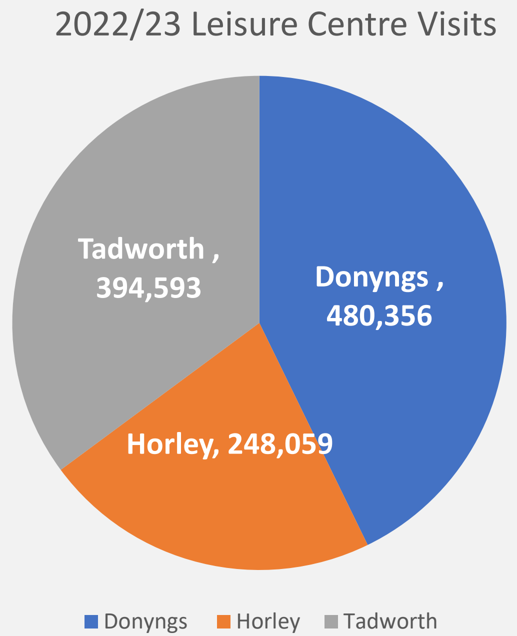
A shortage of specialist resource for delivering leisure centre group activities has led to a reduction in delivery of these activities over the year. This has resulted in a lower number of bookings than would normally be seen.

The start of the 2022/23 year also saw lower attendance due to lingering concerns from the Omicron variant of Covid-19 impacting on figures for the early months of the year.

Despite these setbacks visitor levels have seen continuous improvement across the year and the Council continues to work with and support GLL to improve figures back into target levels. If current trends continue, it is expected the levels should return to approximate pre-pandemic levels in the next year (2023/24).

Membership levels continue to be very strong with Tadworth and Horley now at their highest ever, and Donyngs just 200 additional members short of its' highest levels ever.





Contextual Performance Indicator 2 – Intervention Service Performance

Description

This contextual indicators highlights the key performance metrics of the Wellbeing and Intervention service area. This is a contextual indicator and as such does not have a set target and/or tolerance range.

Narrative

Despite the challenging economic circumstances faced by the Council over the last year, the Council has continued to offer a strong wellbeing service to its residents.

The Council has accepted referrals for 245 households in the borough across our Family & Money Support Teams.

Wait times have, on average, been 8 weeks for Family Support and 7 weeks for Money Support.

The council has welcomed 1 new arrivals in Afghan schemes in 2022/23, but not in the Syrian scheme. New arrivals are being planned for in 2023/24. The Ukrainian scheme has seen the Council welcome over 300 Ukrainian guests have arrived in the borough living in the homes of local sponsors.

301 Families settled as part of the Global Resettlement Scheme.

1 from Afghanistan
300 from Ukraine

127 Family support cases

220 Money support cases

347 Households engaged with over the 2022/23 year.

8 Week Wait Time from referral to allocation for Family support and 7 for Money support

94% Of Families who saw Improvement over last 12 Months (From 1st Measurement)

94% Rated service as good-outstanding

Contextual Performance Indicator 2 – Intervention Service Performance (Cont.)

Description

This contextual indicators highlights the key performance metrics of the Wellbeing and Intervention service area. This is a contextual indicator and as such does not have a set target and/or tolerance range.

Narrative

The Cost of living can have a significant impact on the residents of the borough, particularly those on low incomes. As the cost of essential items such as food, housing, and utilities increases, it can become more challenging for these individuals to make ends meet.

The current increasing costs of living can lead residents to seek support form the council in a variety of ways. As the costs of essential items such as food, housing, and utilities continue to rise, some residents may find it challenging to afford these necessities. This may lead to an increase in demand in Council services such as food banks, housing support, and financial assistance programs.

Additionally, the increasing cost of bills, particularly energy, can cause residents to fall behind on bills leading to debt and potential eviction, which will require support from the Council’s housing service.

The Council is and must continue to anticipate and prepare for an increase in demand for services, particularly in the aforementioned areas, and develop strategies to provide support to residents who are currently struggling, or who may find themselves struggling with the cost of living.

220	Awarded by the Household Support Fund
9,490	Eligible households supported in 2022/23
823	Local households supported under the discretionary council tax energy rebate scheme
34	Local households supported under the mandatory council tax energy rebate scheme
£1,184 per month	Average Rent for a two-bedroom property within the borough.

Contextual Performance Indicator 3 – Fraud

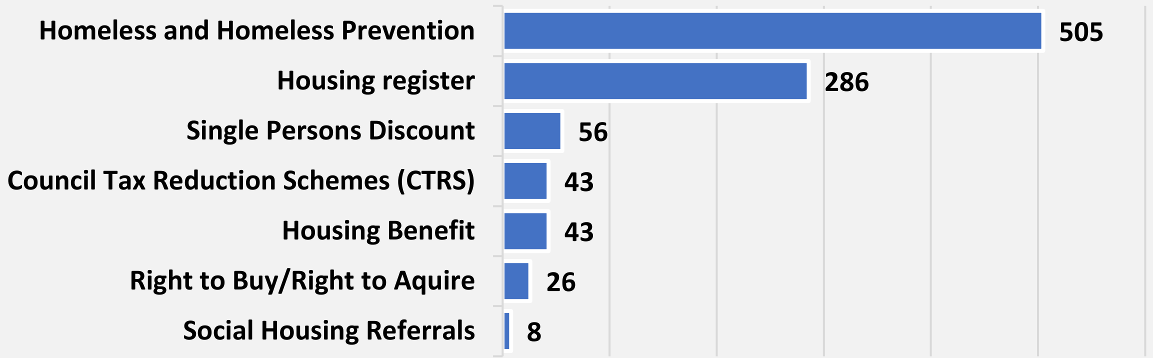
Description

The Council has an in-house fraud investigations team. This team works to prevent and detect fraud and, when necessary, undertakes investigations and takes legal action to recover losses from fraudulent activity.

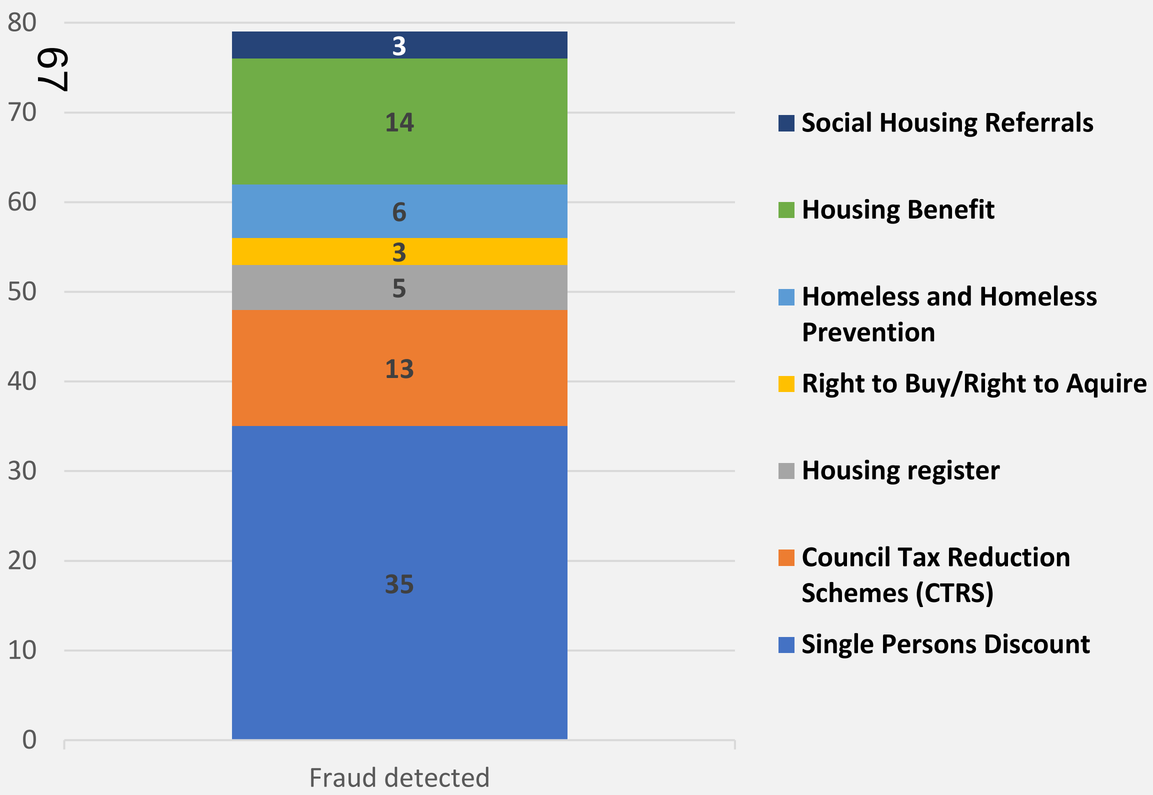
Narrative

Through the successful detection of fraudulent activity, the fraud team has identified, opened and investigated 924 cases, of which 66 had positive outcomes (where fraud was detected). This resulted in a notional saving of **£872,847** for the public purse and a £179,048 cashable saving to the public purse in the 2023/24 year.

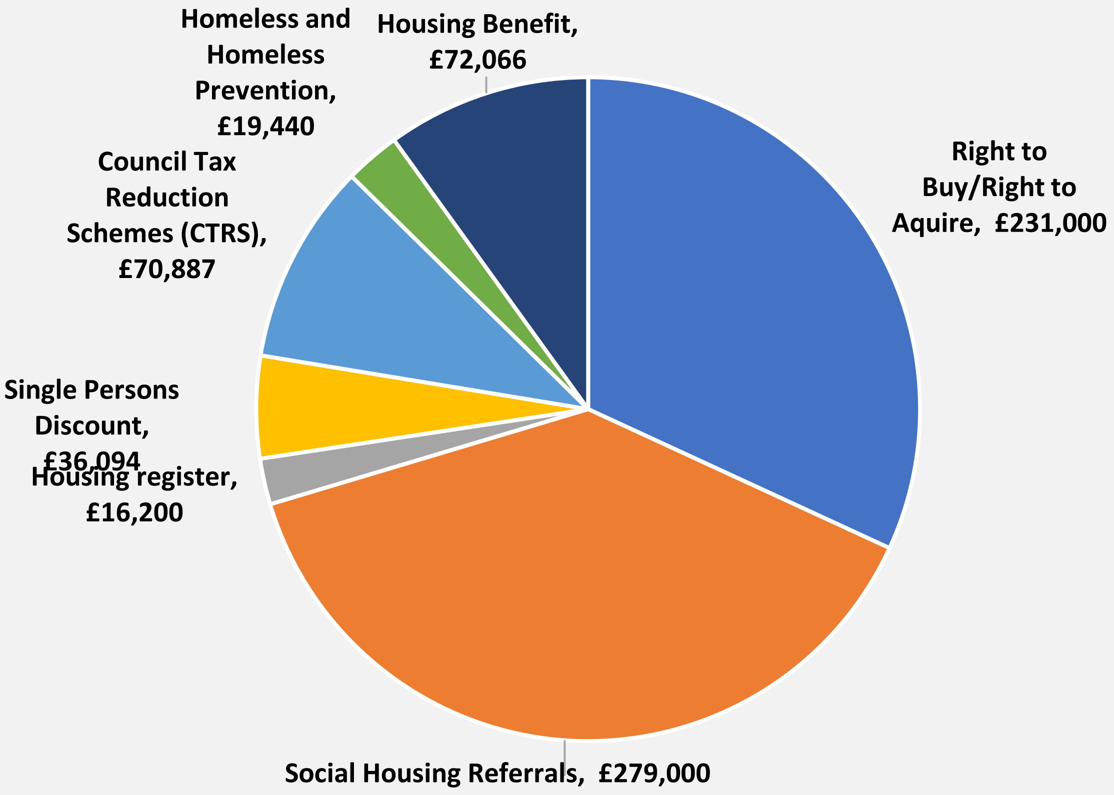
Cases Opened, Investigated and Closed By Area



Fraud Detected by Area



Value of Fraudulent Applications Detected by Area



Contextual Performance Indicator 4 - Corporate Complaints

Summary

Information on the Council's complaints procedure is available on the [Council's website.] The Complaints Scheme is used when there has been some form of persistent service failure and the complainant believes it to be the Council's fault. Requests for service are not treated as complaints, such as instances where a bin collection has been reported as missed. The Council aims to resolve the vast majority of complaints about services at the first point of contact.

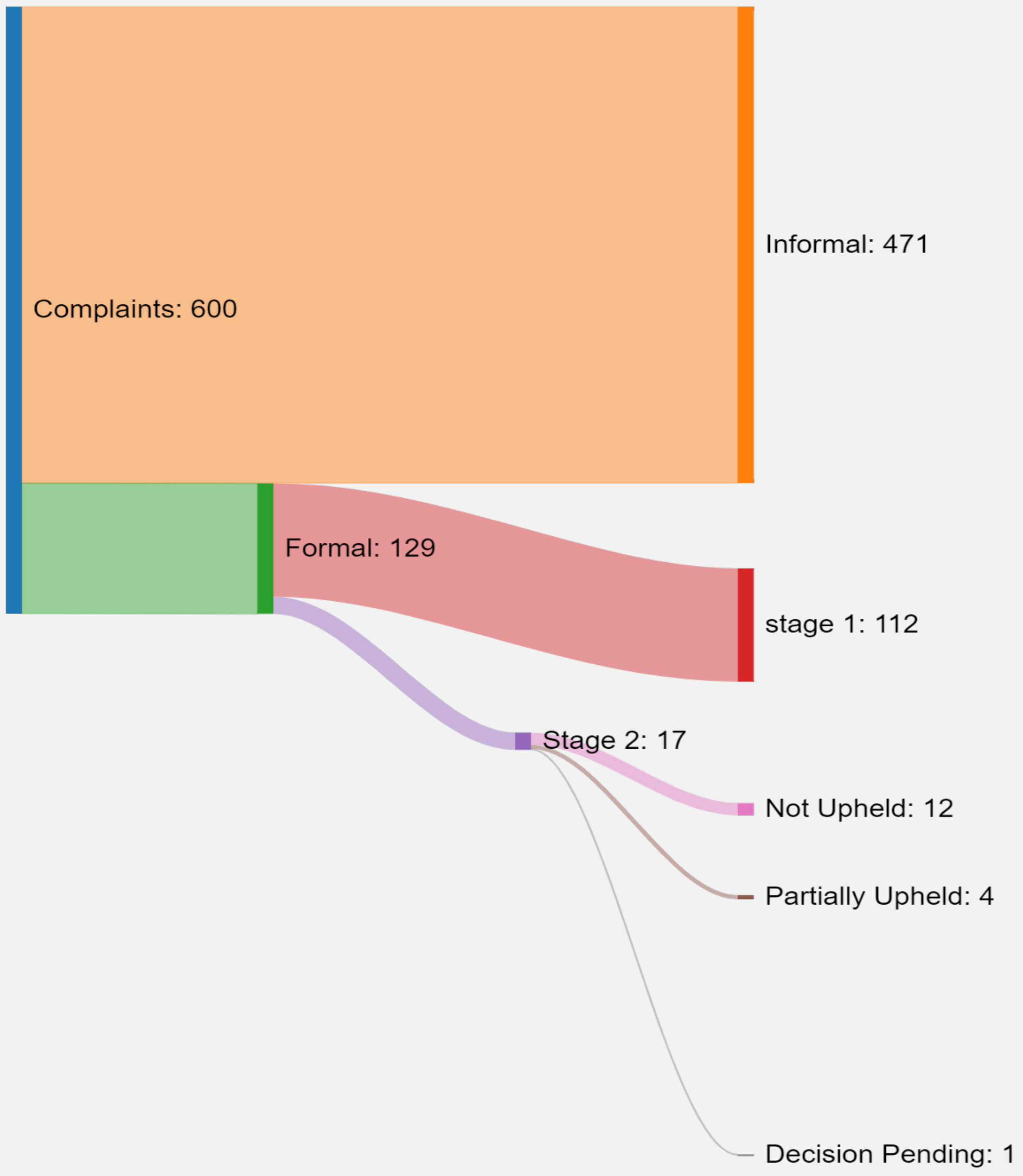
The key stages of the complaints process are as follows:

- **Informal –** where complaints may be resolved satisfactorily at the first point of contact.
- **Stage 1 –** where a complainant is not satisfied with the attempted informal resolution, a stage 1 complaint may be made. An investigation will be carried out by the service and a decision will be made.
- **Stage 2 –** if a complainant is unsatisfied with the outcome of stage 1, they may make a stage 2 complaint. Here the Council will re-examine evidence and policy and will give a judgement to either uphold the original decision or offer a new solution.

