

# Agenda

## Overview and Scrutiny Committee

Thursday, 6 July 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:

#### N. D. Harrison (Chair)

J. Baker

M. S. Blacker

J. Booton

G. Buttironi

J. Dwight

M. Elbourne

K. Fairhurst

B. Green

G. Hinton

S. Khan

S. Parnall

A. Proudfoot

R. Ritter

K. Sachdeva

### Substitutes:

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



<b>Conservatives:</b>	Z. Cooper, J. Hudson and M. Tary
<b>Residents Group:</b>	G. Adamson, J. S. Bray and P. Harp
<b>Green Party:</b>	P. Chandler, V. Chester, J. C. S. Essex, S. McKenna, S. Sinden, J. Thorne and D. Torra
<b>Liberal Democrats</b>	S. A. Kulka

**Mari Roberts-Wood**  
Managing Director

**1. Minutes** (Pages 7 - 18)

To confirm as a correct record the minutes of the previous meeting.

**2. Apologies for absence and substitutions**

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

**3. Declarations of interest**

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

**4. Medium Term Financial Plan 2024/25 to 2028/29** (Pages 19 - 106)

To review the Medium-Term Financial Plan 2024/25 to 2028/29.

**RECOMMENDED** that Overview and Scrutiny Committee:

Notes the report and makes any comments for consideration by the Executive.

**5. Capital Investment Strategy** (Pages 107 - 178)

To review the Capital Investment Strategy 2024/25 to 2028/29.

**RECOMMENDED** that Overview and Scrutiny Committee:

Notes the report and raises any comments for consideration by Executive.

**6. Reigate & Banstead 2025 Annual Report 2022/23** (Pages 179 - 260)

To receive an annual performance report on the Corporate Plan 2020-25 and consider progress during 2022/23.

**RECOMMENDED** that Overview and Scrutiny Committee:

i. Notes the Reigate & Banstead 2025 Annual Report for 2022/23 and makes any observations for consideration by the Executive.

ii. Notes the Equality Objectives Progress Report for 2022/23 and makes any observations for consideration by the Executive.

- 7. Companies Performance Update - Summer 2023 Part Exempt** (Pages 261 - 268)
- To receive an update on the performance of Council owned companies.
- RECOMMENDED** that Overview and Scrutiny Committee:
- Notes the Companies Performance Update, as set out in the report, and makes any observations for consideration by the Partner, Shareholder and Trustee Executive Sub-Committee.
- 8. Exempt Business**
- RECOMMENDED that members of the Press and public be excluded from the meeting for the following items 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 2 of Part 1 of Schedule 12 A of the Act; and
  - ii. The public interest in maintaining the exemption outweighs the public interest in disclosing the information.
- 9. Exempt: Companies Performance Update - Summer 2023** (Pages 269 - 272)
- To receive an update on the performance of Council owned companies.
- RECOMMENDED** that Overview and Scrutiny Committee:
- Notes the Companies Performance Update, as set out in the report, and makes any observations for consideration by the Partner, Shareholder and Trustee Executive Sub-Committee.

**10. Overview and Scrutiny Committee Forward Work Programme** (Pages 273 - 290)

To discuss and agree any changes to the schedule for Overview and Scrutiny Committee's Work Programme 2023/24 and note the Action Tracker.

**11. Executive**

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

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



### **Our meetings**

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



### **Streaming of meetings**

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



### **Accessibility**

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



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

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## Minutes of a meeting of the **Overview and Scrutiny Committee** held at the **New Council Chamber - Town Hall, Reigate** on **Thursday, 15 June 2023 at 7.30 pm.**

**Present:** Councillors N. D. Harrison (Chair); J. Baker, M. S. Blacker, J. Booton, G. Buttironi (Vice-Chair), Dwight, M. Elbourne, K. Fairhurst, B. Green, G. Hinton, S. Khan, S. Parnall, A. Proudfoot, K. Sachdeva and J. C. S. Essex (Substitute)

**Visiting Members present:** Councillors S. T. Walsh and V. H. Lewanski

### 1 **Election of Chair**

Councillor Essex nominated and Councillor Proudfoot seconded Councillor Booton as Chair of the Committee for the 2023/24 Municipal year.

Also, Councillor Hinton nominated and Councillor Buttironi seconded Councillor Harrison as Chair of the Committee for the 2023/24 Municipal Year.

Following a vote, it was **RESOLVED** that Councillor Harrison be elected Chair of the Overview and Scrutiny Committee for the 2023/24 Municipal Year.

### 2 **Election of Vice-Chair**

Councillor Blacker nominated and Councillor Sachdeva seconded Councillor Buttironi as Vice Chair of the Committee for the 2023/24 Municipal Year.

Also, Councillor Proudfoot nominated and Councillor Essex seconded Councillor Khan as Vice Chair of the Committee for the 2023/24 Municipal year.

Following a vote, it was **RESOLVED** that Councillor Buttironi be elected Vice Chair of the Overview and Scrutiny Committee for the 2023/24 Municipal Year.

### 3 **Minutes**

There had been some confusion over minute 73 Community Infrastructure Levy SIP2 Assessment Process. The minutes recorded that *“Analysis of applicants’ detailed business plans was not part of the initial bid process; business plans and other matters such as legal requirements would be followed up and assessed as part of the ongoing monitoring of implementation.”*

Clarification on this matter had been provided by the Principal Planning Officer:

*One of the assessment criteria used in assessing all CIL bids was for organisations to have made an acceptable business case (as set out in Table 1 to the O&S Report): -*

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*“Stage of project development within the bidding organisation; including feasibility and obtaining any internal authorisation needed.”*

**RESOLVED** that with this clarification the minutes of the previous meeting held on 16 March 2023 be approved and signed.

### 4 Apologies for absence and substitutions

Apologies were received from Councillor Ritter; Councillor Essex was substitute.

### 5 Declarations of interest

There were no declarations of interest.

### 6 Quarter 4 2022/23 performance report

The Executive Member for Finance, Governance, and Organisation, Councillor Lewanski, presented the Quarter 4 Performance Report 2022/23 covering the period January to March 2023. The reports gave an overview of the Council's performance for Quarter 4 2022/23, including Key Performance Indicator (KPI) reporting, as well as revenue and capital budget monitoring. The reports are due to be presented to Executive on 22 June.

#### Key Performance Indicators

Of the 11 KPIs reported on, 10 were on target or within the agreed tolerance. KPI 3 – Staff Turnover was off target and outside of its tolerance and therefore red rated. Although this performance indicator continues to remain outside of target and tolerance, there are no new causes of concern arising.

An advance question on this item had been submitted prior to the meeting. The advance question on KPI 8 Environmental Quality Surveys and its response can be viewed here:

[Document Advance Questions and Answers OS 15 June 2023 | Reigate and Banstead Borough Council \(moderngov.co.uk\)](#)

The Executive Member for Finance, Governance, and Organisation, Councillor Lewanski invited Members to ask questions on the Quarter 4 2022/23 Performance Report provided in the agenda pack. In response, the following clarifications were provided:

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

There was very little public data made available by local authorities regarding reliability of their waste collection services so there is no data set to make a meaningful comparison. The Council's target is set by the service at a level that is assumed to indicate a reliable service; for every 1,000 bins collected no more than 10 should be missed.



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In-cab technology allows for data to be reported to the Council which is then analysed at service level. The in-cab technology also allows communication to cabs enabling missed bins to be reported and collected as soon as possible.

Members noted and commended the low rate of missed bin collections.

### KPI 3 – Staff turnover

The Council's staff turnover was compared to that of other local authorities, especially neighbouring authorities and at 19% was not an outlier. Private sector staff turnover is around 25%. Early assessment of Period 1 of 2023/24 also appears to be indicating a decrease in staff turnover. The employment market continues to be buoyant, and the Council conducts exit interviews. Staff turnover also provides an opportunity to attract new people, skills, and ideas.

Gaps left by employees leaving the Council may be filled by temporary resource, as well as being used to provide opportunities for current staff development; officers may be seconded from either within the team or elsewhere in the Council. The solution would depend upon the vacancy. A thorough vacancy approval process is in place as part of the Financial Sustainability Plan whereby all vacancies are scrutinised to determine whether they are needed, and at which level. Opportunities to share services with other local authorities, particularly in the east of the borough, were also identified. No significant impact on delivery of services has been experienced.

The number of applications for vacant roles varied. Some posts attracted a high number of high-quality applications, whereas some more specialised, skilled posts were more difficult to recruit to, due to market competition and number of available candidates. Social media, such as LinkedIn is used for advertising vacancies. The Council also develops staff internally, as well as offering a wide offer of apprenticeships up to level 7.

It was confirmed that the Council has strong links with local colleges to encourage students to apply to for Council vacancies and apprenticeships.

### KPI 10 – Percentage of household waste that is recycled and composted

Bring sites were in operation for those areas which do not receive a full doorstep service. Some bring sites had been subject to significant fly-tipping and work had been underway to ascertain which bring sites would be advantageous to retain and which were no longer a good use of public resource, as well as understanding other forms of waste collection that might be needed; this work had now been paused pending the new Government Waste and Resources Strategy. It was confirmed that public consultation over any bring sites identified for possible closure would take place.

Members asked what effect the completion of rollout of services to flats would have on the percentage of household waste that is recycled and composted. A written answer would be provided following the meeting.

Members asked whether statistics were available for fines issued to residents or information on repeat offenders for contamination of recycling collections. A written answer would be provided following the meeting.

### KPI 1 – The percentage of Council Tax collected

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The in-year collection rates in KPI 1 related to amounts collected against that billed in the current year; the Council continues to collect amounts still owed in subsequent years. Arrears are monitored year by year. A written response would be provided following the meeting with regards to a year-by-year breakdown of previous years' Council Tax debts.

### KPI 6 – Net housing completions and KPI 7 – Net affordable housing completions

It was noted that the target of net housing completions in the report should read 460, rather than 345.

The Managing Director confirmed that the Council strives to secure affordable housing with developers, but that creating viable business cases was challenging. Other solutions were in place, such as co-funding schemes with Raven Housing Trust.

### KPI 5 – The percentage of positive homelessness prevention and relief outcomes

The Council is legislated to provide assistance to people in priority need and works with all homeless residents for a period of time to provide assistance. Resources are limited and need to be allocated to those with the highest need. Those with lower levels of need are directed to the private rental sector and offered assistance.

Emergency accommodation in the borough is available at Massetts Road in Horley which has been extremely successful, limiting costs in terms of homelessness and providing better outcomes for people as they can stay connected within their community. A small amount of "out of borough" emergency accommodation is also necessary; this is usually in South London, particularly Croydon and Thornton Heath.

There is a significant refugee cohort in the borough, compared to neighbouring boroughs, which provides challenge; the Council works with partners to provide support for refugees.

### KPI 11 – Reduction in the Council's carbon footprint

The Council was striving to achieve the carbon footprint target by 2030. An audit had been carried out on the Council's estate with regards to how the carbon footprint can be reduced and would be presented to the Executive. However, there may be a need to offset the Council's carbon footprint by other means, such as installing Electric Vehicle charging points and tree planting. Some of the larger vehicles in the refuse fleet are not available in electric models but may come on stream before 2030.