2022/23 Complaints:

Over the 22/23 financial year, the council has received 600 complaint notifications; of these:

- 471 were Informal complaints
- 112 were Stage 1 complaints.
- Of these 17 were moved to Stage 2.
- Of the 17 Stage 2 complaints:
    - 0 were upheld
    - 4 were partially upheld
    - 12 were not upheld
    - 1 decision is pending



Revenue ANNEX 2

2022/23 Provisional Outturn: Revenue Budget Monitoring

Summary

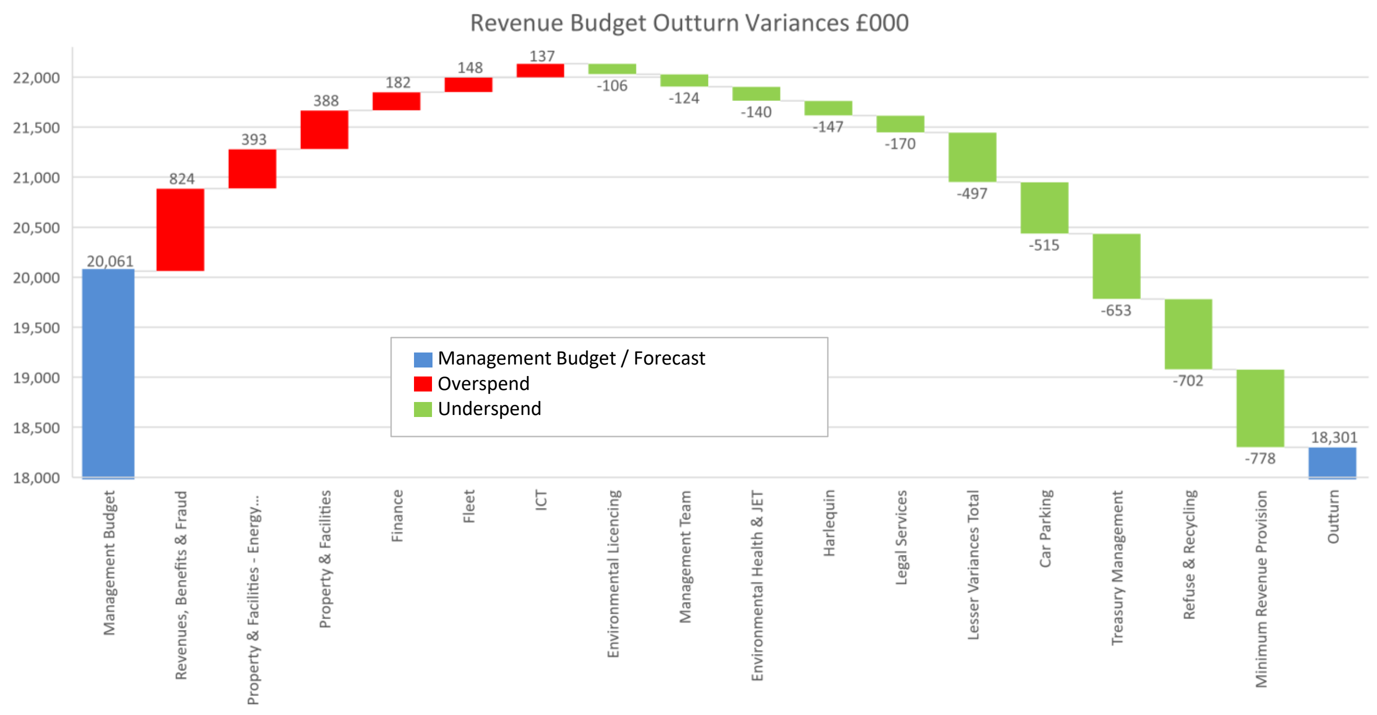
The provisional outturn for Service budgets is £0.154 million (0.9%) lower than the management budget; the Central budgets are £1.606 million (77.2%) lower than budget, resulting in an overall provisional outturn of £1.761 million (8.8%) lower than budget.

Reconciliation of Original Budget to Management Budget for 2022/23

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

Headline Revenue Budget Information 2022/23

	£000	
Management Budget	20,062	
Provisional Outturn	18,301	
Projected underspend	**-1,761**	(-8.8% of the budget)



Provisional outturn for Services is £154k under budget. Significant variances summarised below:

	Revenues, Benefits & Fraud: £824k overspend driven by £399k net impact of reduced Housing Benefit subsidy; £128k higher Housing Benefit costs; £120k higher temporary staff costs with £26k overtime and £56k lower Homelessness Grant contribution and £48k lower net commercial revenue, which are partially offset by £115k lower staff costs due to vacancies within the team.
	Property & Facilities - Energy Costs: £393k overspend driven by increased cost of gas & electricity.
	Property & Facilities: £388k overspend driven by additional cost of rates at Cromwell Road (£37k)) and Regent House (£14k), lower than forecast rent at Linden House (£57k) and £314k maintenance costs that could not be capitalised.
	Finance: £182k overspend driven by the **r**equirement for specialist interim resources.
	Fleet: £148k overspend: Higher fuel and vehicle maintenance costs than budgeted.
	ICT: £138k overspend driven by costs that could not be capitalised.
	Environmental Licencing: £106k underspend due to increased vehicle licencing revenue and savings in staff costs.
	Management Team: £124k underspend driven by lower cost of restructured team.
	Environmental Health & JET: £140k underspend driven by higher income from successful court actions and Electric Vehicle charging points.
	Harlequin: £147k underspend driven by higher income from amateur shows and room hire and lower staff costs due to vacancies.
	Legal Services: £170k underspend driven by lower staff costs partially offset by higher consultancy fees.
	Car Parking: £515k underspend driven by higher income from off street parking and lower costs paid to SCC on termination of on-street parking contract.
	Refuse & Recycling: £702k underspend driven by higher Garden Waste & Commercial Waste income and lower waste disposal costs.

Provisional outturn for Central Budgets is £1,606k under budget. Significant variances summarised below:

	Minimum Revenue Provision: £777k underspend.
	Treasury Management: £653k underspend. Higher than budgeted interest income and lower borrowing costs 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		1,760.6
Anticipated balance at End of Year before Reserves Review/Reallocations*			4,760.6
*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	244.8	**8.8**	Minor variance.
	Projects & Business Assurance	212.6	0.0	212.6	179.4	(33.2)	Savings in staff costs.
Carys Jones	Communications	734.6	0.0	734.6	795.6	**61.0**	
	Customer Contact	416.8	0.0	416.8	389.3	(27.5)	Saving in staff costs due to vacancies.
Darren Wray	Information & Communications Technology	1,810.0	0.0	1,810.0	1,946.9	**136.9**	Additonal costs that could not be capitalised
Kate Brown	Organisational Development & Human Resources	816.1	0.0	816.1	876.0	**59.9**	Underspend in staff costs due to vacancies has been offset by use of interim resources.
Joyce Hamilton	Legal Services	824.5	0.0	824.5	654.5	(170.0)	£320k saving in staff costs due to vacancies, partially offset by £100k higher legal and consultancy fees and £50k lower income.
	Land Charges	-102.1	0.0	-102.1	-192.8	(90.7)	Saving due to £36k lower than budgeted SCC land charges expenses and £50k net higher than budgeted income.
	Democratic Services	868.3	0.0	868.3	850.1	(18.2)	Saving in staff costs due to vacancies partially offset by increased Members Allowances.
	Electoral Services	502.5	0.0	502.5	476.9	(25.6)	Saving in staff costs partially offset by increased elections cost.
Pat Main	Corporate Support	187.5	0.0	187.5	126.3	(61.2)	Savings in stationery and postage costs.
	Finance	1,368.3	-124.0	1,244.3	1,426.2	**181.9**	Increased costs due to use of specialist interim resources
	Property & Facilities - Energy Costs	370.9	0.0	370.9	764.0	**393.1**	Increase in costs of gas and electricity
	Property & Facilities	-1,723.7	0.0	-1,723.7	-1,335.6	**388.1**	Additional cost of rates at Cromwell Road (£37k)) and Regent House (£14k), lower than forecast rent at Linden House (£57k) and £314k maintenance costs that could not be capitalised.
	Commercial & Investment	149.3	0.0	149.3	149.3	0.0	

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
1b. Place							
Simon Bland	Economic Prosperity	282.4	0.0	282.4	319.8	**37.4**	Lower markets income due to reduced demand.
Morag Williams	Fleet	1,458.7	0.0	1,458.7	1,606.7	**148.0**	Higher fuel and vehicle maintenance costs than budgeted.
	Refuse & Recycling	1,165.8	0.0	1,165.8	463.8	(702.0)	£320k higher Garden Waste income; £240k lower waste disposal cost driven by lower volumes; £54k higher income from domestic waste containers; £49k higher income from Commercial Recycling due to volumes.
	Engineering & Construction	63.2	0.0	63.2	92.2	**29.0**	Capitalised salary recharge of £18k has not taken place this year as the team no longer carry out capital works. This recharge has been removed from the 23/24 budget.
	Environmental Health & JET	1,130.8	78.6	1,209.4	1,069.5	(139.9)	Higher income due to successful court actions against landlords and from EV charging points partially offset by higher staff costs.
	Environmental Licencing	-190.1	-78.6	-268.7	-374.5	(105.8)	Increased income in vehicle licencing and saving in staff costs due to vacancies.
	Greenspaces	1,546.9	0.0	1,546.9	1,555.4	**8.5**	Minor variance
	Car Parking	-804.1	0.0	-804.1	-1,319.1	(515.0)	Higher income from off-street parking, including season tickets and contract parking. Lower than expected costs payable to SCC on termination of on-street contract
	Street Cleansing	952.7	0.0	952.7	974.1	**21.4**	Higher overtime costs.
Peter Boarder	Place Delivery	370.9	0.0	370.9	370.8	(0.1)	Minor variance
Andrew Benson	Building Control	45.0	0.0	45.0	-43.1	(88.1)	£27k lower Joint Venture costs and £61k extra income. The lower costs have been approved as a saving in 2023/24 .
	Planning Policy & Development Services	673.2	0.0	673.2	621.8	(51.4)	£225k lower staff costs due to vacancies and £130k extra grant income is partially offset by £216k lower income in planning fees due to lower volume of applications and higher consultants fees

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	372.8	(11.9)	External grant income to fund some roles.
	Partnerships	303.1	87.3	390.4	350.9	(39.5)	Saving in staff costs due to vacancies.
	Community Centres	382.5	10.0	392.5	373.6	(18.9)	Savings in staff costs due to vacancies are offset by lower income at the Horley & Woodhatch centres.
	Voluntary Sector Support	200.1	26.1	226.2	226.0	(0.2)	Minor variance
Richard Robinson	Housing Services	1,026.3	0.0	1,026.3	1,026.3	0.0	Extra bed & breakfast accommodation provision has driven higher net costs.
Simon Rosser	Revenues, Benefits & Fraud	805.9	0.0	805.9	1,629.6	**823.7**	£399k net impact of reduced Housing Benefit subsidy; £128k higher Housing Benefit costs; A decrease of £152k in Housing Benefit Overpayments & Payment Deduction Programme owing to the decrease in HB payments in 22/23; £120k higher temporary staff costs with £26k overtime and £56k lower Homelessness Grant contribution are partially offset by £115k lower staff costs due to vacancies within the team. £48k lower than budgeted surplus against Commercial contracts.
Duane Kirkland	Supporting People	167.3	0.0	167.3	143.5	(23.8)	Underspend on a budget that is no longer required. This has been approved as a saving in 2023/24.
	Supporting Families	56.4	0.0	56.4	0.0	(56.4)	
	Harlequin	380.8	0.0	380.8	233.5	(147.3)	Higher income relating to tickets, amateur shows and room hire and lower staff costs due to vacancies.
	Leisure Services	-66.4	0.0	-66.4	-97.1	(30.7)	Management fee income higher than budget. Income assumption has been increased in 23/24 budget
1d. Management Team							
Mari Roberts-Wood	Management Team	933.2	0.0	933.2	809.0	(124.2)	Lower costs of restructured team.
Frank Etheridge	Emergency Planning	39.7	0.0	39.7	69.4	**29.7**	Emergency Planning Officer costs not budgeted, but have been added to 23/24 budget.
Total Services		**18,022.6**	**-42.6**	**17,980.0**	**17,825.8**	**(154.2)**	**-0.86%**

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
2. Central Budgets							
Pat Main	Insurance	465.0	0.0	465.0	461.0	(4.0)	
	Treasury Management - Interest on Investments	-1,195.0	124.0	-1,071.0	-1,274.2	(203.2)	Includes interest on commercial loans and updated Bank of England interest rate forecasts.
	Treasury Management - Interest on Borrowing	455.0	0.0	455.0	23.2	(431.8)	Lower cost of borrowing for the capital programme than originally forecast.
	Treasury Management - Interest on Trust Funds	18.0	0.0	18.0	0.0	(18.0)	No call on this budget in 22/23, will be removed for 23/24
	Minimum Revenue Provision	1,361.0	0.0	1,361.0	583.2	(777.8)	
	Employer Pension Costs	400.0	0.0	400.0	315.3	(84.7)	
Kate Brown	Apprenticeship Levy	78.0	0.0	78.0	78.5	0.5	
	Recruitment Expenses	40.0	0.0	40.0	8.6	(31.4)	
	Corporate Human Resources Expenses	86.8	0.0	86.8	94.4	7.6	
Pat Main	Central Budget Contingencies	99.2	0.0	99.2	42.5	(56.7)	
	Preceptor Grants	37.5	0.0	37.5	39.2	1.7	
	External Audit Fees	53.0	0.0	53.0	41.2	(11.8)	
	Internal Audit	59.0	0.0	59.0	62.3	3.3	Adjusted to include backdated contract fee increase.
Total Central Items		**1,957.5**	**124.0**	**2,081.5**	**475.2**	**(1,606.3)**	**-77.17%**
Grand Total		**19,980.1**	**81.4**	**20,061.5**	**18,301.0**	**(1,760.5)**	**-8.78%**

COVID-19 **Expenditure & Funding at Q4 2022/23**	Funding B/Fwd From 21/22 £m	Funding Received In 22/23 £m	Expenditure £m	Carried Fwd To 2023/24 £m	Recoupments £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)	-	0.015	0.239	-
Environmental Health SLA	(0.120)	(0.062)	0.150	0.032	-
Test & Trace - Admin Funding	(0.050)	-	0.018	0.032	-
General Funding	(0.036)	-	0.036	-	-
New Burdens Funding	-	(0.075)	0.031	0.042	-
Test & Trace - Mandatory Scheme	(0.013)	(0.016)	0.030	-	0.001
Final Expenditure and Income 2022/23	(0.899)	(0.153)	0.316	0.345	0.391
Final Net Over/(Under)spend 2022/23			**0.000**		

2022/23 COVID ADDITIONAL RELIEF FUND **Expenditure & Funding at Q4 2022/23**	Final Expenditure £m	Final Funding £m
<u>Covid Additional Relief Fund (CARF)</u>		
Funding Received In 2021/22		(3.514)
Gross 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)
Gross NNDR Reliefs Granted During 2022/23 (scheme closed on 30.09.22)	0.087	
Less Adjustment To Reflect Final Share Due To Billing Authority (as per NNDR3)	(0.072)	
Remaining Balance (Repayable To DLUHC)	3.458	
	3.473	**(3.473)**

2022/23 COUNCIL TAX ENERGY REBATE **Expenditure & Funding at Q4 2022/23**	Expenditure £m	Funding £m
Core Scheme (ended 30.09.22)		
Funding Received		(5.153)
£150 Payments Made To Band A-D Council Tax Payers	4.816	
£150 Council Tax Credits Made To Band A-D Council Tax Payers	0.323	
Less 69x Inelligible Payments	(0.010)	
Final Expenditure and Income 2022/23	5.129	(5.153)
Final Net Funding Surplus (Repayable to DLUHC)	**(0.024)**	
Discretionary Scheme (ended 30.11.22)		
Funding Received		(0.332)
£150 Discretionary Payments	0.102	
£150 Discretionary Council Tax Credits	0.021	
Final Expenditure and Income 2022/23	0.123	(0.332)
Final Net Funding Surplus (Repayable to DLUHC)	**(0.209)**	
Administration Costs		
Funding Received		(0.160)
Software & Processing Costs	0.044	
Staffing & Administration Costs	0.049	
Final Expenditure and Income 2022/23	0.094	(0.160)
Final Net Funding Surplus (Not Repayable)	**(0.066)**	
Final Expenditure and Income 2022/23 (Entire Scheme)	**5.346**	**(5.645)**
Final Net Funding Surplus (Entire Scheme)	**(0.299)**	
End Of Scheme Summary		
Surplus Funding Repayable To DLUHC	**(0.233)**	
Surplus Admin Funding (transferred to Reserves as not repayable)	**(0.066)**	
67x £150 Inelligible Payments (Recovery proceedings are underway)	**0.010**	
	(0.289)	

2022/23 UKRAINIAN REFUGEE SCHEMES **Expenditure & Funding at Q4 2022/23**	Total Expenditure £m	Funding Received £m
<u>Ukraine Family Scheme</u>		
Funding Received/Expected (costs are reimbursed in arrears by SCC)		(0.006)
Refugee Accommodation Costs	0.005	
Interpretation/Translation Costs	0.001	
Final Expenditure and Income 2022/23	0.006	(0.006)
Final Net Expenditure	**0.000**	
<u>Homes For Ukraine Scheme</u>		
Funding Received/Expected (costs are reimbursed in arrears by SCC)		(1.707)
Sponsorship Payments	0.431	
Refugee Accommodation Costs	0.011	
Interpretation & Translation Services	0.001	
Other Costs	0.001	
Staffing Costs (dedicated staff, overtime, additional hours etc)	0.058	
Staff Travel Costs	0.003	
Final Expenditure and Income 2022/23	0.505	(1.707)
Net Funding Received In Advance	**(1.202)**	
Final Expenditure and Income 2022/23 (Both Schemes)	**0.511**	**(1.713)**
Net Funding Received In Advance	**(1.202)**	

Breakdown Of Net Funding Received In Advance:-	
Homelessness Contingency Funding (amount held at 31.03.23)	**(0.257)**
General / Core Funding (amount held at 31.03.23)	**(0.945)**
Net Funding Received In Advance (amount held at 31.03.23)	**(1.202)**

HOUSEHOLD SUPPORT FUND ROUNDS 1 TO 3	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)	
Expenditure & Funding at Q4 2022/23	Funding £m	Expenditure £m	Funding £m	Expenditure £m	Funding £m	Expenditure £m
	(actuals)	(actuals)	(actuals)	(actuals)	(actuals)	(actuals)
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.						
Initial Grant Allocation (received via Surrey County Council)	(0.383)		(0.324)		(0.302)	
Support Issued To Households						
Council Tax Reduction (payments made to Council Tax Support recipients)		0.181		-		-
Referrals (to RBBC from 3rd parties)		0.103		-		-
Fuel Vouchers (distributed via VCS partners)		0.019		0.025		-
Food Vouchers (distributed via VCS partners)		-		0.053		0.069
Other Payments (to pensioner households on Council Tax Support)		-		0.188		0.002
		0.303		0.266		0.071
Contributions To Voluntary/Community Sector Partners						
Stripey Stork		0.008		-		0.012
Fuel Grants		0.008		-		0.035
East Surrey Domestic Abuse Service		0.006		-		0.020
I Choose Freedom (Reigate & Banstead Women's Aid)		0.006		-		0.020
Food Clubs		0.005		-		0.023
Renewed Hope Trust		0.002		-		-
Gateway Allotment Project		0.002		-		-
Merstham Mix		0.001		-		-
Surrey Community Action		0.001		-		-
East Surrey YMCA		-		-		0.005
Age Concern, Merstham		-		-		0.002
Money Support Team		-		-		0.010
		0.039		0.000		0.127
Housing Support						
Contributions Towards Rent Arrears		0.023		0.020		0.021
Rent Assistance / Rehoming Of Donyings Cabin Occupants		0.008		-		-
Contribution to ESDAS Sanctuary		0.005		0.005		-
Energy, Food & Essentials For Specific Housing Clients		-		-		0.003
		0.036		0.025		0.024
Other Support						
Warm Hubs		-		-		0.012
Payments made via the Mayor's Trust Fund		-		-		0.005
		-		-		0.017
Administration Costs						
RBBC Additional Staff Costs		0.003		0.009		0.016
Admin Contributions Claimed By VCS Partners		0.005		0.001		0.009
Software & Administration Services		-		0.015		-
		0.008		0.025		0.025
		(2.20% of spend)		(8.08% of spend)		(9.58% of spend)
Grant Closure/Reconciliation						
Grant Top-Up from Surrey County Council	(0.003)		-		-	
Funding returned to Surrey County Council		-		0.008		0.038
Total Funding & Expenditure	**(0.386)**	**0.386**	**(0.324)**	**0.324**	**(0.302)**	**0.302**

No. Of Households Supported		**4,294**		**2,451**		**2,745**

2022/23 SYRIAN REFUGEES SCHEME Expenditure & Funding 2022/23	Expenditure £m	Funding £m
Refugee Family Support		
Grant Received		(0.027)
Local Authority Funding Received		(0.040)
Staff Costs	0.095	
Travel Costs	0.001	
Refugee Accommodation Costs	0.057	
Refugee Nursery Fees	0.004	
Miscellaneous Expenditure	0.003	
Forecast Expenditure and Income 2022/23	0.160	(0.067)
Forecast Net Expenditure	**0.094**	

2022/23 AFGHAN REFUGEES SCHEME Expenditure & Funding 2022/23	Expenditure £m	Funding £m
Afghan Refugees Scheme		
Grant Received		(0.090)
Local Auth. Funding Received		(0.012)
Staff Costs	0.037	
Refugee Accommodation Costs	0.016	
Miscellaneous Expenditure	0.001	
Forecast Expenditure and Income 2022/23	0.054	(0.102)
Forecast Net Expenditure	**(0.048)**	

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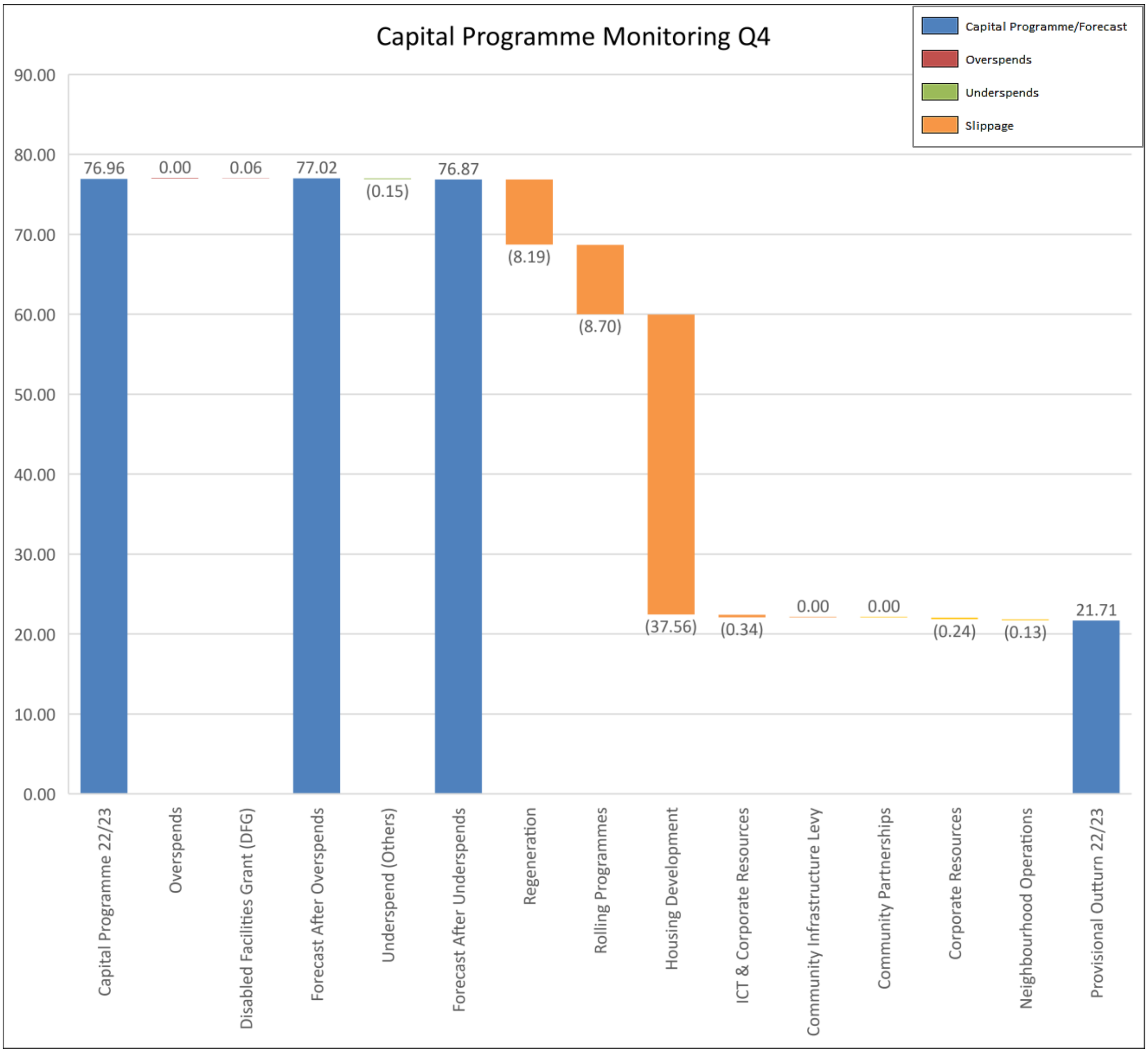
2022-23 Outturn Capital Programme Monitoring

Summary

Full year expenditure against the Capital Programme for 22/23 is £21.71 million which is £55.25 million (71.8%) below the approved Programme for the year. The variance is predominantly a result of £55.16 million slippage and a small net underspend of £0.15 million as set out below.

Headline Capital Budget Information 2022-23

	£m	
Current Budget (Section 1):	**76.96**	
Net Overspends	0.06	(0 % of Programme)
Net Underspends	(0.15)	(0 % of Programme)
Slippage	(55.16)	(72 % of Programme)
Total Capital Expenditure	**21.71**	



Underspends, £0.150m. Significant variances summarised below:

Regeneration	**Vibrant Towns & Villages (£0.100 million underspend)** - No further demands are expected on this programme and funding will not be carried forward into 2023/24.

Slippage, £55.16m. Significant variances summarised below:

Housing Development	**Housing Delivery Programme (£30.000 million 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.
Others	**Marketfield Way - (£5.574 million slippage)** - Expenditure expected in 2023/24.
	Beech House - (£3.000 million slippage) - Expenditure expected in 2023/24, subject to business case approval.
	Merstham Recreation Ground - (£1.465 million slippage) - The majority of construction spend is now expected in 2023/24.
	Vehicle Replacement Programme - (£1.022 million sliipage) - Expenditure will now take place in 23/24
	Horley Public Realm Improvements (£0.525 million slippage) - The majority of expenditure is now expected in 2023/24
	Car Parks Programme - (£0.563 million sliipage) - Expenditure will now take place after Car Park asset review.
	Preston - Parking Improvements (£0.542 million slippage) - The majority of expenditure is now expected in 2023/24

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
	30,282.7
Additions	
Carry Forwards from previous year	36,983.1
Budgets released during the year[1]	4,857.4
Reprofiling of projects	0.0
Other Changes	4,834.5
Current Capital Budget	**76,957.7**

Notes

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

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

Programme/Project	Original Budget	Carry Forwards	Released In Year	Other Changes	Current Budget	Year End Outturn	Year End Variance	Explanation of Significant Variances
	£000	£000	£000	£000	£000	£000	£000	
Stirling House 2 flats	0.0	0.0	0.0	120.0	120.0	0.0	-120.0	
Mitchell Court 4 flats	0.0	0.0	0.0	240.0	240.0	0.0	-240.0	
Purchase of Temporary & Emergency Accommodation	0.0	0.0	0.0	4,000.0	4,000.0	3.4	-3,996.6	
Local Authority Housing Fund	0.0	0.0	3,318.2	0.0	3,318.2	350.8	-2,967.5	
New Pond Works	0.0	0.0	0.0	100.0	100.0	5.4	-94.6	
Operational Buildings	110.0	260.0	0.0	0.0	370.0	0.0	-370.0	
Community Centre Programme	75.0	34.0	0.0	0.0	109.0	27.6	-81.4	
Existing Pavilions Programme	50.0	168.0	0.0	0.0	218.0	120.5	-97.5	
Leisure Centre Maintenance	210.0	17.0	0.0	0.0	227.0	68.3	-158.7	
Harlequin Property Maintenance	110.0	205.9	0.0	0.0	315.9	45.9	-270.0	
Tenanted Properties	100.0	100.0	0.0	0.0	200.0	33.4	-166.6	
Crown House	75.0	210.0	0.0	0.0	285.0	0.0	-285.0	
Units 1-5 Redhill Dist Centre Salfords	57.5	57.0	0.0	0.0	114.5	0.0	-114.5	
Linden House, 51B High Street Reigate	28.8	28.0	0.0	0.0	56.8	0.0	-56.8	
Unit 61E Albert Road North	200.0	62.0	0.0	0.0	262.0	187.8	-74.2	
Forum House, Brighton Road Redhill	100.0	170.0	0.0	0.0	270.0	0.0	-270.0	
Beech House, London Road Reigate	0.0	3,000.0	0.0	0.0	3,000.0	0.0	-3,000.0	Expenditure subject to Business Case approval.
Regent House, 1-3 Queensway Redhill	100.0	75.0	0.0	0.0	175.0	0.0	-175.0	
Massetts Road	21.0	0.0	0.0	0.0	21.0	0.0	-21.0	
14/16 & 18 Reading Arch Road	0.0	0.0	720.0	0.0	720.0	699.8	-20.2	
Tenanted Property Assets	76.0	60.0	0.0	0.0	136.0	0.6	-135.4	
Infra-structure (walls)	60.0	26.0	0.0	0.0	86.0	54.6	-31.4	
Car Parks Capital Works Programme	190.0	358.0	0.0	0.0	548.0	-14.7	-562.7	Awaiting outcome of Car Park review.
Earlswood Depot/Park Farm Depot	20.0	52.0	0.0	0.0	72.0	11.3	-60.7	
Public Conveniences	4.0	17.0	0.0	0.0	21.0	0.0	-21.0	
Cemeteries & Chapel	20.0	60.0	0.0	0.0	80.0	0.0	-80.0	
Allotments	12.0	30.0	0.0	0.0	42.0	0.0	-42.0	
Building Maintenance - Capitalised Staff Costs	28.0	0.0	0.0	0.0	28.0	0.0	-28.0	
Pavilion Replacement - Woodmansterne	0.0	20.0	0.0	0.0	20.0	0.0	-20.0	
Priory Park	10.0	213.0	0.0	0.0	223.0	0.0	-223.0	
Strategic Property	**1,657.3**	**5,222.9**	**4,038.2**	**4,460.0**	**15,378.4**	**1,594.7**	**-13,783.6**	
ICT Replacement Programme	200.0	224.0	0.0	0.0	424.0	88.2	-335.8	Capital budget haven't been spend as expected, transfer costs from Capital to Revenue budget.
Disaster Recovery	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Environmental Strategy Delivery	0.0	250.0	0.0	0.0	250.0	14.0	-236.0	Minimal expenditure in 22/23, funds will be carried forward to 23/24.
Corporate Resources	**200.0**	**474.0**	**0.0**	**0.0**	**674.0**	**102.1**	**-571.9**	
Great Workplace Programme - Phase 2	250.0	451.5	0.0	0.0	701.5	-7.8	-709.3	
Organisational Development	**250.0**	**451.5**	**0.0**	**0.0**	**701.5**	**-7.8**	**-709.3**	
Organisation Capital Budget	**2,107.3**	**6,148.4**	**4,038.2**	**4,460.0**	**16,753.9**	**1,689.0**	**-15,064.8**	

Capital ANNEX 3: Section 2

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

Programme/Project	Original Budget	Carry Forwards	Released In Year	Other Changes	Current Budget	Year End Outturn	Year End Variance	Explanation of Significant Variances
	£000	£000	£000	£000	£000	£000	£000	
Small Works Assistance	50.0	0.0	0.0	0.0	50.0	0.0	-50.0	This capital programme has now been moved to revenue.
Home Improvement Agency & Handy Person Scheme	120.0	0.0	0.0	0.0	120.0	120.0	0.0	
Disabled Facilities Grant	1,134.0	0.0	0.0	0.0	1,134.0	1,196.8	62.9	
Repossession Prevention Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Lee Street Bungalows	0.0	326.9	0.0	0.0	326.9	265.3	-61.5	
Housing Delivery Programmme	10,000.0	20,000.0	0.0	0.0	30,000.0	0.0	-30,000.0	No developments planned at this time. Forecasts will be updatedwhen 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	0.0	149.6	0.0	0.0	149.6	102.3	-47.3	
Unit 1 Pitwood Park Tadworth	0.0	42.9	0.0	0.0	42.9	30.9	-12.0	
Housing	**11,304.0**	**20,519.4**	**0.0**	**0.0**	**31,823.4**	**1,715.4**	**-30,107.9**	
Harlequin - Service Development	100.0	171.8	0.0	0.0	271.8	207.3	-64.5	
Harlequin Maintenance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Leisure & Intervention	**100.0**	**171.8**	**0.0**	**0.0**	**271.8**	**207.3**	**-64.5**	
CCTV Rolling Programme	30.0	74.6	0.0	0.0	104.6	100.0	-4.6	
UKSPF - Digital Connectivity for Local Community Facilities	0.0	0.0	6.0	0.0	6.0	3.4	-2.6	
Community Partnerships	**30.0**	**74.6**	**6.0**	**0.0**	**110.6**	**103.4**	**-7.2**	
People Services Capital Budget	**11,434.0**	**20,765.7**	**6.0**	**0.0**	**32,205.7**	**2,026.1**	**-30,179.6**	
Vehicles & Plant Programme	1,056.0	181.7	0.0	0.0	1,237.7	215.5	-1,022.3	
Fleet Vehicle Wash-Bay Replacement	0.0	350.0	0.0	0.0	350.0	0.0	-350.0	
Workshop Refurbishment	160.0	0.0	0.0	0.0	160.0	0.0	-160.0	
Land Flood Prevention Programme	10.5	0.0	0.0	0.0	10.5	4.9	-5.7	
Play Area Improvement Programme	230.0	0.0	0.0	-100.0	130.0	131.8	1.8	
Parks & Countryside - Infrastructure & Fencing	45.0	0.0	0.0	0.0	45.0	-1.1	-46.1	
Air Quality Monitoring Equipment	40.0	0.0	0.0	0.0	40.0	49.8	9.8	
Contribution to Surrey Transit Site	0.0	127.0	0.0	0.0	127.0	0.0	-127.0	Planning permission currently awaited. Funding will be carried forward to 23/24.
Neighbourhood Operations	**1,541.5**	**658.7**	**0.0**	**-100.0**	**2,100.2**	**400.8**	**-1,699.4**	
Pay-on-Exit Car Parking at Central Car Park and Victoria Road	0.0	52.0	0.0	0.0	52.0	6.4	-45.6	Expenditure will take place in 23/24
Horley Public Realm Improvements - Phase 4	0.0	575.1	0.0	0.0	575.1	10.2	-564.9	Remaining expenditure will take place in 23/24
Horley Town Centre - Outdoor Recreational Facilities	0.0	0.0	0.0	0.0	0.0	6.7	6.7	
Subway Refurbishment, Horley	0.0	0.0	0.0	0.0	0.0	8.3	8.3	
Marketfield Way Redevelopment	15,100.0	6,986.0	0.0	0.0	22,086.0	16,511.2	-5,574.9	Expenditure expected in 23/24
Redhill Public Realm Improvements	0.0	30.0	0.0	0.0	30.0	0.0	-30.0	
Merstham Recreation Ground	0.0	1,419.3	0.0	100.0	1,519.3	54.3	-1,465.0	£100k transferred from Play Area Improvement to Merstham Rec as approved at Executive meeting on 18 November 2021. Remaining expenditure will be incurred in 23/24.
Preston - Parking Improvements	0.0	347.8	0.0	374.5	722.3	180.3	-542.0	Expenditure expected in 23/24
Place Delivery	**15,100.0**	**9,410.2**	**0.0**	**474.5**	**24,984.7**	**16,777.4**	**-8,207.3**	
Vibrant Towns & Villages	100.0	0.0	0.0	0.0	100.0	0.0	-100.0	This budget will no longer be used, so will not be carried-forward to 23/24.
Economic Prosperity	**100.0**	**0.0**	**0.0**	**0.0**	**100.0**	**0.0**	**-100.0**	
Place Services Capital Budget	**16,741.5**	**10,068.9**	**0.0**	**374.5**	**27,184.9**	**17,178.3**	**-10,006.7**	
CIL Capital Program	0.0	0.0	813.2	0.0	813.2	813.2	0.0	
CIL	**0.0**	**0.0**	**813.2**	**0.0**	**813.2**	**813.2**	**0.0**	
Capital Grants Awarded to Third Parties	**0.0**	**0.0**	**813.2**	**0.0**	**813.2**	**813.2**	**0.0**	
Total Capital Budget	**30,282.7**	**36,983.1**	**4,857.4**	**4,834.5**	**76,957.7**	**21,706.6**	**-55,251.1**	

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ANNEX 4

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)

	Progress	Next Steps	Financial Benefits
Programme Set Up	• FSP Steering Group established (February 2022) • Initial programme brief agreed by Corporate Governance Group (April 2022) • Programme register developed (May 2022) • Programme support officer appointed (June 2022) • S&FP timetable and milestones confirmed • All member briefing held (July 2022)	• Ongoing review of programme resourcing requirements	• Not applicable
Service & Financial Planning	• 2023/24 budget adopted and now in place. • 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 will take place at and 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. • Management Team and Executive Awaydays to consider initial proposals and finalise draft budget (September and October) • Finalisation of draft 2024/25 business plans (October) • Preparation of draft 2024/25 budget report (October) • Publication of draft 2024/25 budget (November) • Consultation on draft 2024/25 budget (November to January)	• 43 proposals generated under FSP delivered a total budget benefit of over £2m for 2023/24, summarised as: • £1.23m additional income • £0.79m cost savings Full details of all proposals included in the 2023/24 budget are shown in the 2023/24 Budget Reports presented in November 2022 and January 2023.