It was difficult to compare the performance of the Council with other authorities, as differences in contributors to their carbon emissions exist. The Head of Corporate Policy, Projects and Business Assurance would circulate the latest report from Surrey County Council, following the meeting.

### Contextual Performance Indicator 4 – Corporate complaints

The Chair requested a breakdown of the Corporate complaints resolved at stage 1. This would be provided following the meeting.

## **Finance**

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## Overview and Scrutiny Committee, Thursday, 15th June, 2023

The Executive Member for Finance, Governance and Organisation, Councillor Lewanski, gave an overview of the Council's provisional budget outturn for revenue and capital expenditure.

### Revenue Budget

The full year outturn for Service Budgets was £17.8 million against the management budget of £18 million, resulting in an underspend of £0.2 million.

For Central Budgets, the outturn was £0.5 million against the management budget of £2.1 million, resulting in an underspend of £1.6 million. This underspend is mainly as a result of lower Treasury Management costs driven by favourable interest rates and a lower borrowing requirement than originally forecast.

2022/23 has been another challenging year from a financial perspective, but the continued focus on cost control and income generation ending the year with a net underspend on the Service and Central Budgets and healthy reserves is evidence of the fact that every possible source of funding has been pursued.

2023/24 therefore started from a position of strength as the Council continues to focus on addressing medium term risks through the Financial Sustainability Plan.

### Capital Programme

The outturn position is £21.2 million which is £55.8 million below the approved programme for the year. The variance is as result of £55.7 million slippage plus a net underspend on various schemes of £0.1 million.

Members were invited to ask questions on the Quarter 4 2022/23 Budget Outturn Report provided in the agenda pack. In response, the following clarifications were provided:

#### Revenue Budget

The most significant variances in Service Budgets were confirmed to be energy cost pressures, housing benefit subsidy shortfall, increase in garden waste income and parking income. It was confirmed that these items had been taken into account in setting the budget for 2023-24, or would help inform future budget setting.

Variances in the Central Budgets were largely due to an underspend against previously-approved housing allocations. Those schemes have not yet come forward and in future would be reported as a potential allocation pending approval of business cases (instead of being included within the approved Capital Programme). This will remove the main cause of Capital Programme slippage going forward and also means that borrowing will not need to be provided for in the revenue budget until specific schemes are approved.

#### Budget Monitoring Summary

Members asked for confirmation of the reasons for the Communications budget variance. A written response would be provided following the meeting.

Members asked what will happen to the forecast net £1.7 million contribution to the General Fund Reserve; it was confirmed that this will be reallocated at the end of the year to other Reserves to help manage specific budget risks while the General Fund

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Balance will be maintained at £3.5 million to retain prudent cover for general risks. Reserve balances will be reviewed by the Executive when the Medium-Term Financial Plan is updated in July 2023 and again in November 2023 and January 2024, as well as being subject to scrutiny by the Budget Scrutiny Panel in November 2023.

### Capital Budget

It was explained that the unspent capital allocation of £100,000 for investment in Vibrant Towns and Villages would not be carried as no specific uses for the budget had been identified and alternative funding is available in a Revenue Reserve. It was suggested that this allocation be retained and Members canvassed for ideas on how to invest to make the town centres more vibrant, which the Executive Member accepted.

The Chair pointed out that at its December 2022 meeting, the Committee had asked for details of the capital budget outturn on three completed projects – Camelia Close/ Pitwood Park, Lee Street Horley and Wheatley Court/ Cromwell Road. The Committee had also requested a “lessons learnt” report following completion of the projects at Cromwell Road and Pitwood Park. He asked that these delayed reports now be provided to the Committee, using estimates to complete for outstanding costs should the final outcome not be known.

### 2022-23 Outturn Capital Programme Monitoring

Members asked for a written response on the budget forecast for The Rise development at Marketfield Way.

Members asked for confirmation where the costs for installation of electric vehicle charging points appeared in the budget monitoring report. A written response would be provided following the meeting.

Members also asked for a progress update on the CCTV project. A written response would be provided following the meeting.

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

Members asked for clarification of the “other charges” amounting to £4.8million on page 57. It was confirmed that these were schemes that had been approved since the original Capital Programme was approved in February 2022; the details were set out at page 22.

### Financial Sustainability Programme

The Service and Financial Planning process had begun, preparing the 2024/25 budget proposals. Executive Members and officers were currently considering options in terms of opportunities to achieve efficiencies and savings, or generate income, as well as looking at budget risks and pressures that will feed into the Medium-Term Financial Plan and the November draft budget report. The Financial Sustainability Programme also captures activities that would not feed into 2024/25 as they might take 18 months or two years to come to full fruition; so it takes a longer-term view as well.

### Housing Allocation

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Members asked for clarification on the definition of criteria for a “suitable project” for the £30 million housing budget allocation. A written response would be provided following the meeting.

**RESOLVED** that the Overview & Scrutiny Committee:

- (i) Noted the Key Performance Indicators performance for Q4 2022/23 as detailed in the report and in Annex 1 and made observations to the Executive;
- (ii) Noted the Revenue budget outturn for 2022/23 and recommended budget-carry-forwards as detailed in the report and at Annex 2 and made observations to the Executive;
- (iii) Noted the Capital Programme outturn for 2022/23 as detailed in the report and at Annex 3 and made observations to the Executive.

## 7 Treasury Management Strategy 2023/24

The Executive Member for Finance, Governance, and Organisation, Councillor Lewanski, presented the Treasury Management strategy 2023/24.

The purpose of the strategy was to guide all treasury management activity for the coming year and comprises three sections.

Firstly, the Treasury Management Strategy Statement, which sets out details of the Council's traditional Treasury Management activities, covering topics such as sources of borrowing and investment counterparties and limits.

Secondly, the Investment Strategy which covered the Council's investments, including traditional Treasury Management investments, but also with increased coverage of the Council's other investments that have been made for service and other commercial reasons.

Thirdly, the Capital Strategy, which outlined the Council's capital expenditure plans and core borrowing and investing activities; this includes prudential indicators, that were required to be reported under CIPFA's Code of practice.

The report has been prepared against a backdrop of considerable change for local authority treasury activities, primarily in response to concerns about a small number of authorities that have borrowed significant amounts over recent years to invest in commercial assets; both the Government and CIPFA have made changes to the regulatory frameworks and guidance that govern how councils borrow and invest.

While these changes would not have significant impact on this Council's Treasury Management Plan, it did mean that some of the options that might have been considered going forward were no longer permitted.

An advance question on the investment managers used to hold funds received in advance of expenditure had been submitted prior to the meeting. The advance question and its response can be viewed here:

[Document Advance Questions and Answers OS 15 June 2023 | Reigate and Banstead Borough Council \(modern.gov.co.uk\)](#)

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The Executive Member for Finance, Governance, and Organisation, Councillor Lewanski invited Members to ask questions on the Treasury Management Strategy 2023/24 provided in the agenda pack. In response, the following clarifications were provided:

### Treasury Management Investments

It was confirmed that the forecast fluctuation in balances between £10 million and £55 million during the 2023/24 financial year was largely due to the expectation of a £34 million capital receipt from the sale of the housing properties at The Rise, in addition to typical cash flow fluctuations within the year.

### Service Investments: Loans

It was confirmed that the loss allowance reported at table 1 on page 94 was the IFRS9 impairment for credit loss and that losses are charged to the Commercial Risks Reserve. The loans were made by the Council to its own subsidiary, relating to specific assets held by the counterparty, backed by tangible fixed assets. Impairment allowances were not required for shareholdings.

Members asked for confirmation whether the Horley Business Park LLP loan was included in the tables. The Chief Finance Officer would provide a written response following the meeting.

### Commercial Investments: Property

A Member pointed out that the property investments in Table 3 on page 96 showed that the current values were all less than the purchase cost of each asset. It was explained that the information was a snapshot at a point in time, prepared each year for the Statement of Accounts. Significant assets were valued by an independent valuer. It was confirmed that losses and gains on property were not realised in local government until an asset was sold; therefore, there was no immediate financial impact on the taxpayer.

The property investment portfolio was regularly reviewed to ensure that retaining assets was appropriate, comparing income streams from the asset against operating costs.

### Local Context

In summary, Members were advised that the forecast underlying treasury management position of the Council remained one of minimal borrowing, due to holding substantial balances.

Table 1 on page 78 confirms that balances were forecast to reduce from £16 million to a £7 million borrowing requirement; it was explained that this was not a detrimental trend and was consistent with the treasury management strategy. The treasury function was a means to utilise the cash available to good effect; rather than borrowing, and that available balances were used to fund capital expenditure wherever possible.

### Treasury Investment Strategy

Following on from an advance question, members enquired about investments in Money Market Funds during 2023/24 with institutions that were not yet signatories to

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the Net Zero Asset Managers Alliance. The Chief Finance Officer explained that the primary responsibilities in terms of investment of public funds are security, liquidity, and yield. Credit ratings must also be considered. The Council's list of potential counterparties to place funds was therefore relatively restricted and advice was taken from the Council's treasury advisers regarding appropriate institutions to consider.

### Investment Limits

It was confirmed that there is a restriction on investments within any one country of £5 million.

### Minimum Revenue Provision Policy (MRP)

It was confirmed that the Policy is reviewed on a regular basis.

It was confirmed that as credit loss provisions were made separately, MRP was not provided on capital loans and share capital, which was consistent with the current regulatory framework. Government has consulted on changing this practice, but the outcome was yet to be confirmed. This would be taken into account when reviewing the MRP Policy if any changes occur in future.

The Chair pointed out that the 30-year asset life assumed for plant and equipment in establishing the MRP was quite high. Officers advised that asset life was based on the nature of the assets owned, and their longevity. Technical advice had also been sought from independent advisers from the treasury perspective and from the accounting perspective.

It was explained that the straight-line method for asset life based on equal amounts per year of life and the annuity method was similar to a mortgage where the earlier amounts were largely made up of interest with a small amount of capital.

**RESOLVED** that the Overview and Scrutiny Committee:

noted and provided feedback on the following which are to be finalised and submitted for approval by the Executive on 22 June 2023 and Council on 20 July 2023:

- i) Treasury Management Strategy 2023/24;
- ii) Investment Strategy 2023/24;
- iii) Capital Strategy 2023/24.

## **8 Revenues, Benefits & Fraud - Service Provision**

The Executive Member for Finance, Governance, and Organisation, Councillor Lewanski, presented the Revenues, Benefits & Fraud – Service Provision Report.

The report provides an overview and update of the Revenues, Benefits and Fraud service's joint work with other local authorities and organisations and, in particular, future joint working with Tandridge District Council. Local authorities are allowed to trade with each other under section 113 of the Local Government Act 1972. Services may also be provided under section 93 of the Local Government Act 2003, providing the services are on a cost recovery basis only.