	Progress	Next Steps	Financial Benefits
		• 2024/25 Budget agreed (February)	
Standalone projects and activities	• Project and activity scoping (ongoing) • 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 2022) • Recruitment of additional project management resource (September 2022) • Activities to deliver ‘quick wins’ continue to be progressed by relevant service areas (ongoing)	• Activities to deliver ‘quick wins’ continue to be progressed by relevant service areas (ongoing) • Projects being progressed through established project management framework (ongoing)	• Small-scale savings for 2023/24 from ‘quick win’ activity incorporated within agreed budget • Financial benefits from projects will be confirmed on a case by case basis
Fees & Charges	• Collation of fees and charges register and identification of higher value areas for priority review (May 2022) • 2022/23 increases implemented	• Fees and charges will be considered annually as part of service and financial planning process and updated accordingly	• A total of £1.23m additional income was included in the 2023/24 budget, including significant uplifts in existing charges for Car Parking and Garden Waste and identification and implementation of new charges such as Street Naming & Numbering.
Vacancy Control Mechanism	• New vacancy control mechanism introduced (June 2022) • Senior Officer Panel established to review business cases for recruitment to vacant posts (July 2022) • 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)	• Pay costs budget for 2023/24 budget have been reduced by £0.37m as a result of these controls.

	Progress	Next Steps	Financial Benefits
Third Party Funding Opportunities	• £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 2022) • Council services as well as third parties invited to submit Strategic CIL bids (August 2022) • UK shared prosperity funding confirmed (January)	• Opportunities for further third party funding continue to be explored (ongoing)	

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ANNEX 5

BUDGET CARRY FORWARD PROPSALS
AT 31 MARCH 2023

Directorate	Amount (£)	Details
Wellbeing & Intervention	5,455	Funding to be used for a small business project for Syrian Refugee within the borough.
Human Resources	30,106	Corporate training budget to align with the new HR&OD strategy.
Human Resources	31,833	Funding for new recruitment solution that is under development.
Human Resources	384	Funding for central staff expenses.
Community Development	5,500	Funding for outstanding legacy reviews for Domestic Homicide.
Community Development	55,484	Funding for ongoing CCTV project.
Community Development	6,600	Small Grants. To provide philanthropic donations to the Community Fund for Reigate & Banstead, on a match funding basis.
Community Development	6,500	Medium Grants. To provide philanthropic donations to the Community Fund for Reigate & Banstead, on a match funding basis.
Total	**141,862**	

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

Signed off by	Head of Corporate Policy, Projects and Performance
Author	Luke Harvey, Project & Performance Team Leader Ross Tanner, Performance Officer
Telephone	Tel: 01737 276519, 01737 276 022
Email	Luke.Harvey@reigate-banstead.gov.uk, Ross.Tanner@reigate-banstead.gov.uk
To	Executive Committee
Date	Executive: Thursday, 22 June 2023
Executive Member	Portfolio Holder for Corporate Policy and Resources

Key Decision Required	N
Wards Affected	(All Wards);

Subject	Risk management - Q4 2022/23

Recommendations

That the Executive:

(i) Notes the Q4 2022/23 update on risk management provided by the report and associated annexes, and agrees to consider any observations made by the Audit Committee at the Executive Meeting in September 2023.

Reasons for Recommendations

The Executive's constitutional responsibilities require the regular receipt of updates on risk management.

Executive Summary

This report provides an update on risk management in Q4 2022/23. Additional detail is provided in the report as well as in the supporting annexes.

The Executive has the authority to approve the recommendations.

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.
3. The discharge of this responsibility includes arrangements for managing risk.
4. 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

5. Reigate & 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.
6. 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.
7. 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).
8. Members of the Management Team and Executive Members have shared responsibility for strategic risks. It is the responsibility of the Executive to formally endorse the strategic risks for each financial year.
9. 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. The Audit Committee and Executive receive updates on any red rated operational risks as part of quarterly risk management reporting.
10. 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.
11. The new risk management strategy was agreed by Full Council in March 2023 and is planned to be implemented (and reflected in reporting) commencing from Q1 2023/24 onwards.

Key Information

Q4 2022/23 risk management update

12. The full strategic risk register is available at annex 1 of this report.
13. In Q4 there were no new strategic risks identified.
14. In Q4 there were no strategic risks recommended for closure.

Red rated operational risk

15. In Q4 there was one RED rated operational risk, the detail of which is set out in the part 2 exempt annex.
16. The full risk registers, as well as the Council's risk management strategy, are made available to all members via the ModernGov document library.
17. Please note, that although the updates provided in this document and the associated annexes relate to Q4 2022/23, we have updated the Portfolio Holder responsibilities to align with the upcoming arrangements for the 2023/24 year.

Consideration of Q4 2022/23 risks by the Audit Committee

18. Due to the timing of the start of the new municipal year and changes to the membership of the Audit Committee it has not been possible for the Audit Committee to consider the strategic risk register attached at annex 1 or the red operational risk in the part 2 exempt annex in advance of this Executive meeting.
19. Executive members are therefore asked to note the update on risk management at this meeting. The Q4 risk management update will then be considered by the Audit Committee at their next meeting, which is anticipated to be in July. Should the Audit Committee make any observations, these will be presented to the Executive meeting in September for members' consideration.

Options

20. The Executive has two options:
    - Option 1: note this report and agree to consider any observations made by the Audit Committee at the Executive meeting in September. This is the recommended option
    - Option 2: do not note the report and agree to consider any Audit Committee observations at a future meeting. This is not recommended as it does not provide a mechanism for any observations from the Audit Committee to be considered by the Executive.

Legal Implications

21. There are no legal implications arising from this report.

Financial Implications

22. Financial risks are considered when preparing the Medium-Term Financial Plan, Capital Investment Strategy, Revenue Budget, and Capital Programme each year.
23. There are no additional financial implications arising from this report.

Equalities Implications	
24.	There are no equalities implications arising from this report.
Communication Implications	
25.	The Council's risk registers inform the development of the annual risk based internal audit plan.
26.	The Council's approach to managing risk is a core component of the Code of Corporate Governance.
Environmental Sustainability Implications	
27.	There are no Environmental Sustainability implications arising from this report.
Risk Management Considerations	
28.	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.
29.	The Council's approach to managing risk is a core component of the Code of Corporate Governance.
Other Implications	
30.	There are no other implications arising from this report.
Consultation	
31.	The contents of this report have been considered by the Council's Corporate Governance Group.
Policy Framework	
32.	The Council's risk management strategy and methodology provides additional information on how the council manages risk
Background Powers	
33.	Risk Management Strategy: https://www.reigate-banstead.gov.uk/info/20090/council_policy/929/risk_management

Risk management

Strategic risk register

Quarter 4 – January to March 2023

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:

~~SR1~~	~~Coronavirus pandemic~~ **(Risk Closed in Q3 2022/23)**
SR2	Financial sustainability
SR3	Commercial investment
SR4	Challenging economic conditions for residents and businesses
SR5	Organisational capacity and culture
SR6	Cost pressures affecting the viability of Council developments
SR7	Local government reorganisation, devolution and Levelling Up
SR8	ICT network capacity and resilience
SR9	Fraud
SR10	Gatwick Airport
SR11	Planning system reform
SR12	Climate change impact

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: • 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

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

<table>
<tr><th colspan="2">SR1</th><th colspan="3">Coronavirus pandemic</th><th>CLOSED</th></tr>
<tr><td colspan="2">Description</td><td colspan="4">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.</td></tr>
<tr><td colspan="2" rowspan="2">Owner</td><td>Portfolio Holder</td><td colspan="3">Cllr Brunt</td></tr>
<tr><td>Officers</td><td colspan="3">Mari Roberts-Wood and Luci Mould</td></tr>
<tr><td colspan="2">Controls</td><td colspan="4">Ongoing planning for disruption caused by the pandemic, including maintaining organisational preparedness via emergency and business continuity planning as well as robust risk assessments.
The resumption of Covid-19 command and control processes and procedures if required.
Liaison and engagement with partners and the Surrey Local Resilience Forum.</td></tr>
<tr><td colspan="2">Mitigating actions/progress</td><td colspan="4">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 and structural controls now in place.
The impact of Covid-19 on the Council and wider society in general continues to decline, as such this risk was closed in Q3 2022/23 reporting.</td></tr>
<tr><td rowspan="2">Score</td><td>Likelihood</td><td colspan="2">Unlikely</td><td rowspan="2">Direction of travel</td><td rowspan="2">-</td></tr>
<tr><td>Impact</td><td colspan="2">Minor</td></tr>
<tr><td colspan="2">Status</td><td colspan="4">Risk Closed</td></tr>
<tr><td colspan="2">Last update</td><td colspan="4">6 February 2023</td></tr>
</table>

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

The Council is therefore increasingly reliant on generating additional income and identifying savings and efficiencies from existing budgets. If not mitigated, these financial challenges risk an adverse impact on the Council’s ability to deliver its Corporate Plan objectives.</td></tr>
<tr><td rowspan="2">Owner</td><td>Portfolio Holder</td><td colspan="2">Cllr Lewanski</td></tr>
<tr><td>Officers</td><td colspan="2">Pat Main</td></tr>
<tr><td>Controls</td><td colspan="3">The Council will continue to ensure that strong financial management arrangements are in place and will continue investment in skills and expertise to support the delivery of the Council’s financial and commercial objectives while managing risks.

The Medium-Term Financial Plan (MTFP) sets out the forecast budget challenges over the coming five years and forms the basis for service and financial planning, while the Capital Investment Strategy provides an overview of how capital expenditure, capital financing and treasury management activity contributes to the provision of Council services and how associated risk is managed.

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

The Commercial Strategy sets out the commercial activity the Council will consider, provide a framework on option evaluation, and provide the basis on which commercial decision making will be made.

The Annual Revenue Budget sets out funding allocations for the current year and confirms officer accountability for ensuring that expenditure and income are managed within limits approved by Members. In year budget monitoring reports confirm compliance with these limits and report any action required to manage budget variances.

The Treasury Management Strategy helps ensure that investments achieve target returns within approved security and liquidity limits and that borrowing to fund the Capital Programme is affordable.

Internal audit will be utilised to review the approach taken to secure financial sustainability.</td></tr>
<tr><td>Mitigating actions/progress</td><td colspan="3">In addressing its significant financial challenges, the Council has established a Financial Sustainability Programme. This programme will take the form of a series of ambitious initiatives that reduce costs and/or increase income, enabling the Council to set a balanced budget reducing need to draw on reserves. Key to this will be looking at delivering services differently to realise savings and/or increase income, as well as embedding lasting cultural change across the organisation.

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

<table>
<tr><th colspan="2">SR2</th><th colspan="3">Financial sustainability</th><th>RED</th></tr>
<tr><td colspan="2"></td><td colspan="4">delivered and that budgets are set accordingly. Opportunities for delivering services in a different way to unlock savings will also be explored.
3. Fees and charges – carrying out a fundamental review to ensure the full application of the fees and charges policy across the Council.

Updates to the programme will be reported to the Overview and Scrutiny Committee and Executive.

An updated MTFP forecast was reported to the Overview and Scrutiny Committee and Executive in January 2023 along with the Revenue Budget 2023/24 and Capital Programme 2023-2028. 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. 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 remains uncertain.

This risk will transfer over to the 2023/24 strategic risk register as SR1 ‘Financial Sustainability’.</td></tr>
<tr><td rowspan="2">Score</td><td>Likelihood</td><td>More than likely</td><td rowspan="2">Direction of travel</td><td rowspan="2" colspan="2">-</td></tr>
<tr><td>Impact</td><td>Significant</td></tr>
<tr><td colspan="2">Status</td><td colspan="4">Treat</td></tr>
<tr><td colspan="2">Last update</td><td colspan="4">2 May 2023</td></tr>
</table>

<table>
<tr><th>SR3</th><th colspan="4">Commercial investment</th><th>AMBER</th></tr>
<tr><td>Description</td><td colspan="5">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.

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.

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.</td></tr>
<tr><td rowspan="2">Owner</td><td>Portfolio Holder</td><td colspan="4">Cllr Lewanski and Cllr A King</td></tr>
<tr><td>Officers</td><td colspan="4">Mari Roberts-Wood and Pat Main</td></tr>
<tr><td>Controls</td><td colspan="5">Effective governance arrangements for investment decision making.

Commercial opportunities will be considered on a case-by-case basis with up-to-date market intelligence used to inform decisions.

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.

Independent valuations will be commissioned as part of the decision-making process.

Evidence of compliance with relevant Government and CIPFA guidance will be confirmed when business cases are approved.

Exit strategy options will be considered at the time of decision-making.

Commercial projects will be overseen by the Partnership, Trustee and Shareholder Sub-Committee.

The performance of the Council’s company investments is reporting bi-annually to the Overview & Scrutiny Committee and the Sub-Committee.</td></tr>
<tr><td>Mitigating actions/progress</td><td colspan="5">The Council has now adopted parts 1 and 2 of the commercial strategy which sets out the agreed parameters for commercial activity, including an action plan which will be reported on annually.

Work is underway to review the future plans and direction for the Council’s company investments.

This risk will transfer over to the 2023/24 strategic risk register as SR2 ‘Commercial investment’.</td></tr>
<tr><td rowspan="2">Score</td><td>Likelihood</td><td colspan="2">Unlikely</td><td rowspan="2">Direction of travel</td><td rowspan="2">-</td></tr>
<tr><td>Impact</td><td colspan="2">Moderate</td></tr>
<tr><td>Status</td><td colspan="5">Treat</td></tr>
<tr><td>Last update</td><td colspan="5">2 May 2023</td></tr>
</table>

<table>
<tr><th>SR4</th><th colspan="2">Challenging economic conditions for residents and businesses</th><th>RED</th></tr>
<tr><td>Description</td><td colspan="3">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.

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.

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.</td></tr>
<tr><td rowspan="2">Owner</td><td>Portfolio Holder</td><td colspan="2">Cllr Biggs, Cllr Neame and Cllr Ashford</td></tr>
<tr><td>Officers</td><td colspan="2">Mari Roberts-Wood, Pat Main, Duane Kirkland, Richard Robinson, Simon Bland, and Justine Chatfield</td></tr>
<tr><td>Controls</td><td colspan="3">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.

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.

Early and regular engagement by the Community Development and Intervention teams to support residents.

The operation of Council owned and operated emergency accommodation to reduce spend on temporary emergency accommodation.

Applying for government grants to fund additional support services.

Joint working and close collaboration with partners.</td></tr>
<tr><td>Mitigating actions/progress</td><td colspan="3">Consumer price inflation has risen significantly across the world, including the UK where inflation was up to 10.1% as of the close of March 2023. Consumer prices are rising due to increased demand for global energy and commodities.

The UK economic situation remains uncertain with the long-term economic environment for residents and businesses remaining challenging.

To support local businesses, the Council launched a communications campaign encouraging residents to buy locally which will continue to run into the 2023/24 year.

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. This programme will run through to the end of the 2022/23 financial year and will then be subject to review by Surrey County Council.

The Council will continue to apply for business support grants to support local employment and businesses and distribute them should they become available.

Central government's Energy Price Guarantee, which supports households with their energy bills, has now undergone a review, with the Energy Bill Support Scheme ending in March 2023.</td></tr>
</table>

<table>
<tr><td colspan="2">SR4</td><td colspan="3">Challenging economic conditions for residents and businesses</td><td>RED</td></tr>
<tr><td colspan="2"></td><td colspan="4">The additional energy price guarantee support that was provided to local businesses and non-domestic sectors has now ceased.

The rising cost of living along with related factors have resulted in increased referrals to the Council’s Money Support service, with referrals in Q4 now reaching levels not seen since the peak of the Covid-19 pandemic. This has chiefly been driven by inflationary pressures from increasing energy costs, impact of the move of increasing numbers of residents onto universal credit, and a general lack of disposable income for some local households.

Additional resourcing has been identified to support the service if/when necessary. The Council also facilitates closer collaboration between the various other money and debt advice services operating in the borough.

The Council continues to closely liaise with voluntary sector partners and participate in the Surrey wide fuel poverty group, which looks 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.

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.

The Council has provided ‘Warm Hubs’ as part of a county wide package to support residents. Warm hubs are intended to assist those in fuel poverty by providing warm spaces across the borough.

The Council continues to receive government grants to support homeless residents, or those at risk of homelessness.

The Council continues to administer the government’s Household Support Fund. The first three tranches of the scheme have been completed, with use of the fourth expected imminently within the 2023/24 financial year. The scheme has been used to support vulnerable households with access to food and heating, with approximately £700k spent in the first three tranches.

There is currently a shortage in affordable private-rented accommodation in the borough. This has placed additional challenges on residents and the homelessness service for those looking for accommodation in the borough. A new housing pilot scheme was approved by the Executive in January 2023. This scheme aims to offer social tenants in the borough that are currently under-occupying their tenancy the opportunity and assistance to downsize into a smaller property, creating space for those looking for accommodation in the borough.

This risk will transfer over to the 2023/24 strategic risk register as SR3 ‘Challenging economic conditions for residents and businesses.’</td></tr>
<tr><td rowspan="2">Score</td><td>Likelihood</td><td>More than likely</td><td rowspan="2">Direction of travel</td><td colspan="2" rowspan="2">-</td></tr>
<tr><td>Impact</td><td>Significant</td></tr>
<tr><td colspan="2">Status</td><td colspan="4">Treat/tolerate</td></tr>
<tr><td colspan="2">Last update</td><td colspan="4">2 May 2023</td></tr>
</table>

<table>
<tr><th colspan="2">SR5</th><th colspan="3">Organisational capacity and culture</th><th>AMBER</th></tr>
<tr><td colspan="2">Description</td><td colspan="4">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.