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Therefore, if the Council is not making a profit, there is no requirement to set up a separate trading company,

This work for other local authorities started in 2015 and since then has developed and the service now provided services to 28 separate organisations including local authorities, housing providers, and private sector companies. In particular, the service's award-winning Counter-Fraud team now provided counter-fraud services for five other Surrey local authorities and carries out property inspections for local authorities across the country.

As well as generating additional income to cover the staff costs and overheads, these arrangements give the Council's service areas added resilience, ensuring that capacity can be maintained to deliver high quality services, including collection and savings from fraud.

Information about the 2023/24 budget for Revenues, Benefits and Fraud was set out in the table at paragraph 26 of the report. It is noted there is provision to generate income of £600,000 within the overall service budget.

A further opportunity had now arisen to work more closely with Tandridge District Council around Revenues and Benefits. A Counter-Fraud service was already provided to Tandridge, and work has been carried out to identify the benefits of collaborating in more areas of work.

During 2022/23, external consultants were commissioned to review the options for future service provision of both councils. From this piece of work, four options were identified as being viable and these are set out at paragraph 10 of the report.

Of these four options, it was decided that the Centre of Excellence model would be more likely to provide the best outcome in terms of cost reduction, income generation potential, and enhanced resilience.

This approach was endorsed by the Tandridge Strategy and Resources Committee in March 2023 and it had been agreed that this report would also be submitted to the Reigate and Banstead Executive, to seek equivalent endorsement of the planned approach.

Members were assured that adoption of the Centre of Excellence model would be managed effectively so as not to disrupt current service activities. Both councils will be looking to share expertise and build resilience, while working towards offering a commercially attractive service with other local authorities.

The Executive Member for Finance, Governance, and Organisation, Councillor Lewanski invited Members to ask questions on the Revenues, Benefits & Fraud – Service Provision Report provided in the agenda pack. In response, the following clarifications were provided:

### Creation of a Centre of Excellence

It was confirmed that the joint phased implementation plan would be formulated with input from the Legal teams of both councils, as well as drawing on the research completed by the consultants to ensure resilience.

It was confirmed that the Revenues, Benefits & Fraud Manager would oversee the partnership working for this Council.



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Members commented that consideration should be given to the eventuality that either party may need to exit; this was acknowledged.

The Council already had a wealth of experience of arrangements with other local authorities. Usually where services were provided to other authorities, each has a Memorandum of Understanding, setting out where resources are shared, and how resilience was protected. Any documentation would be carefully considered by both parties before being signed.

It was confirmed that this authority would continue to work with other local authorities aside from Tandridge. The preference is to continue the current practice in partnership with another good operational service; making this approach the preferred option.

This would also provide a good basis to develop opportunities to share other services with other Surrey authorities.

### Benefit to residents

It was clarified that the £600,000 of potential income generated would be used to offset the direct cost of the staff carrying out the work plus a contribution to management overheads. This would provide benefits to this Council's residents by expanding team capacity and resilience of the services provided.

### Staff turnover

Members commented that the report stated that retaining the expertise and knowledge of staff would be key to maintaining and building a resilient and commercially attractive service; Members asked for further clarification given that the Council-wide staff turnover KPI is red-rated. Members also asked whether creation of the Centre of Excellence may lead to redundancies.

It was confirmed that there would not be redundancies; conversely, more jobs would be created, and personal development opportunities for employees would increase. Turnover in this team was actually very low, as evidenced by several very long serving members of staff.

### Costs

It was explained that each arrangement was costed before the agreement is entered into, ensuring that staff costs were covered, along with overheads for management time and relevant third-party support costs; an additional percentage is then applied to cover a contribution to other overheads. Charges are reviewed annually to account for increased salary and third-party costs.

### Report to Tandridge District Council

The link to the Tandridge District Council report would be provided to Members of this committee.

The Chair requested an update on progress when the Commercial Strategy Update Report was next presented to this committee in December 2023.

**RESOLVED** that the Overview and Scrutiny Committee:

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considered the Revenues, Benefits & Fraud Service Provision report and provided observations to the 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.

### **9 Overview of Scrutiny**

Committee Members received an introduction to the purpose of overview and scrutiny and the work of the Committee, and the use of the web library from the Chair, Councillor Harrison, and Democratic Services Officer, Marie Crabtree.

A virtual training session for Committee Members and substitutes run by the Centre for Governance and Scrutiny would take place on 17 July 2023.

Members requested guidance on accessing the extranet.

### **10 Overview and Scrutiny Committee Forward Work Programme 2023/24**

The Committee received the updated Overview & Scrutiny Forward Work Programme.

It was noted that there were five pending items on the work programme; these items could not be timetabled yet due to various pieces of work at differing stages of completion. Additional Overview & Scrutiny meetings may need to be scheduled to cover the full work programme.

It was noted that the Leisure and Culture Strategy part 2, when it was finalised, would also need to be added to the work programme.

It was suggested that speakers from outside organisations could be given guidance on the most appropriate information to present to the Committee.

**RESOLVED** – the Committee **agreed** the Overview and Scrutiny Committee's Work Programme for 2023/24.

### **11 Executive**

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

### **12 Any other urgent business**

There were no items of urgent business.

The meeting finished at 10.18 pm



<b>SIGNED OFF BY</b>	Chief Finance Officer
<b>AUTHOR</b>	Pat Main, Chief Finance Officer
<b>TELEPHONE</b>	Tel: 01737 276063
<b>EMAIL</b>	pat.main@reigate-banstead.gov.uk
<b>TO</b>	Overview & Scrutiny Executive Council
<b>DATE</b>	Thursday 6 July 2023 Thursday 13 July 2023 Thursday 20 July 2023
<b>EXECUTIVE MEMBER</b>	Portfolioholder for Finance, Governance & Organisation

<b>KEY DECISION REQUIRED</b>	Yes
<b>WARDS AFFECTED</b>	All

<b>SUBJECT</b>	<b>MEDIUM-TERM FINANCIAL PLAN 2024/25 TO 2027/28</b>
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<p><b>RECOMMENDATIONS</b></p> <p><b>Overview &amp; Scrutiny</b></p> <p>(i) To note the report and provide any comments for consideration by Executive.</p> <p><b>Executive</b></p> <p>(i) That the Medium-Term Financial Plan be recommended to Council as the framework for the budget elements of service and financial planning for 2024/25 onwards.</p> <p><b>Council</b></p> <p>(i) That the Medium-Term Financial Plan be adopted as the framework for the Revenue Budget elements of service and financial planning for 2024/25 onwards.</p>
<b>REASONS FOR RECOMMENDATIONS</b>

# Agenda Item 4

The Council is required to set a budget by 11 March each year. This report and the associated documents will support this obligation for 2024/25.

## **EXECUTIVE SUMMARY**

The purpose of this report is to set out the background and context for the budget elements of service and financial planning for 2024/25 onwards. It provides an early opportunity for Executive to consider the factors that will be taken into account when preparing draft budget proposals that are scheduled to be reported in November.

The report will be considered at the meeting of the Overview & Scrutiny Committee on 6 July 2023 and their feedback and questions will be taken into consideration when preparing the draft budget.

Executive and Council have authority to approve the above recommendations.

## **STATUTORY POWERS**

1. The Local Government Act 1992 places a requirement on Councils to set the following year's Council Tax by 11 March each year. The Local Government Act 1972, as part of proper financial management, requires a Council to set the associated annual budget requirement. This report is part of that process.
2. Section 65 of the Local Government Finance Act 1992 requires the Council to consult representatives of those subject to non-domestic rates in the Borough about its proposals for expenditure for each financial year
3. Regulations on levying council tax on empty properties are set out in the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018.

## **BACKGROUND**

4. The Council has a well-established service and financial planning process that details the approach and timescales for development of budget proposals for the following financial year. As part of budget-setting for 2023/24 the Executive adopted a Financial Sustainability Programme for addressing the forecast budget gap over the medium term.
5. The budget-setting process is subject to regular review to ensure that it continues to meet requirements.
6. The Medium-Term Financial Plan (MTFP) at Annex 1 has been prepared in response to Members' requests for sight of key budget information early in the budget-setting process.

## **KEY INFORMATION**

### **MTFP Overview**

# Agenda Item 4

7. The MTFP provides an update on the Council’s budget position. It follows on from the Budget Report 2023/24 to Executive in January and the Budget and Council Tax recommendations to Full Council in February.
8. It covers the following:
  - Objectives and priorities for the 2024/25 budget;
  - Context to budget-setting, including updates on the national economic forecast, local government funding,
  - Corporate Plan priorities and specific factors to be taken into account when developing budget proposals;
  - Key budget information, including the previous year’s budget outturn position, current year budgets and potential new budget pressures and saving opportunities;
  - Updates on the Capital Programme and Treasury Management;
  - Reserves and Fees & Charges policies;
  - A summary of budget risks and sensitivities and how they will be managed; and
  - Information about the service and financial process and budget-setting timetables; and
  - Information about the Financial Sustainability Programme and supporting activities (Annex 2).

## Forecast Budget Gap

9. The forecast budget gap over the next five years is set out below. Further details are provided at Annex 1.

<b>Table 1: MEDIUM TERM REVENUE BUDGET FORECAST</b>	Approved Budget 2023/24	Forecast Budget 2024/25	Forecast Budget 2025/26	Forecast Budget 2025/26	Forecast Budget 2027/28	Forecast Budget 2028/29
	£m	£m	£m	£m	£m	£m
<b>FORECAST GAP</b>	Balanced	2.059	1.825	3.181	4.611	4.937
Annual Increase in Gap	-	2.059	(0.234)	1.356	1.430	0.326
Gap as % of current budget requirement	-	8.9%	7.9%	13.7%	19.9%	21.3%

10. In summary, as for the majority of councils, this authority is still facing a challenging financial future. Over recent years budget efficiencies have been, specifically through the Financial Sustainability Programme.
11. While Reserves remain buoyant there is an underlying budget gap that must be addressed through the service & financial planning process; through reducing costs or generation of new sustainable sources of income.

## OPTIONS

12. The Executive can accept, amend or reject any or all of the MTFP information and request that other factors are taken into account when preparing 2024/25 budgets.

# Agenda Item 4

<b>LEGAL IMPLICATIONS</b>
13. It is a legal requirement that the Council sets a balanced budget which it can deliver.
<b>FINANCIAL IMPLICATIONS</b>
14. These are addressed throughout the report and Annexes.
<b>EQUALITIES IMPLICATIONS</b>
15. This report provides background and context for the budget elements of service and financial planning activities of the Council. There are no equalities issues arising directly from the MTFP or accompanying policy documents. An Equality Impact Assessment is carried out in support of the proposed budget annually, and where individual changes, projects or policies are developed, equalities impact assessments will be carried out by the responsible officer(s).
<b>COMMUNICATION IMPLICATIONS</b>
16. There are no communications implications arising directly from this report. The budget proposals will be communicated with key stakeholders as they are developed.
<b>ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS</b>
17. There are no environmental sustainability implications arising directly from this report. The budget proposals will include consideration of the requirement to invest in measures that support delivery of the corporate Environmental Sustainability Strategy.
<b>RISK MANAGEMENT CONSIDERATIONS</b>
18. These are addressed throughout the report and in Annex 1.
<b>HUMAN RESOURCES IMPLICATIONS</b>
19. There are no human resources implications arising directly from this report. Council employees and their representatives will be consulted on budget proposals that have staffing implications.
<b>CONSULTATION</b>
20. As part of the budget setting process, public consultation will be undertaken and budget proposals will also be circulated to the business community via the monthly Business e-bulletin.
21. Comments received will be reported to the Executive and taken into account in agreeing the final budget for 2024/25
22. Savings and growth proposals will be considered by the Budget Scrutiny Panel of the Overview & Scrutiny Committee in November 2023. The conclusions and recommendations of the Panel and the Committee are reported to the Executive.
<b>POLICY FRAMEWORK</b>
23. Approval of the annual Revenue Budget, determination of the Council Tax and