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.</td></tr>
<tr><td colspan="2" rowspan="2">Owner</td><td>Portfolio Holder</td><td colspan="3">Cllr Lewanski</td></tr>
<tr><td>Officers</td><td colspan="3">Mari Roberts-Wood, Laura McCartney, Luci Mould and Kate Brown</td></tr>
<tr><td colspan="2">Controls</td><td colspan="4">Implementation of the Human Resources and Organisational Development strategy.

Development of an embedded Workforce Planning approach for the Council, alongside service and financial planning.

Recruitment, training, and development.

Ongoing consultation and engagement with staff.

Succession planning.</td></tr>
<tr><td colspan="2">Mitigating actions/progress</td><td colspan="4">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.

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 through the 2022/23 year. This has been driven by a combination of factors, most notably a buoyant UK labour market and built-up demand for a job move stemming from the pandemic period.

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.

A Corporate Pay Board has also been established to oversee all aspects of employee pay costs, benefits mapping, pay modelling and negotiation with staff representatives for the annual cost of living award.

An establishment management process is in place alongside service and financial planning to ensure resources meet the Council's requirements.

This risk will transfer over to the 2023/24 strategic risk register as SR4 'Organisational capacity and culture.'</td></tr>
<tr><td rowspan="2">Score</td><td>Likelihood</td><td colspan="2">Possible</td><td rowspan="2">Direction of travel</td><td rowspan="2">-</td></tr>
<tr><td>Impact</td><td colspan="2">Significant</td></tr>
<tr><td colspan="2">Status</td><td colspan="4">Treat</td></tr>
</table>

SR5	Organisational capacity and culture	AMBER
Last update	17 April 2023	

<table>
<tr><th colspan="2">SR6</th><th colspan="3">Cost pressures affecting the viability of Council developments</th><th>AMBER</th></tr>
<tr><td colspan="2">Description</td><td colspan="4">The UK construction sector has seen an increase in building material and labour costs arising from global supply chain disruption and inflationary pressures.
This disruption and increase in costs may impact the Council’s ability to deliver economically viable development projects. The effects of this are multifaceted but could result in negative financial implications as well as jeopardising the delivery of strategic corporate objectives.</td></tr>
<tr><td colspan="2" rowspan="2">Owner</td><td>Portfolio Holder</td><td colspan="3">Cllr Lewanski and Cllr Michalowski</td></tr>
<tr><td>Officers</td><td colspan="3">Mari Roberts-Wood, Luci Mould, Pat Main, and Peter Boarder</td></tr>
<tr><td colspan="2">Controls</td><td colspan="4">Robust, stress tested business cases for all development projects which are reported and monitored via established governance arrangements.
The Council will collaborate and seek external advice from external professional teams (quantity surveyors, employers’ agents, etc.) to attempt to resolve cost pressures.
Rigorous change management processes will be put in place for all development projects.
External grant funding opportunities will be pursued where available.</td></tr>
<tr><td colspan="2">Mitigating actions/progress</td><td colspan="4">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.
This risk will transfer over to the 2023/24 strategic risk register as SR5 ‘Cost pressures affecting the viability of Council developments.’</td></tr>
<tr><td rowspan="2">Score</td><td>Likelihood</td><td colspan="2">Possible</td><td rowspan="2">Direction of travel</td><td rowspan="2">-</td></tr>
<tr><td>Impact</td><td colspan="2">Significant</td></tr>
<tr><td colspan="2">Status</td><td colspan="4">Treat</td></tr>
<tr><td colspan="2">Last update</td><td colspan="4">2 May 2023</td></tr>
</table>

<table>
<tr><th colspan="2">SR7</th><th colspan="3">Local government reorganisation, devolution and Levelling Up</th><th>AMBER</th></tr>
<tr><td colspan="2">Description</td><td colspan="4">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.</td></tr>
<tr><td colspan="2" rowspan="2">Owner</td><td>Portfolio Holder</td><td colspan="3">Cllr Biggs</td></tr>
<tr><td>Officers</td><td colspan="3">Mari Roberts-Wood</td></tr>
<tr><td colspan="2">Controls</td><td colspan="4">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.</td></tr>
<tr><td colspan="2">Mitigating actions/progress</td><td colspan="4">In 2022 the government published its Levelling Up and Regeneration Bill. This Bill creates the statutory framework for the new forms of devolution articulated in the earlier White Paper. The Bill is currently at the committee stage in the House of Lords, and at the time of writing, is likely to receive royal assent in 2023/24.

Surrey County Council have developed 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.

The Council is engaged with Surrey CC as it progresses 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.

Under a Level 2 County Deal the Council is unlikely to be required to make significant changes to existing governance arrangements, as most powers and functions will be devolved to the upper-tier authority and can be incorporated into existing structures.

Central government has indicated that for devolved powers that relate to lower-tier functions, a joint-committee (or similar statutory arrangement) between participating authorities may need to be established to exercise these powers. Depending on the nature of the powers and functions devolved through a County Deal there are a number of options the Council could explore for governance arrangements. There is also scope to explore opportunities for ‘double devolution’ whereby certain functions could be devolved to district and boroughs, as well as local town and parish councils in order to achieve greater engagement with the local community.

This risk will transfer over to the 2023/24 strategic risk register as SR6 ‘Local government reorganisation, devolution and Levelling Up.’</td></tr>
<tr><td rowspan="2">Score</td><td>Likelihood</td><td colspan="2">Possible</td><td rowspan="2">Direction of travel</td><td rowspan="2">-</td></tr>
<tr><td>Impact</td><td colspan="2">Significant</td></tr>
<tr><td colspan="2">Status</td><td colspan="4">Treat</td></tr>
<tr><td colspan="2">Last update</td><td colspan="4">6 February 2023</td></tr>
</table>

<table>
<tr><th>SR8</th><th colspan="4">ICT network capacity and resilience</th><th>AMBER</th></tr>
<tr><td>Description</td><td colspan="5">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.

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.

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.</td></tr>
<tr><td rowspan="2">Owner</td><td>Portfolio Holder</td><td colspan="4">Cllr J King</td></tr>
<tr><td>Officers</td><td colspan="4">Darren Wray and Laura McCartney</td></tr>
<tr><td>Controls</td><td colspan="5">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.

Virus patterns are updated on a regular basis. Firewalls are placed at points on the network where external connections join the local network.

Implementation of the new ICT strategy to further enhance the Council's network resilience and cyber security capabilities.

Active contract with NCCGroup, a cyber security specialist organisation for the investigation of any incidents that may arise.

A programme of cyber security training with all staff</td></tr>
<tr><td>Mitigating actions/progress</td><td colspan="5">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.

In 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. The implementation of these new capabilities is now close to conclusion, with the service expected to go live in Q1 of 2023/24. Given this, the impact of this risk has been mitigated significantly. As such, this risk has been recommended for downgrading in Q4 reporting.

This risk will transfer over to the 2023/24 strategic risk register as SR7 'ICT network capacity and culture.'</td></tr>
<tr><td rowspan="2">Score</td><td>Likelihood</td><td>Unlikely</td><td rowspan="2">Direction of travel</td><td rowspan="2" colspan="2">↓</td></tr>
<tr><td>Impact</td><td>Moderate</td></tr>
<tr><td>Status</td><td colspan="5">Treat</td></tr>
<tr><td>Last update</td><td colspan="5">25 April 2023</td></tr>
</table>

<table>
<tr><th colspan="2">SR9</th><th colspan="3">Fraud</th><th>AMBER</th></tr>
<tr><td colspan="2">Description</td><td colspan="4">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.</td></tr>
<tr><td colspan="2" rowspan="2">Owner</td><td>Portfolio Holder</td><td colspan="3">Cllr Lewanski</td></tr>
<tr><td>Officers</td><td colspan="3">Pat Main and Simon Rosser</td></tr>
<tr><td colspan="2">Controls</td><td colspan="4">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.

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.

Staff induction also includes fraud awareness training, as well as awareness of established policies and procedures.

Internal audit undertaking reviews into fraud risk areas.</td></tr>
<tr><td colspan="2">Mitigating actions/progress</td><td colspan="4">The Council’s in-house fraud team continues to detect elevated levels of fraudulent activity in certain areas, such as housing benefit and council tax. This had originally arisen from new activity areas as well as the effects of the Covid-19 pandemic giving rise to increased attempts to commit fraud, such as in attempting to fraudulently join the Council’s housing register.

The Council continues proactive fraud checks on all housing applications and action will be taken where appropriate.

A staff wide fraud awareness programme has been implemented, with training of the relevant teams continuing to take place.

The Council has engaged with Surrey County Council and other Surrey local authorities to review council tax single occupancy discounts as part of a wider drive to identify and decrease council tax fraud.

This risk will transfer over to the 2023/24 strategic risk register as SR8 ‘Fraud.’</td></tr>
<tr><td rowspan="2">Score</td><td>Likelihood</td><td colspan="2">More than likely</td><td rowspan="2">Direction of travel</td><td rowspan="2">-</td></tr>
<tr><td>Impact</td><td colspan="2">Moderate</td></tr>
<tr><td colspan="2">Status</td><td colspan="4">Treat</td></tr>
<tr><td colspan="2">Last update</td><td colspan="4">5 May 2023</td></tr>
</table>

<table>
<tr><th colspan="2">SR10</th><th colspan="3">Gatwick airport</th><th>AMBER</th></tr>
<tr><td colspan="2">Description</td><td colspan="4">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.</td></tr>
<tr><td colspan="2" rowspan="2">Owner</td><td>Portfolio Holder</td><td colspan="3">Cllr Michalowski</td></tr>
<tr><td>Officers</td><td colspan="3">Luci Mould and Andrew Benson</td></tr>
<tr><td colspan="2">Controls</td><td colspan="4">This risk is largely outside of the Council’s control and is dependent on any possible support provided by the government to the aviation sector and the commercial decisions made by private companies.

The council will continue to regularly engage throughout the planning process to mitigate negative outcomes and maximise benefits.

Engagement with Gatwick via the formal planning process

Cooperation with neighbouring Local Authority partners affected by the expansion</td></tr>
<tr><td colspan="2">Mitigating actions/progress</td><td colspan="4">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 Q1 2023/24.

A new phase of engagement commenced in Q1 of 2022/23, which the Council continues to participate in, and is preparing for the DCO submission in Q1 of 2023/24.

This risk will transfer over to the 2023/24 strategic risk register as SR9 ‘Gatwick Airport’.</td></tr>
<tr><td rowspan="2">Score</td><td>Likelihood</td><td colspan="2">Possible</td><td rowspan="2">Direction of travel</td><td rowspan="2">-</td></tr>
<tr><td>Impact</td><td colspan="2">Moderate</td></tr>
<tr><td colspan="2">Status</td><td colspan="4">Treat/tolerate</td></tr>
<tr><td colspan="2">Last update</td><td colspan="4">25 April 2023</td></tr>
</table>

SR11	Planning system reform			AMBER
Description	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. 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.			
Owner	**Portfolio Holder**	Cllr Michalowski		
	Officers	Luci Mould and Andrew Benson		
Controls	Respond to the government's consultation as it develops, and as additional rounds of consultation are issued. To continue to pursue the delivery of affordable housing as detailed in the Council's housing strategy.			
Mitigating actions/progress	In May 2022 the Queen's Speech announced new proposed reforms to the planning system, as part of a Levelling Up and Regeneration Bill. The Bill has not taken forward a number of measures set out in the previous Planning for the Future White Paper. The implications arising from the Bill will be monitored and any action taken as necessary. A new National Planning Policy Framework consultation paper was published in Q3, with key updates outlining Central Government's amendments to the previous White Paper. The current proposals are now focusing on less radical changes to the planning system. This risk will transfer over to the 2023/24 strategic risk register as SR10 'Planning system reform'.			
Score	**Likelihood**	Unlikely	**Direction of travel**	-
	Impact	Moderate		
Status	Treat			
Last update	25 April 2023			

SR12	Climate change impact		AMBER
Description	It is widely recognised that the Earth's climate is changing, with this forecast to result in more extreme weather. This could have negative impacts, including on the built and natural environment, with vulnerable residents likely to be most severely impacted. In response, the Council may encounter difficulties in delivering services and may similarly have additional demands placed upon it, particularly as climate change adaptation and mitigation becomes increasingly necessary.		
Owner	**Portfolio Holder**	Cllr Moses and Cllr Michalowski	
	Officers	Cath Rose and Andrew Benson	
Controls	The Council's multi-agency adverse weather emergency plan as well as service level business continuity plans. Partnership work with Surrey County Council and the Environment Agency to mitigate flooding in local developments. The creation of an internal Sustainability Team and the associated implementation of the recommendations of the Environmental Sustainability Strategy. Supplementary planning document detailing climate change and sustainable construction for new developments in the borough. Consideration of climate change impacts requirements under both existing and new local plan.		
Mitigating actions/progress	The Council continues to actively implement measures to reduce the impact of extreme weather on local developments. For example, the installation of swales at Merstham Recreational Ground to improve drainage capacity. Further activity is taking place in the north of the borough to reduce the impact from flooding and other extreme weather events, with the Council actively engaging in local flood action groups. The Council has 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. The Council's Emergency Planning team continues to proactively engage at the Surrey Local Resilience Forum for preparing for and responding to extreme weather events. The 2022/23 edition of the annual Environmental Sustainability Strategy progress report was successfully delivered and considered by Overview & Scrutiny committee in 2022. Surrey County Council (SCC) are in the process of creating a climate change adaptation strategy, which is due to be adopted in 2023/24. The Council will continue to engage and seek advice from SCC on the wording and outcomes of this strategy. The Council approved the publication of the Strategic Infrastructure Programme. Part of this programme commits a portion of CIL funding to a series of infrastructure sustainability projects that the council is now committed to undertake.		

SR12		Climate change impact			AMBER
		This risk will transfer over to the 2023/24 strategic risk register as SR11 'Climate change impact.'			
Score	**Likelihood**	More than likely	**Direction of travel**	-	
	Impact	Moderate			
Status		Tolerate/Treat			
Last update		25 April 2023			

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

SIGNED OFF BY	Chief Finance Officer
AUTHOR	Jacqueline Aboagye
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TO	Overview & Scrutiny Committee Executive Council
DATE	Thursday 15 June 2023 Thursday 22 June 2023 Thursday 20 July 2023
EXECUTIVE MEMBER	Deputy Leader and Portfolio Holder for Finance and Governance

KEY DECISION REQUIRED	Y
WARDS AFFECTED	(All Wards);

SUBJECT	Treasury Management Strategy Statement 2023/24

RECOMMENDATIONS

Overview & Scrutiny Committee:

i) Overview & Scrutiny Committee is asked to consider and to provide feedback on the following which are to be finalised and submitted for approval by the Executive on 15 June 2023 and Council on 20 July 2023:

- **Treasury Management Strategy 2023/24;**
- **Investment Strategy 2023/24; and**
- **Capital Strategy 2023/24.**

Executive:

i) Executive is asked to consider the following and recommend their approval by Council:

- **Treasury Management Strategy for 2023/24;**
- **Investment Strategy 2023/24; and**
- **Capital Strategy 2023/24**

Agenda Item 9

Council:

i) Council is asked to approve the following

- **Treasury Management Strategy for 2023/24;**
- **Investment Strategy 2023/24; and**
- **Capital Strategy 2023/24**

REASONS FOR RECOMMENDATIONS

To enable the adoption of the updated Treasury Management Strategy Statement for the 2023/24 financial year in order to comply with the Chartered Institute of Public Finance Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities. Also, with Government (Department for Levelling up, Housing and Communities) investment and borrowing guidance.

EXECUTIVE SUMMARY

This report sets out the Treasury Management Strategy, Investment Strategy and Capital Strategy for 2023/24.

It has been prepared in consultation with the Council's treasury management advisors and confirms compliance with relevant guidance

Council has authority to approve the Treasury Management Strategy Statement, Prudential Indicators, Minimum Revenue Provision Policy and Borrowing Limits.

STATUTORY POWERS

1. The Council is required to approve an annual Treasury Management Strategy Statement, Investment Strategy and Capital Strategy to ensure that borrowing and investment activities are prudent, affordable and sustainable.

2. The Council operates its treasury management activity as an integral part of its statutory obligation to manage the Council's finances effectively 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 (Department for Levelling up, Housing and Communities - DLUHC) investment and borrowing guidance.

BACKGROUND

4. The Council is required to approve an annual Treasury Management Strategy, Investment Strategy and Capital Strategy (in combination referred to as 'the Strategy') to ensure that borrowing and investments are prudent, affordable and sustainable.

5. The Strategy for 2023/24 is set out in the attached Annexes.

It has been prepared in line with the CIPFA Codes and Government guidance and comprises three sections:

1. **Treasury Management Strategy** which explains the Council's approach to management of cash flows, borrowing and investments, and the associated risks;

2. **Investment Strategy** which sets out how the Council invests its cash and what it aims to achieve through that investment; and

3. **Capital Strategy** which provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services.

6. The Strategy has the following objectives:
   - To consider and effectively address the risks associated with Treasury Management activity;
   - To optimise the flow of cash through the organisation in order to maximise the potential for using it to earn investment income for the Council, and where required limit the borrowing costs;
   - To optimise the returns from investments while meeting the overriding need to protect the capital sum and ensure that the cash is available when required;
   - To align investments in relation to cash flow, within statutory constraints, in order to increase investment returns in future years;
   - To optimise the revenue budget costs of undertaking all treasury activities;
   - To monitor and review significant changes in the pattern of cash movements and interest rate movements and react accordingly; and
   - To incorporate any changes to CIPFA's Treasury Management Code of Practice and the Prudential Code and Government guidance that govern effective treasury management.

KEY INFORMATION

Capital Investment Strategy and Capital Programme

7. The capital expenditure plans set out in this report are based on the Capital Programme 2023/24 to 2027/28 that was approved by Executive on 26 January 2023 and by Council on 9 February 2023. Also the Strategic Community Infrastructure Levy (CIL) - funded schemes that were approved by Executive on 23 March 2023.

Prudential Indicators

8. The Prudential Indicators as set out in the Strategy provide a sound basis for future investment and borrowing decisions. A summary of the key indicators is provided in the table below and they are explained in the Treasury Management Strategy at Annex 1.