approval of the Capital Programme are functions of the full Council under the Council's constitution (Article 4.12).

24. The budget reflects the priorities in the Council's Corporate Plan and puts in place resources to deliver these priorities.
25. The recommendations in this report are a key decision because they form part of the annual service and financial planning process that lead to recommendation of the revenue budget, capital programme and council tax to full Council.

## **ANNEXES**

1. Medium Term Financial Strategy 2024/25 to 2028/29
2. Financial Sustainability Programme Overview

## **BACKGROUND PAPERS**

- *Corporate Plan and subsidiary strategies*, available at [www.reigate-banstead.gov.uk/rbbc2025](http://www.reigate-banstead.gov.uk/rbbc2025)
- *Budget 2023/24 & Capital Programme 2023/24 to 2027/28*, report to Executive, 26 January 2023
- *Treasury Management Strategy 2023/24*, report to Executive, 22 June 2023
- *Capital Investment Strategy 2024/25*, Report to Executive, 13 July 2023

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# FINANCIAL SUSTAINABILITY PROGRAMME

## Overview at July 2023

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### Background and Context

The need for a concerted focus on the financial sustainability of the Council was identified as part of the 2022/23 budget setting process, as reported to the Executive in November 2022 and January 2023.

### Financial Pressures and the Forecast Funding Gap

In January 2023, the Council's Medium Term Financial Programme forecast indicated a budget gap of £3.042 million in 2024/25, reducing to £2.373 million by 2027/28. The key factors that influence the forecast gap are summarised in the budget report, and include:

- Service expenditure pressures
- Central budget increases
- Changes in forecast council tax and business rates;
- Changes in Government funding; and
- Updated forecasts for use of reserves

More details about the likely scale of impact of the above is set out in the updated Medium Term Financial Plan at Annex 1.

### Using Reserves

Although the Council has established ring-fenced reserves to manage the financial risks it is facing (and these put it in a relatively secure financial position compared to many authorities) the use of reserves to address the forecast funding gap represents a short term tactic. Ongoing reliance on one-off measures such as the use of reserves is not without risk and will not be sustainable in the longer term.

The Council therefore needs to reduce its costs and / or increase its income on a permanent basis to guarantee its financial sustainability for future years. More information about the Council's reserves position can be found at Annex 1.

### Commercial Activity

The Council has also for several years now been pursuing a commercial approach, with the publication of its Commercial Strategy. However, the ability to generate income from 'purely commercial' activity is now highly constrained, with restrictions meaning that borrowing to invest solely for financial return is not allowed, and new limitations to the types of capital spending where borrowing is permitted. The implications for this authority are explained At Annex 1.

### Companies

The establishment of arms-length trading companies reflects a further potential tool available to the Council to generate income. However, experience to date in this area has demonstrated

that establishing and then growing such companies can be extremely time consuming and resource intensive. The Commercial Strategy Part 2 therefore confirms that the Council will take an incremental, long-term approach will be taken to growing trading activities, and that the focus will be in areas where we already have experience. This means that trading activity will not provide the solution to addressing the Council's funding gap.

### **Financial Sustainability Programme**

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

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

### **Financial Sustainability Programme**

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

## **Approach**

### **Programme Scope and Objectives**

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

The main components of the programme are:

- **Service and financial planning:** reviewing all budget areas to ensure that there is a clear justification for the services being delivered and that budgets are set accordingly
- **Standalone projects and activities:** Scoping and where appropriate progressing new ideas and opportunities for generating income or introducing efficiencies
- **Fees and charges:** A comprehensive review to ensure that the Fees & Charges Policy is consistently applied across the Council.

The programme objectives are that it will:

- Act as a catalyst for - and foster an ongoing legacy of – cultural, behavioural and procedural changes to embed financial efficiency and acumen;
- Identify and deliver on opportunities for increasing income and/or achieving cashable savings; and
- Maintain the provision of services at a level that is viable within the available budget envelope, recognising that this may involve delivering services differently.

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

- **Option 1: Do nothing.**  
This option has not been selected as it is not a long term solution. Eventually the Council's reserves will deplete and the time window available to make managed change will have been lost. Difficult decisions need to be made – this option would merely delay those decisions.
- **Option 2: Seek to close the budget gap as soon as possible.**  
This option has not been selected as it would require the application of blunt measures 'across the board'. This could have negative and destabilising impacts on service delivery and reduce operational capacity to deliver core responsibilities. The short timescales associated with this option would hinder the ability of the organisation to fully consider the options available and the implications of different options. There may also be significant costs associated with this option which could detract from any benefits gained.
- **Option 3: Seek to close the budget gap in a planned and controlled manner over a longer term.**  
This is the recommended option as it allows the Council to explore and evaluate options to close the budget gap in a way that maintains organisational stability and capacity. Given the longer term timescales involved, it will also enable the Council to pursue means to increase income to complement savings made.