Table 1: PRUDENTIAL INDICATORS	2021/22 Actual £000	2022/23 Forecast £000	2023/24 Forecast £000	2024/25 Forecast £000	2025/26 Forecast £000

Capital Expenditure	35,683	21,156	10,772	10,129	6,532
Capital Financing Requirement (CFR)	76.400	89,500	53,900	53,400	52,800
Cumulative External Debt	-	7,000	-	-	-
Operational Boundary for External Debt	113,000	69,000	35,000	36,000	36,000
Authorised Limit for External Debt	123,000	79,000	40,000	41,000	42,000
Liability Benchmark	(10,900)	6,000	10,300	19,400	22,000
Net income from commercial and service investments to net revenue stream as a %	3.30%	4.07%	2.84%	3.24%	3.32%
Net income from commercial and service investments to net revenue stream as a %	10.42%	13.53%	9.39%	10.80%	12.42%
Credit risk indicator - portfolio average risk	A				
Liquidity risk - cash available within 3 months	£5.0 million				
Revenue impact of a 1% change in rates	£0.078 million				
Maturity Structure of Borrowing 2023/24 – Upper Limit	100%				
Maturity Structure of Borrowing 2023/24 – Lower Limit	0%				

CIPFA Code

9. CIPFA published the latest Prudential and Treasury Management Codes in December 2021. They require investments and investment income to be attributed to one of three purposes:

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

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

(iii) Commercial return

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

10. The Investment Strategy at Annex 2 covers:
    - Classification of investments for service or commercial purposes:
    - The authority's approach to investments for service or commercial purposes (together referred to as non-treasury investments), including defining the authority's objectives, risk appetite and risk management in respect of these investments, and processes ensuring effective due diligence;
    - An assessment of affordability, prudence and proportionality in respect of the authority's overall financial capacity (ie. whether losses could be absorbed in budgets or reserves without unmanageable detriment to local services);
    - Details of financial and other risks of undertaking investments for service or commercial purposes and how these are managed;
    - Limits on total investments for service purposes and for commercial purposes respectively (consistent with any limits required by other statutory guidance on investments);
    - Requirements for independent and expert advice and scrutiny arrangements (while business cases may provide some of this material, the information contained in them is periodically re-evaluated to inform the overall strategy);
    - Statement of compliance with paragraph 51 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest primarily for financial return.

11. The Code also requires authorities to:
    - Adopt a debt Liability Benchmark treasury indicator to support the financing risk management of the capital financing requirement; this is shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained;
    - Class long term treasury investments, (including pooled funds), as commercial investments unless justified by a cash flow business case;
    - Include some pooled funds (longer term instruments, including those with no fixed maturity date) in the indicator for principal sums maturing in years beyond the initial budget year;
    - Ensure that the knowledge and skills register for officers and members involved in the treasury management function is proportionate to the size and complexity of the treasury management conducted;

- Submit quarterly performance reports to Members (as part of integrated budget monitoring reports), including updates on performance against the Prudential Indicators; and
- Set out any environmental, social and governance (ESG) issues to be addressed within the treasury management policies and practices.

12. The main requirements of the Code relating to service and commercial investments are:
    - The risks associated with service and commercial investments should be proportionate to their financial capacity – losses to be absorbed in budgets or reserves without unmanageable detriment to local services;
    - An authority must not borrow to invest for the primary purpose of commercial return. It is not prudent for local authorities to make any investment or spending decision that will increase the Capital Financing Requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority;
    - To conduct an annual review to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt;
    - To include the new Prudential Indicator for the net income from commercial and service investments as a proportion of the net revenue stream; and
    - To prepare supporting Investment Management Practices which set out how the Council will manage risks associated with non-treasury investments.

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

OPTIONS

14. Overview & 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.

15. Executive has two options:

    - **Option 1:** Recommend the Treasury Management Strategy, Investment Strategy and Capital Strategy for 2023/24 to Council for approval;

    - **Option 1:** Request further information before the Treasury Management Strategy, Investment Strategy and Capital Strategy for 2023/24 are recommended to Council for approval. This option would delay approval of the Strategy and may constrain treasury management activity.

16. Council has two options:

- **Option 1:** To approve the Treasury Management Strategy, Investment Strategy and Capital Strategy for 2023/24 to Council;

- **Option 1:** To request further information before the Treasury Management Strategy, Investment Strategy and Capital Strategy for 2023/24 are approved. This option would delay approval of the Strategy and may constrain treasury management activity.

17. Since April 2023 the Finance team has continued to operate in line with the 2022/23 Strategy under delegated authority. A delay in approving the 2023/24 Treasury Management Strategy Statement may result in reduced returns on investments and delay borrowing to fund planned capital investment. It would also mean that the Council is at risk of non-compliance with the latest CIPFA Codes of Practice and DLUHC guidance

LEGAL IMPLICATIONS

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

FINANCIAL IMPLICATIONS

19. The financial impacts of this Strategy have been reflected within the Council's approved 2023/24 Budget. There are therefore no additional financial implications from this report.

EQUALITIES IMPLICATIONS

20. The Council has a statutory duty to consider equality implications as part of the decision making process and demonstrate this. There are no equality implications arising from this report.

ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS

21. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

COMMUNICATION IMPLICATIONS

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

RISK MANAGEMENT CONSIDERATIONS

23. These are set out in the Annexes to the report

CONSULTATION

24. The Finance Portfolioholder, the Chair of Overview & Scrutiny and Overview & Scrutiny Committee Members had an opportunity to consider the Council's approach to treasury management at a briefing with the Council's treasury advisors Arlingclose and the Finance team on 8 June 2023.

25. Overview & Scrutiny Committee's feedback at its meeting on 15 June 2023 will be considered when preparing the final Treasury Management Strategy Statement that is scheduled to be reported to Executive on 22 June 2023 and Council on 20 July 2023.

POLICY FRAMEWORK

26. The Strategy is part of the Council's Policy Framework as set out in Article 4 of the Constitution.

ANNEXES

1. Treasury Management Strategy 2023/24
2. Investment Strategy 2023/24
3. Capital Strategy 2023/24

BACKGROUND PAPERS

- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ('the Code')
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ('the Code')
- CIPFA Treasury Management Guidance Notes 2018 and 2021
- DLUHC Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
- CIPFA Prudential Code for Capital Finance in Local Authorities (2021) (Prudential Code)
- CIPFA Prudential Code for Capital Finance in Local Authorities (2021) Guidance Notes
- DLUHC Consultation on changes to the capital framework - Minimum Revenue Provision (November 2021)
- *Budget and Capital Programme 2023/24*, report to Executive, 27 January 2023
- *CIL Strategic Infrastructure Programme 2023-2027*, report to Executive, 23 March 2023

TREASURY MANAGEMENT STRATEGY 2023/24

June 2023

1. Introduction

Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks.

The Council has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to prudent financial management.

Treasury risk management is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

Investments held for service purposes and for commercial profit are considered separately in Annex 2, the Investment Strategy.

2. External Context

Source: Arlingclose

Economic background: The ongoing impact on the UK from Russia's invasion of Ukraine, together with higher inflation, higher interest rates, uncertain government policy, and a weak economic outlook, will be major influences on the Council's treasury management strategy for 2023/24.

The Bank of England (BoE) increased Bank Rate by 0.25% to 4.5% in May 2023. This followed another 0.25% rise in March and a 0.5% hike in February and was the twelfth successive rise since December 2021. The May decision was voted for by a 7-2 majority of the Monetary Policy Committee (MPC), with the two dissenters voting for a no-change at 4.25%.

The May quarterly Monetary Policy Report (MPR) is no longer forecasting a recession but is instead forecasting very low GDP (Gross Domestic Product) growth. CPI inflation is expected to fall in the near future, but this fall is expected to happen over a longer period than previous forecasts.

The UK economy stagnated between October and December 2022, according to GDP data from Office for National Statistics. The UK has avoided the technical recession (two successive quarters of negative growth) that was predicted. The BoE forecasts GDP to be 0.25% in 2023 and 0.75% in 2024 and 2025.

CPI inflation peaked at 11.1% in October 2022 and has now fallen to 10.1%, still well above the 2% target. The Bank of England now expects inflation to fall to 5% by the end of the 2023 calendar year, falling further to its target by late 2024.

The labour market remains tight, with the most recent statistics showing the unemployment rate was 3.8%. Earnings were up strongly in nominal terms by 5.9% for total pay and 6.6% for regular pay. Factoring in inflation meant wages contracted, for total pay the figure was -3.0% and regular pay -2.3%. Looking forward, although the May MPR shows some expected rise in unemployment this is far more muted than previous estimates. Unemployment is expected to reach 4.5% by 2026.

Interest rates have also been rising sharply in the US, with the Federal Reserve increasing the range on its key interest rate by 0.25% in May 2023 to 5.00%-5.25%. This rise follows two 0.25% rises in February and March, a 0.5% rise in December and four successive 0.75% rises. Annual inflation continues to slow in the US, falling to below 5% in May 2023. US GDP grew at an annualised rate of 2.6% between October and December 2022 and 1.1% between January and March 2023.

Inflation rose strongly in the Euro Zone during 2022, hitting a peak annual rate of 10.6% in October 2022, but has since declined over successive months to stand at 6.9% in March 2023. Economic growth has been weakening, and only expanded by 0.1% in the three months to March 2023, down from 0.9% and 0.4% in earlier periods. As with the UK and US, the European Central Bank has been on an interest rate tightening cycle, pushing up its three key interest rates by 0.25% in May, and 0.5% in March following five consecutive 0.5% or 0.75% rate hikes. The ECB’s main refinancing rate currently stands at 3.75% and its deposit facility rate at 3.25%.

Credit outlook: The relatively high profile failure of two US banks and one Swiss bank in the period of March – May 2023 has been the most significant credit event of late. Silicon Valley Bank, Credit Suisse and First Republic Bank all had their own individual risk factors which lead to their failure, although to an extent the failures were also linked to the ability of making withdrawals quickly in the internet age and to the rising interest rate environment. In all three cases regulators moved swiftly to try to prevent contagion to the wider markets.

Credit default swap (CDS) prices generally followed an upward trend in 2022, although these began to fall again from October 2022 before spiking in March 2023. They have been boosted by recent banking failures, the war in Ukraine, increasing economic and political uncertainty and a relatively weak global and UK outlook, but remain below the levels seen at the beginning of the Covid-19 pandemic and 2008 financial crisis.

CDS price volatility was higher in 2022 compared to 2021. The divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities has emerged once again.

The weaker economic picture during 2022 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several local authorities and financial institutions, revising them from to negative from stable. However, since then S&P has revised the outlook to stable once again, citing an improvement to the economic situation compared to last year.

There are competing tensions in the banking sector which could impact bank balance sheet strength going forward. The weaker economic outlook and potential recessions in many regions increase the possibility of a deterioration in the quality of banks' assets, while higher interest rates provide a boost to net income and profitability.

However, the institutions on Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

Interest rate forecast (at May 2023): Arlingclose forecasts that Bank Rate will rise from its current 4.5% to 4.75%, probably in June, as the Bank of England attempts to subdue inflation which is significantly above its 2% target. The rate is ultimately expected to fall again as higher interest rates put a strain on the economy. Arlingclose's central case is for rates to begin falling in 2024, reaching a new normal of around 3% by 2025. There are risk to the upside and downside on this central case.

Yields are expected to remain broadly at current levels over the medium-term, with 5-, 10- and 20-year gilt yields expected to average around 3.5%, 3.7%, and 3.9% respectively over the 3-year period to March 2026. The risks for short, medium and longer-term yields are judged to be broadly balanced over the forecast horizon. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

A more detailed economic and interest rate forecast is set out at Appendix 1.

For the purpose of setting the treasury management budget, it has been assumed that new treasury investments will be made at an average rate/yield of 3.3%, and that new short-term loans will be borrowed at an average rate of 4%.

3. Local Context

At 31 March 2023, the Council had £7.0 million short-term borrowing and £16.0 million of treasury investments earning a return of 4.15% (£9.0 million was invested in unsecured bank deposits earning 4.15% and £7.0 million was invested in money market funds earning 4.15%).

Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast	31.3.22 Actual	31.3.23 Estimate	31.3.24 Forecast	31.3.25 Forecast	31.3.26 Forecast
	£000	£000	£000	£000	£000
Capital financing requirement	**76,400**	**89,500**	**53,900**	**53,400**	**52,800**
Less: External borrowing[1]	-	**7,000**	-	-	-
Internal borrowing	**76,400**	**82,500**	**53,900**	**53,400**	**52,800**
Less: Balance sheet resources	(102,300)	(98,500)	(58,600)	(49,000)	(45,800)
(Treasury investments)/ New Borrowing	**(25,900)**	**(16,000)**	**(4,700)**	**4,400**	**7,000**

Notes:
1. Reflects loans to which the Council is committed (excludes optional refinancing).

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying sums available for investment.

The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

The Council has a reducing CFR over the medium term, due to the requirements of the Council's capital programme.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 confirms that the Council expects to comply with this recommendation during 2023/24.

Liability benchmark: To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing.

This assumes the same forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of £15.0 million at each year-end. This is comprised of the £10.0 million minimum investment balance that the Council is required to hold at all times to retain a desired 'professional' status when working with financial intermediaries and an additional £5.0 million liquidity buffer to meet any unexpected cash flow shortfalls.

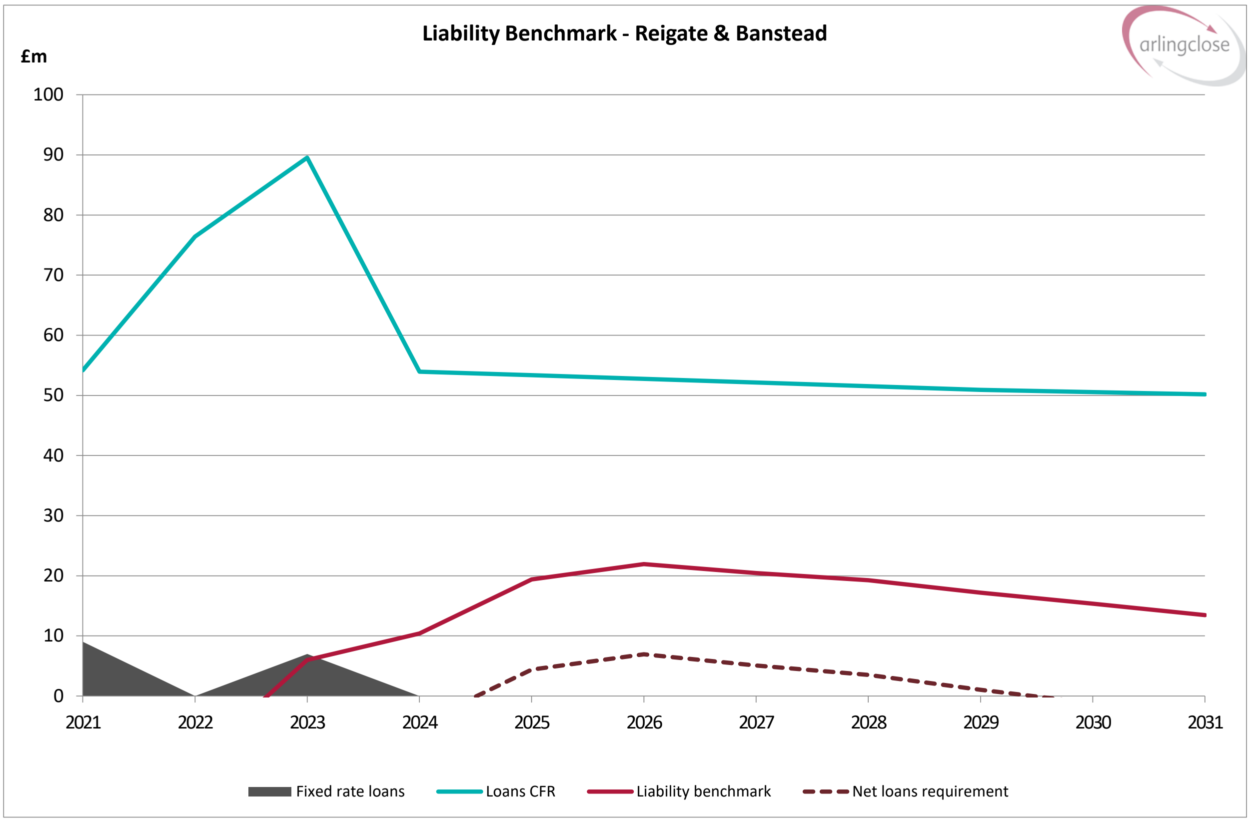
The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making.

The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold (if any) to fund its current capital and revenue plans while keeping treasury investments at the minimum level.

Table 2: Prudential Indicator: Liability benchmark	**31.3.22 Actual**	**31.3.23 Estimate**	**31.3.24 Forecast**	**31.3.25 Forecast**	**31.3.26 Forecast**
	£000	**£000**	**£000**	**£000**	**£000**
CFR	76,400	89,500	53,900	53,400	52,800
Less: Balance sheet resources	(102,300)	(98,500)	(58,600)	(49,000)	(45,800)
Net Loans Requirement	**(25,900)**	**(9,000)**	**(4,700)**	**4,400**	**7,000**
Plus: Liquidity allowance	15,000	15,000	15,000	15,000	15,000
Liability benchmark	**(10,900)**	**6,000**	**10,300**	**19,400**	**22,000**

The net loans requirement is negative until 2024/25 meaning the Council is projected to have an investment balance rather than a borrowing need. This became a short-term borrowing requirement (indicated by a positive liability benchmark figure) in 2022/23 in order to maintain the £15.0 million minimum liquidity allowance.

Following on from the medium-term forecasts in table 2 above, the ten-year liability benchmark currently assumes no capital expenditure will be funded by borrowing after 2026 and reserves will increase by 2.5%. This is illustrated in the chart below:



The liability benchmark represents the minimum borrowing required to fund the Council's capital program and maintain minimum balances of £15 million.

The Council had a minimum borrowing requirement of £6.0 million on 31 March 2023 that was covered with short term borrowing.

A borrowing requirement of £10.3million is expected by 31 March 2024 and a maximum borrowing requirement of £19.4 million is expected by 31 March 2025 increasing to £22.0 million by 31 March 2026 and declining thereafter from 2027 onwards.

The net loans requirement on the graph is a lower figure and represents the borrowing that would be required if investment balances were kept at nil.

The graph represents only a snapshot in time at year end when balances are typically at their lowest and borrowing needs are highest. In year balances are expected to fluctuate to up to £35.8 million.

Borrowing is therefore in practice only likely to be required in the short term for some parts of the year.

Borrowing Strategy

The Council held a short-term loan of £7.0 million at 31 March 2023.

The liability benchmark forecast in table 2 above confirms that the Council is only likely to need to borrow modest amounts for short term periods in the coming year.

The Council may opt to borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £40.0 million.

Objectives: The Council's chief objective when borrowing is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of costs over the period for which funds are required. Flexibility to renegotiate loans, should the Council's long-term plans change, is a secondary objective.

Strategy: The Council has historically been largely debt free and has borrowed on a temporary basis to fund short term cash flow shortfalls. This strategy is likely to remain the most effective in future.

Short-term borrowing sourced from other local authorities or housing associations is expected to continue to be the most cost-effective borrowing option but the situation will remain under constant review.

The Council may on occasion arrange forward starting loans, where the interest rate is fixed in advance, but the cash is scheduled to be received at a later point in time.

Sources of borrowing: The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB (Public Works Loan Board) lending facility
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Surrey Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues.

PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council intends to avoid this activity in order to retain its access to PWLB loans if required.

Municipal Bonds Agency: UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities.

This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. The Council is unlikely to borrow from this source: if it does any decision to borrow from the Agency will be the subject of a separate report to full Council.

Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

Short-term and variable rate loans: These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

4. Treasury Investment Strategy

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held.

In the past 12 months, the Council's treasury investment balance has ranged between £13.0 million and £50.8 million.

Objectives: The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

Strategy: New treasury investments will be made primarily to manage day-to-day cash flows using short-term low risk instruments.

The CIPFA Code does not permit local authorities to both borrow and invest long-term for cash flow management. But the Council may make long-term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years and to manage inflation risk by investing usable reserves in instruments whose value rises with inflation.

ESG policy: Environmental, Social and Governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level.

When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

Business models: Under the IFRS 9 accounting standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

In practice this distinction only applies to tradable investments where repayments are solely of principal and interest (such as bonds, certificates of deposit or T-bills): although allowable within the strategy the Council does not expect to use these products in the upcoming year.

Approved counterparties: The Council may invest its surplus funds with any of the counterparty types in table 3 below, subject to the limits shown.

Table 3: Treasury investment counterparties and limits			
Sector	**Time limit**	**Counterparty limit**	**Sector limit**
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£10 million	Unlimited
Secured investments[1]	25 years	£6 million	Unlimited
Banks (unsecured)[1]	13 months	£6 million	Unlimited
Building societies (unsecured)[1]	13 months	£3 million	£10 million
Registered providers (unsecured)[1]	5 years	£3 million	£13 million
Money market funds[2]	n/a	£10 million	Unlimited
Strategic pooled funds	n/a	£2 million	£25 million
Real estate investment trusts	n/a	£2 million	£13 million
Other investments[1]	5 years	£2 million	£5 million

Notes:
1. This table must be read in conjunction with the notes below

1. **Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-.

Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be considered.

2. **Minimum credit rating (money market funds):** Investment will only be made in money market whose lowest published credit rating is at least AAA.

   This refers to the overall rating of the fund rather than the weighted average ratings of the fund's investments.

For entities without published credit ratings, investments may be made where external advice indicates the entity to be of similar credit quality.

Government: Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

Secured investments: Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

Banks and building societies (unsecured): Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Registered providers (unsecured): Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Money market funds: Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

Strategic pooled funds: Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

Real estate investment trusts (REITs): Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Other investments: This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.

Operational bank accounts: The Council may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than A-. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

The Council's business bank account provider is Lloyds Bank plc. It may be necessary to hold liquid funds in the main business account overnight, for example where grant payments are received prior to allocation. Therefore, there is no limit on amounts that can be held with Lloyds. However, the Council monitors its operational accounts on a daily basis, transferring any surplus funds to investment accounts and there for minimising the amount held in the operational bank account at any time.

Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “negative watch”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments: The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council’s treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council’s cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

Investment limits: The Council’s revenue reserves available to cover investment losses are forecast to be £37.3 million on 31 March 2023 and £33.2 million by 31 March 2024. In order that no more than 30.0% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £10.0 million A group of entities under the same ownership will be treated as a single organisation for limit purposes.

Limits are also placed on fund managers, investments in brokers’ nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country since the risk is diversified over many countries.

Table 4: Additional investment limits	**Cash limit**
Any group of pooled funds under the same management	£10 million per manager
Negotiable instruments held in a broker’s nominee account	£13 million per broker
Foreign countries	£5 million per country

Liquidity management: The Council performs regular cashflow forecasts to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

Liquid cash will be spread to optimise access to cash in the event of operational difficulties at any one provider (e.g., bank accounts and money market funds).

5. Treasury Management Prudential Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators.

The Council measure its exposure to credit risk by monitoring the overall average credit rating / credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk. The 2023/24 level remains one 'notch' above the Council's minimum individual counterparty rating of A-.

Table 5: Credit risk indicator	Target
Portfolio average credit	A

The Council will measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

Table 6: Liquidity risk indicator	Target
Total cash available within 3 months	£5.0 million

Interest rate risk indicator is set to measure the Council's exposure to interest rate risk by monitoring the impact that a 1% rise or fall in interest rates would have on the Council's income.

As the Council will not have any borrowing after the 31 March 2023 the only impact will be to investments. This indicator will be affected by the amount of investments held at variable rates of interest; the indicator for 2023/24 reflects the expectation that a majority of the Council's treasury investments will not be held at fixed rates of interest.

Table 7: Interest rate risk indicator	Limit
Revenue impact of a 1% change in rates	£0.078 million pa

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates.

Maturity structure of borrowing: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Table 8: Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

As the Council has relatively modest and short term overall borrowing requirement there is no significant refinancing risk associated with having all loans maturating within the timescales shown above. At present the Council would wish to retain maximum flexibility as to the periods in which it borrows over. As a debt portfolio becomes established then the indicator will be reviewed to ensure that it remains suitable.

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Long-term treasury management investments: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments will be:

Table 9: Price risk indicator	2023/24	2024/25	2025/26	No fixed date
Limit on principal invested beyond year end	£10.0m	£10.0m	£10.0m	£10.0m

Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

6. Related Matters

The CIPFA Code requires the Council to include the following in its treasury management strategy.

Financial derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e., those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be considered when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Markets in Financial Instruments Directive: The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Chief Finance Officer believes this to be the most appropriate status. The Council is required to have at least £10.0 million in investments at all times in order to maintain profession status.

7. Financial Implications

The budget for investment income in 2023/24 is £0.8 million, based on an average investment portfolio of £34 million at an interest rate of 2.4%.

The budget for debt interest paid in 2023/24 is £0.5 million, based on an average debt portfolio of £7.0 million at an average interest rate of 4.0%.

If actual levels of investments and borrowing, or actual interest rates, differ from those forecasts, performance against budget will be correspondingly different.

8. Other Options Considered

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Finance Officer, having consulted the Portfolioholder for Finance & Governance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Table 10: Options Considered		
Alternative	**Impact on income and expenditure**	**Impact on risk management**
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

APPENDIX 1

Arlingclose Economic & Interest Rate Forecast
May 2023

Underlying assumptions:

- *Stubborn inflation and tight labour markets have refocused attention on inflation, even as the economic risks increase. The Federal Reserve raised its policy rate to 5.25% despite the rising risk of a US recession. Similarly, as Germany teeters on the edge of recession, the ECB raised its main policy rate to 3.75% and signalled further rises ahead.*
- *In the UK, with upward revisions to growth and persistent inflation, sticky amid continued solid wage growth, investors are betting on further Bank Rate hikes beyond 4.5%.*
- *The UK economy has surprised with its strength in the first half of 2023. Government support for the cost of living, stronger wage growth and household savings have partly offset the dual headwinds of high inflation and interest rates. Households will also benefit from a likely decline in retail energy bills in H2 2023.*
- *However, the lagged effect of aggressive monetary tightening will increasingly pressure economic activity. Household spending will be affected by increases in mortgage payments, while business investment/spending will fall back due to higher borrowing costs. Diminished spending will inevitably increase unemployment.*
- *The labour market remains tight. Recent signs suggest some loosening, although wage growth has remained solid. As unemployment rises, market imbalances and thus wage growth should ease, but recent data indicates this may take some time.*
- *Inflation will fall sharply from April, as changes in base effects become the driver of the headline rate. Food price inflation should also decelerate soon. However, the MPC will increasingly target core inflation and wage growth, being especially wary about declining inflation rates creating strong real wage growth, thus supporting on-going consumer-led inflation. Rates will therefore remain higher for longer.*
- *Global bond yields remain volatile. Resilience in some economic data has supported central bank hawkishness, but also increased the chance of over-tightening. The Federal Reserve and other central banks see persistently higher policy rates through 2023 as key to dampening domestic inflationary pressure.*
- *However, it is difficult to perceive non-negative growth outcomes from synchronised monetary tightening and slower, perhaps negative, money growth across developed economies. This suggests more significant reductions in policy rates in the future.*

Forecast:

- *The MPC raised Bank Rate by 25bps to 4.5% in May. Due to the current policy of reacting to lagging data, we believe it is more likely than not that Bank Rate rises to 4.75% in June, although we consider further hikes to be unnecessary.*
- *The MPC will cut rates in the medium term to stimulate a stuttering UK economy but will be reluctant to do so until services inflation and wage growth ease. We*

see rate cuts from the first quarter of 2024 to a low of around 3% by 2025, although the timing and extent of rate cuts remains highly uncertain.

- *Arlingclose expects gilt yields to fall from current levels reflecting a lower medium term path for Bank Rate. However, yields will remain relatively higher than in the past, with continued elevated volatility.*
- *Gilt yields face pressures to both sides. While there are fears of a global decline in economic activity and an expectation of falling inflation rates, these downward effects on gilt yields will be partly offset by hawkish-leaning central bankers, BoE bond sales, and high government borrowing.*

	Current	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Average
Official Bank Rate														
Upside risk	0.00	0.50	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	**0.63**
Central Case	4.50	4.75	4.75	4.75	4.25	3.75	3.50	3.25	3.00	3.00	3.00	3.00	3.00	**3.73**
Downside risk	0.00	0.25	0.50	0.50	0.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	**0.75**
3-month money market rate														
Upside risk	0.00	0.50	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	**0.63**
Central Case	4.70	4.80	4.80	4.75	4.25	3.70	3.50	3.20	3.10	3.10	3.10	3.10	3.10	**3.78**
Downside risk	0.00	0.25	0.50	0.50	0.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	**0.75**
5yr gilt yield														
Upside risk	0.00	0.60	0.70	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	**0.86**
Central Case	3.55	3.80	3.70	3.60	3.40	3.40	3.30	3.30	3.30	3.40	3.50	3.50	3.60	**3.49**
Downside risk	0.00	0.70	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	**0.89**
10yr gilt yield														
Upside risk	0.00	0.60	0.70	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	**0.86**
Central Case	3.73	4.00	3.90	3.70	3.60	3.50	3.50	3.50	3.50	3.60	3.70	3.70	3.80	**3.67**
Downside risk	0.00	0.70	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	**0.89**
20yr gilt yield														
Upside risk	0.00	0.60	0.70	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	**0.86**
Central Case	4.12	4.20	4.10	3.90	3.80	3.70	3.70	3.70	3.70	3.80	3.80	3.90	3.90	**3.87**
Downside risk	0.00	0.70	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	**0.89**
50yr gilt yield														
Upside risk	0.00	0.60	0.70	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	**0.86**
Central Case	3.78	3.90	3.80	3.60	3.50	3.40	3.40	3.40	3.40	3.50	3.50	3.60	3.60	**3.57**
Downside risk	0.00	0.70	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	**0.89**

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%
PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
UKIB Rate (Maturity Loans) = Gilt yield + 0.60%

ANNEX 2

INVESTMENT STRATEGY 2023/24

June 2023

1. Introduction

The Council invests its cash for three broad purposes:

(i) because it has surplus funds as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**);

(ii) to support local public services by lending to or buying shares in other organisations (**service investments**); and

(iii) to earn investment income (known as **commercial investments** where this is the main purpose).

This investment strategy meets the requirements of statutory guidance issued by the government in January 2018.

2. Treasury Management Investments

The Council typically receives its income (e.g., from taxes and grants) before it pays for its expenditure (e.g., through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government.

These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy.

The balance of the Council's treasury management investments is expected to fluctuate between £10m and £55m during the 2023/24 financial year.

Contribution: The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.

Further details: The Council's policies and its plan for 2023/24 for treasury management investments are covered in a separate document, the treasury management strategy, at Annex 1.

3. Service Investments: Loans

Contribution: The Council lends money to its subsidiaries to support local public services and stimulate local economic growth. The largest loan currently is to a Council

Subsidiary to provide a vehicle for economic regeneration to support corporate objectives.

Security: The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Council, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes	**31.3.2022 Estimated 2021/22**			**2023/24**
	Balance Owing	**Loss Allowance**	**Net Figure In Accounts**	**Approved Limit**
Category of borrower	**£m**	**£m**	**£m**	**£m**
Subsidiaries	13,866	(3,384)	10,482	13,866
TOTAL	**13,866**	**(3,384)**	**10,482**	**13,866**

Loss allowance: Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts are shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

Risk assessment: The Council assesses and mitigates the risk of loss before entering into and whilst holding service loans by:

- Assessing the markets in which the Council is looking to invest, to ascertain why the market is currently not delivering the outcomes the Council requires through its Corporate Objectives. If this is due to financial reasons the Council will then assess whether a service loan would provide the means to achieve the desired outcome.

- Upon determining that a service loan may be required, the Council will then seek external advice where necessary, this will include the use of external legal, financial and tax advice as appropriate.

- A credit check and analysis of the beneficiary's financial statements will also be carried out to determine their financial strength. Loans will only be entered into should the beneficiary be of a suitable strength, and additional security may be sought, for instance, through a charge on land, should the Council require this.

- In order to ensure the objectives of the Council are delivered, the terms of the loan may oblige the borrower to meet certain criteria, for instance to provide additional affordable housing on a housing development.

- Where possible, the Council will also place a representative on the board of the project, in order to ensure effective on-going monitoring of the project is maintained; and

- Once the loan has been made, the Council will continue to monitor credit ratings and financial statements of the beneficiary to ensure loss adjustments can be made accurately and in a timely manner should the beneficiary's credit rating or financial performance decrease.

4. Service Investments: Shares

Contribution: The Council invests in the shares of its subsidiaries to support local public services and stimulate local economic growth.

The Council has a 10% share in Pathway for Care Limited: a supported living company that provides housing and care to people with complex health needs.

In March 2023 the Council also approved an additional equity investment of up to £1.308 million in Greensand Holdings Limited.

Security: Shares can fall in value meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows:

Table 2: Shares held for service purposes	31.3.2022 Estimated value			2023/24
	Amounts Invested	Gains Or Losses	Value In Accounts	Approved Limit
Category of company	£000	£000	£000	£000
Subsidiaries	1,100	-	1,100	1,100
TOTAL	**1,100**	**-**	**1,100**	**1,100**

Risk assessment: The Council assesses the risk of loss before entering into and whilst holding shares by:

- Assessing the markets in which the Council is looking to invest, to ascertain why the market is currently not delivering the outcomes the Council requires through its Corporate Objectives. If this is due to financial reasons the Council will then assess whether a service loan would provide the means to achieve the desired outcome;

- A credit check and analysis of the beneficiary's financial statements will also be carried out to determine their financial strength. Shares will only be bought if the beneficiary is of a suitable strength, and additional security may be sought, for instance, through a charge on land, should the Council require this; and

- In order to ensure the objectives of the Council are delivered, the terms of the agreement may oblige the company to meet certain criteria, as the council has significant influence.

Non-specified Investments: Shares are the only investment type that the Council has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Council's upper limits on non-specified investments.

The Council has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

5. Commercial Investments: Property

The Department for Levelling Up, Housing and Communities defines property to be an investment if it is held primarily or partially to generate a profit.

Contribution: The Council has invested in local commercial and residential property with the primary intention for regeneration and housing development either directly or indirectly within the wider region by providing additional income that is then spent on regeneration, economy and housing within the local area.

Properties that fall into the investment asset category are listed in the table below.

Table 3: Property held for investment purposes	**Actual**	**31.3.2022**		**31.3.2023**	
	Purchase Cost	**Gains or (Losses)**	**Estimated Value**	**Gains or (Losses)[1]**	**Estimated Value**
Property	**£000**	**£000**	**£000**	**£000**	**£000**
55-57, 59, 61 & 63 Victoria Road, Horley RH6 7QH	1,135	(94)	1,041	(22)	1,019
Beech House, 35 London Road, Reigate RH2 9PZ	6,305	(1,254)	3,911	(122)	3,789
Forum House, 41-51 Brighton Road, Redhill RH1 6YS	6,067	(361)	5,242	(170)	5,072
Units 1-5 Redhill Distribution Centre, Salbrook Road, Salfords RH1 5DY	15,903	978	16,855	(973)	15,882
Regent House, 1-3 Queensway, Redhill, RH1 1QT	16,313	(2,048)	12.433	(450)	11,983
TOTAL	**45,725**	**(2,779)**	**39,482**	**(1,737)**	**37,745**

Notes:

1. Estimated gains or losses for accounting purposes – actual gains or losses would only be realised when an asset is sold.

Security: In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than the debt currently outstanding for the asset. The Council did not borrow to fund the above assets and is not expected to require significant borrowing for them in future. Therefore the Council is content that the properties meet the definition of being secure.

The condition of the Council's property portfolio is closely monitored by the Property Services Team, and the cost of maintaining the buildings is covered by the approved maintenance budget.

Asset values are reviewed by an independent valuer on a regular basis; investment property valuations are carried out annually.

Liquidity: Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. The Council recognised that these assets are illiquid and therefore ensures that adequate cash is available in other more liquid investments in order to meet short term cash flow needs.

6. Proportionality

Whilst the Council is dependent on some profit generating investment activity from treasury management and commercial property investments to achieve a balanced revenue budget, this amounts to less than 1% of the overall gross revenue budget and therefore is considered proportionate.

The assumptions around profit-generating investment activity are reviewed as part of the annual budget monitoring process and, if necessary, revised as part of the following year's budget forecasts.

7. Borrowing in Advance of Need

Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed.

The Council is not planning to borrow in advance of need purely to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward-approved CFR estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

8. Capacity, Skills and Culture

Elected Members and officers:

The Council arranges annual training for Members on Treasury Management and the current borrowing and investment environment; the most recent training took place in

June 2023 led by the Council's treasury advisers and the Finance team. Participants are encouraged to ask questions to further their understanding of the approach to decision-making for both investments and borrowing. Further briefings may be arranged in consultation with lead Members.

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions.

Where Council officers do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective and practical than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

Commercial deals: Officers with relevant professional disciplines are involved in negotiating such arrangements and are aware of the core principles of the prudential framework and of the regulatory regime within which local authorities operate and considerable due diligence is undertaken in all instances. Alongside the internal teams the Council also uses, where appropriate, external advisors to complete due diligence processes.

Corporate governance: All decisions regarding new loans or investments of this nature are considered by the Chief Finance Officer before being recommended for approval at Council. Reports to Members will have been through a fully costed business case that includes any investment/loan requirements and financial/risk implications. A significant amount of due diligence work is undertaken in each case to ensure that business cases are robust.

9. Investment Indicators

The Council has set the following quantitative indicators to allow Members and the public to assess the Council's total risk exposure as a result of its investment decisions.

Total risk exposure: The first indicator shows the Council's total exposure to potential investment losses. This includes amounts the Council is contractually committed to lend but have yet to be drawn down.

Table 4: Total investment exposure	31.03.2022 Estimated	31.03.2023 Estimated	31.03.2024 Forecast
Total investment exposure	**£000**	**£000**	**£000**
Treasury management investments	25,900	16,000	15,000
Service investments: Loans	10,482	8,982	7,924

Table 4: Total investment exposure	31.03.2022 Estimated	31.03.2023 Estimated	31.03.2024 Forecast
Total investment exposure	**£000**	**£000**	**£000**
Service investments: Shares (at cost)	1,100	1,100	1,100
Commercial investments: Property	39,482	37,745	36,084
TOTAL INVESTMENTS	**76,964**	**63,827**	**60,108**
Commitments to invest	-	-	1,308
TOTAL EXPOSURE	**76,964**	**63,827**	**61,416**

How investments are funded: Government guidance is that these indicators should include information about how investments are funded.

Since the Council does not normally associate particular assets with particular liabilities, this guidance is not straightforward to comply with. To date these investments have been funded by usable reserves and income received in advance of expenditure. It is planned that this approach will continue in the medium term as internal resources allow.

Rate of return received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested.

Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 5: Investment rate of return (net of all costs)			
Investments net rate of return	**2021/22 Actual**	**2022/23 Forecast**	**2023/24 Forecast**
Treasury management investments	0.32%	2.21%	4.10%
Service investments: Loans	6.60%	8.73%	8.73%
Service investments: Shares	-	-	-
Commercial investments: Property	4.95%	5.33%	5.78%

The indicators used to report on the risks and opportunities associated with investment decisions will be kept under review as the Council's Investment Strategy and activities evolve over time.

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CAPITAL STRATEGY 2023/24

June 2023

1. Introduction

This capital strategy report sets out a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services, along with an overview of how associated risk is managed and the implications for future financial sustainability.

Decisions made this year on capital and treasury management will have financial consequences for the Council for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

2. Capital Expenditure and Financing

Capital expenditure is where the Council spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.

In 2023/24, the Council is planning capital expenditure of £10.77 million as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure	**2021/22 Actual**	**2022/23 Forecast**	**2023/24 Budget**	**2024/25 Budget [1]**	**2025/26 Budget**
	£000	**£000**	**£000**	**£000**	**£000**
Capital Programme 2023/24 to 2027/28	35,683	21,156	4,338	4,322	3,805
Other fully-funded schemes[1]	-	-	6,434	5,807	2,727
TOTAL	**35,683**	**21,156**	**10,772**	**10,129**	**6,532**

Notes:
1. Council capital schemes approved by Executive in March 2023 that are to be funded through the Community Infrastructure Levy (CIL).

Setting the Capital programme: Service Teams bid to include projects in the Capital Programme as part of the service & financial planning process in preparation for setting the Revenue Budget and Capital Programme and refreshing the Medium-Term Financial Plan each year.

The officer Management Team appraises all bids and makes recommendations to the Executive. The final Capital Programme is then presented to Executive in January and to Council for approval in February each year. Additional capital requirements and opportunities identified through the year are considered on their merits in line with the above governance controls. Any in year changes to the capital budget will be made in accordance with the constitution, including appropriate approval by Executive and Council.

All capital expenditure must be financed, either from external sources (such as government grants, section 106, community infrastructure levy and other contributions), the Council's own resources (revenue contributions, reserves and capital receipts) or borrowing.

The planned financing of the above expenditure is as follows:

Table 2: Capital financing	**2021/22 Actual**	**2022/23 Forecast**	**2023/24 Budget**	**2024/25 Budget**	**2025/26 Budget**
	£000	**£000**	**£000**	**£000**	**£000**
Grants & Contributions	2,346	4,628	7,931	7,311	4,231
Capital Receipts	11,764	503	-	-	-
Debt	21,573	16,024	2,841	2,818	2,301
TOTAL	**35,683**	**21,156**	**10,772**	**10,129**	**6,532**

The Council's total outstanding borrowing is measured by the capital financing requirement (CFR). This increases with any new capital expenditure financed by borrowing and reduces with any minimum revenue provision (MRP) payments or any use of capital receipts to replace borrowing.

The Council approves the MRP policy each year as part of the Annual Treasury Management Strategy.

Table 3: Replacement of prior years' debt finance	**2021/22 Actual**	**2022/23 Forecast**	**2023/24 Budget**	**2024/25 Budget**	**2025/26 Budget**
	£000	**£000**	**£000**	**£000**	**£000**
Minimum revenue provision (MRP)	556	583	587	588	602
Capital receipts	-	-	35,824	-	-
TOTAL	**556**	**583**	**36,411**	**588**	**602**

The Minimum Revenue Provision Statement is set out at Appendix 1.

The CFR is expected to reduce by £36.4 million during 2023/24. Based on the above figures for expenditure and financing, the Council's forecast CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement	**31.3.2022 Actual**	**31.3.2023 Forecast**	**31.3.2024 Budget**	**31.3.2025 Budget**	**31.3.2026 Budget**
	£000	**£000**	**£000**	**£000**	**£000**
TOTAL CFR	**76,400**	**89,500**	**53,900**	**53,400**	**52,800**

Asset disposals: When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt.

Repayments of capital grants, loans and investments also generate capital receipts.

The Council forecasts to receive £35.8 million of capital receipts in the coming 2023/24 financial year.

Actual capital receipts received were £0.503 million in 2022/23 and £8.8 million in 2021/22.

There are currently no plans for significant additional capital receipts to be received in 2024/25 or 2025/26.

The Council's Flexible Use of Capital Receipts Strategy is set out at Appendix 2.

Asset management: To ensure that capital assets continue to be of long-term use, the Council has an Asset Management Strategy in place. This Strategy is used to identify opportunities to expand the Council's property assets or dispose of surplus assets where appropriate.

It also allows for a review of the state of repair of assets and provides the basis for recommending a rolling investment programme in property assets to maintain and enhance the income derived from them.

The Council's Asset Management Strategy is summarised at Appendix 3.

3. Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account.

This Council is typically cash rich in the short-term as revenue income is received before it is used. Revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

At 31 March 2023 the Council had £7.0 million borrowing at an average interest rate of 4% which has since been repaid.

Borrowing strategy: The Council's main objectives when borrowing is to achieve a low but certain cost of finance while retaining flexibility should plans change in future.

The Council has historically been largely debt free but has borrowed on a temporary basis to fund short term cash flow shortfalls. As the Council has a modest and relatively short-lived expected future borrowing requirement short term borrowing is expected to continue to be the most cost-effective option.

The Council does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board if needed.

Projected levels of the Council's total outstanding debt (which comprises borrowing) are shown below, compared with the capital financing requirement.

Table 5: Prudential Indicator: Gross Debt and the Capital Financing Requirement	31.3.2022 Actual	31.3.2023 Forecast	31.3.2024 Budget	31.3.2025 Budget	31.3.2026 Budget
	£000	£000	£000	£000	£000
Debt	-	7,000	-	-	-
Capital Financing Requirement	76,400	89,500	53,900	53,400	52,800

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 5, the Council expects to comply with this in the medium term.

Liability Benchmark: To compare the Council's actual borrowing against an alternative strategy, a Liability Benchmark has been calculated showing the lowest risk level of borrowing.

This assumes that cash and investment balances are kept to a minimum level of £15.0 million at each year-end.

The benchmark is currently £6.0 million for 2022/23 and is forecast to increase to £10.4 million by 31 March 2024.

The Council plans to borrow at or as near as possible to the Liability Benchmark in future as is illustrated by the table below.

Table 6: Borrowing and the Liability Benchmark	31.3.2022 Actual	31.3.2023 Actual	31.3.2024 Budget	31.3.2025 Budget	31.3.2026 Budget
	£000	£000	£000	£000	£000
Outstanding/ estimated borrowing	0	7,000	10,400	19,400	22,000
Liability benchmark	(10,900)	6,000	10,400	19,400	22,000

Affordable Borrowing Limit: The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

Table 7: Prudential Indicators: Authorised limit and operational boundary for external debt	2022/23 Limit	2023/24 Limit	2024/25 Limit	2025/26 Limit
	£000	£000	£000	£000
Authorised limit – borrowing	79,000	40,000	41,000	42,000
Operational boundary – borrowing	69,000	35,000	36,000	37,000

Treasury investment strategy: Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The Council's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns.

Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality money market funds and banks, to minimise the risk of loss, the Council may request its money back at short notice.

Table 8: Treasury management investments	31.3.2022 Actual	31.3.2023 Forecast	31.3.2024 Budget	31.3.2025 Budget	31.3.2026 Budget
	£000	£000	£000	£000	£000
Near-term investments	15,900	6,000	5,000	5,000	5,000
Longer-term investments	10,000	10,000	10,000	10,000	10,000
TOTAL	**25,900**	**16,000**	**15,000**	**15,000**	**15,000**

The Council is required to have at least £10 million in investments at all times to retain a desired professional status when working with financial intermediaries: as this is a constant requirement that remains indefinitely it is considered a long-term investment balance, although it may be invested in short-term products.

Risk management: The effective management and control of risk are prime objectives of the Council's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

In managing the overall programme of investment there are inherent risks associated such as changes in interest rates, credit risk of counter parties.

Accordingly, the Council will ensure that robust due diligence procedures cover all external capital investment. Where possible contingency plans will be identified at the outset and enacted when appropriate.

No project or investment will be approved where the level of risk - determined by the Council or Chief Finance Officer as appropriate - is unacceptable.

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Chief Finance Officer and Finance staff, who must act in line with the Treasury Management Strategy approved by Council.

Quarterly reports on treasury management activity are presented to the Overview & Scrutiny Committee, Executive and full Council.

4. Investments for Service Purposes

The Council makes investments to assist local public services, to stimulate local economic growth.

The largest loan currently is to a Council subsidiary to provide a vehicle for both the delivery of housing and infrastructure to seek to meet the corporate objectives of the Council.

Total property investments are currently valued at £37.7 million with the largest being the Redhill Distribution Centre which provides a net return after costs of 5.58%.

Risk management: The Council is exposed to a range of risks with regard to the continued affordability and delivery of it's the Capital Programme including:

- Financial risks related to the investment of the Council's assets, cash flow and market volatility;
- Macroeconomic risks related to the growth or decline of the local economy, interest rates, inflation and the wider national and global economy;
- Reputational risks related to the Council's dealings and interests, and the impact of adverse outcomes on the Council's reputation and public perception; and

- Governance risks related to ensuring that prudence and careful consideration are prominent in the Council's decision-making.

Due diligence is undertaken on acquisitions and external advice is sought wherever necessary.

When making decisions - particularly around assets which generate a return - due diligence processes include second opinion on asset values, site visits, surveys and market intelligence. They also include risk analysis and sensitivity analysis in order to model how affordability is impacted by stress testing key underlying assumptions. Consideration is also made to the profile of the Council's asset base - and how effectively risk is spread across different asset types and sectors.

Governance: The Overview & Scrutiny Committee is responsible for scrutiny and governance of Treasury Management. It reviews the Treasury Management Strategy, and all Treasury Management reports. The Capital Programme is monitored by the Overview & Scrutiny Committee and the Executive as well as receiving all Treasury Management reports. Council approves the Treasury Management Strategy each year along with quarterly performance updates. The Chief Finance Officer is responsible for ensuring that adequate due diligence is carried out before investment is made.

Service teams bid to include projects in the Capital Programme as part of the service & financial planning process in preparation for setting the Revenue Budget and Capital Programme and updating the Medium-Term Financial Plan each year.

The officer Management Team appraises all bids and makes recommendations to the Executive. The recommended Capital Programme is then presented to Executive in January and to Council for approval in February each year.

Additional capital requirements and opportunities identified through the year are considered on their merits in line with the above governance controls. Any in year changes to the capital budget will be made in accordance with the constitution, including appropriate approval by Executive and/or Council. Due diligence is undertaken on acquisitions and external advice is sought wherever necessary.

Table 9: Prudential indicator: Net income from commercial and service investments to net revenue stream	**2021/22 Actual**	**2022/23 Forecast**	**2023/24 Budget**	**2024/25 Budget**	**2025/26 Budget**
Total net income from service and commercial investments - in £000	1,955	2,013	2,085	2,397	2,757
Proportion of net revenue stream	10.42%	13.52%	9.39%	10.80%	12.42%

5. Liabilities

In addition to debt of £7.0 million detailed above, the Council is committed to making future payments to cover its pension fund deficit valued at £1.89 million and has made provisions to cover risks such as insurance claims.

Governance: Decisions on incurring new discretional liabilities are taken by service managers in consultation with the Chief Finance Officer.

The risk of liabilities crystallising and requiring payment is monitored by the Corporate Governance Group and reported quarterly to the Audit Committee and the Executive.

6. Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e., the amount funded from council tax, business rates and general government grants.

Table 10: Prudential Indicator: Proportion of financing costs to net revenue stream	2021/22 Actual	2022/23 Actual	2023/24 Budget	2024/25 Budget	2025/26 Budget
Financing costs – in £000	620	606	631	720	736
Proportion of net revenue stream	3.30%	4.07%	2.84%	3.24%	3.32%

Sustainability: The Chief Finance Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable because only modest amount of short-term borrowing is expected over a short-term period, and only modest MRP costs are expected over a more extended period.

7. Knowledge and Skills

The Finance Team has responsibility for preparing and on-going management of the capital and treasury management strategies and Capital Programme. The team is staffed by professionally qualified accountants with extensive local government finance experience. Team members attend all relevant training courses, workshops and events to ensure that their knowledge and skills are up to date and the Council is in a position to address all new technical developments.

Overall responsibility for capital and treasury activities lies with the Council's Chief Finance Officer who, in accordance with statue, is professionally qualified and is suitably experienced to hold the post.

The Council provides training to Members on an annual basis, which is delivered by Council Officers and external advisors. Members are updated on developments and any issues of significance throughout the year with information presented to the Overview & Scrutiny Committee, Audit Committee, Executive and at Member briefings.

The Council uses Arlingclose Limited, as its external Treasury Management advisors and recognises that that it is essential to engage with external providers of expertise in order to acquire access to specialist skills and resources. When looking at commercial activity transactions, officers from relevant professional disciplines from across the Council are involved in conducting due diligence exercises.

Alongside the internal resources the Council also uses, where appropriate, external advisors to complete the due diligence process.

APPENDIX 1

Minimum Revenue Provision (MRP) Policy

1. The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the MRP). It is also allowed to undertake additional voluntary payments if required (Voluntary Revenue Provision - VRP).

2. MHCLG regulations require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision.

3. Council is recommended to approve the following MRP Statement for 2023/24:

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the Minimum Revenue Policy will be the Asset life method – MRP will be based on the estimated life of the assets, in accordance with the regulations and will be set aside in the year after the asset becomes operational. This will be a combination of the annuity method and straight-line method:

- Operational land and buildings - 50 years annuity method;
- Investment Properties - 50 years annuity method;
- General Fund Housing - 50 years straight line method;
- Infrastructure - 50 years straight line method;
- Plant and Equipment- 30 years straight line method;
- ICT- 5 years straight line method; and
- Vehicles - 8 years straight line method.

MRP on Capital Loans and Share Capital.

4. Under local authority capital accounting regulations loans to third parties for capital purposes and share capital are deemed to be capital expenditure of the authority. The Council has made loans to its companies (Greensand Holdings Limited, RBBC Limited, Horley Business Park Development LLP) and holds share capital in Pathway for Care Limited.

5. The Capital Financing Requirement (CFR) includes the value of the loans and investments (share capital). Funds repaid by the companies will be classed as capital receipts and offset against the CFR, which will reduce accordingly.

6. The repayments of principal will be set aside as capital receipts to finance the initial capital advance in lieu of making MRP.

MRP Overpayments.

7. MHCLG Guidance includes the provision that any MRP charges made over the statutory minimum may be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed, the MRP policy must disclose the cumulative overpayment made each year.

   At 31 March 2023 the cumulative voluntary overpayments by this Council were forecast to be £Nil.

APPENDIX 2

Flexible Use of Capital Receipts Strategy

The Department for Levelling up, Housing and Communities (DLUHC) confirmed the extension for the use of capital receipts to fund the revenue costs of transformation.

The flexible use of capital receipts is designed to offset the revenue cost of transformational projects which are expected to deliver future ongoing revenue savings for either the Council or other public sector delivery partners. In order to take advantage of the change of use to capital receipts, the Council must act in accordance with the statutory guidance issued by the Secretary of State. This guidance requires the Council to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy.

Qualifying expenditure.

Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.

Projects

There are currently no projects in place that plan to make use of the capital receipts flexibility. Should this change, details of the expected savings/service transformation will be provided to full Council alongside the impact on the Council's Prudential Indicators.

APPENDIX 3

Asset Management

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

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

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

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

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

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

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

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