### **Programme Governance**

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

Within the programme:

- Service and financial planning activities are being managed in the usual way (although with a more in-depth approach being taken): this means via a series of Management Team Awaydays, Executive Awaydays, and collaborative working between senior

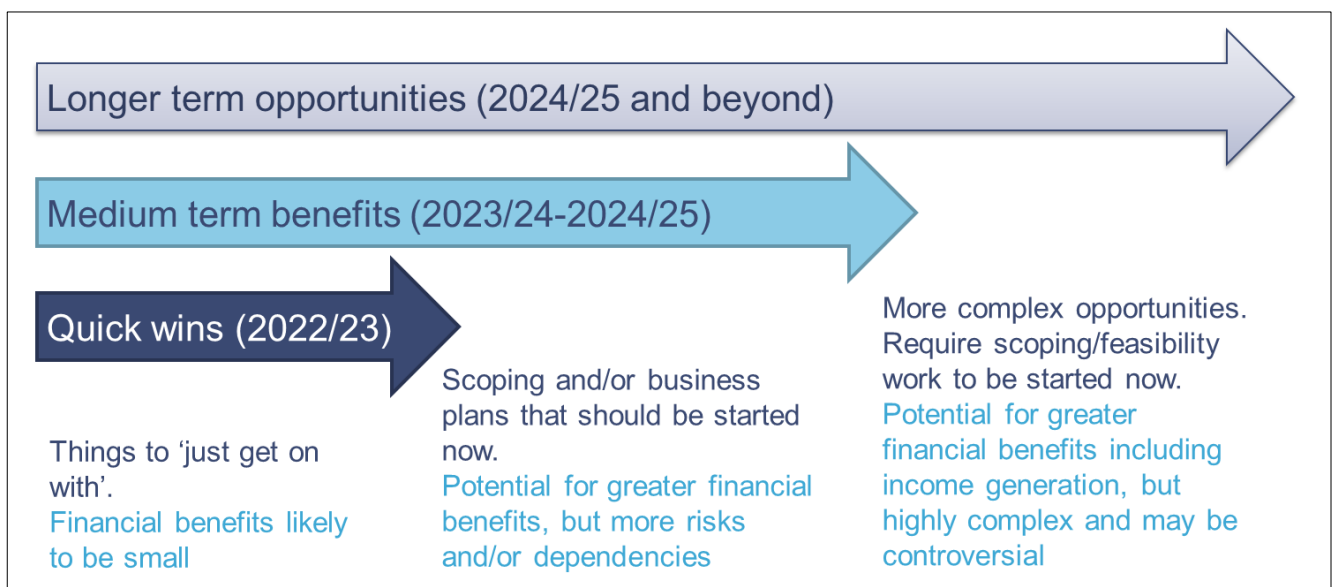
officers and Executive Members. This will culminate in the usual draft budget report to Executive and the Budget Scrutiny process.

- Standalone projects and activities are being managed within their respective service areas. In the case of projects, these will be managed and reported in the usual way, using the Council’s Project Management Framework, reporting to its officer Governance Boards, and with dashboards provided to Members.
- The Fees & Charges review is being overseen by officers within the Finance and Corporate Policy teams, working with budget holders across the Council. In some instances, a substantive review of an existing charge, or the introduction of a new charge, may warrant a project-based approach. While authority for agreeing fees and charges is delegated to relevant Heads of Services, the outcomes from the review will once again be included within the draft budget report in November.

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

## Progress to Date

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



### Programme Set Up

- ✓ The Programme is now fully operational having been initiated during 2022/23

### **Service & Financial Planning Stages**

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

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

### **Standalone Projects and Activities**

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

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

### **Fees & Charges**

- ✓ Updating the fees and charges register and identification of higher value areas for priority review (May/June)
- ✓ Budget holders progressing annual review (July to August)

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

### **Vacancy Control Mechanisms**

During 2022/23 a new vacancy control mechanism was introduced to ensure that there is a robust business case for any recruitment undertaken to newly vacant posts. This may deliver some in-year savings.

### **Third Party Funding Opportunities**

Services across the Council will continue to pursue third party funding opportunities where these can provide alternative sources of funding for future service activities.

### **Sharing Opportunities**

Services across the Council will continue to pursue opportunities to share services with other councils where these can enhance this Council's capacity and resilience and deliver efficiency savings.

## **Reporting Progress**

To ensure transparency and allow for appropriate scrutiny, Programme reporting arrangements are set out below:

- Programme progress is reported to the Corporate Governance Group on a monthly basis.
- Monthly updates are also provided to Executive Members via portfolio holder briefings and the informal Leader's Meeting.

- Quarterly reports are provided to the Overview & Scrutiny Committee and Executive as part of the usual budget and performance monitoring arrangements. A copy of the most recent quarterly update is attached at Appendix 1.
- Updates on constituent projects are reported via the project dashboards provided for Members.
- Proposed changes to future service provision and associated budgets will be presented in draft form to the Executive each November, following which public consultation and consultation with the Overview & Scrutiny Committee (via its Budget Scrutiny Panel) will take place.
- Significant changes may be subject to a stand-alone report to Executive.
- A Communications Plan has been developed which will inform other strands of communications activity, including with staff, councillors and the public.

July 2023

**Financial Sustainability Programme: Quarterly Update at March 2023**

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)

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	<b>Progress</b>	<b>Next Steps</b>	<b>Financial Benefits</b>
<b>Programme Set Up</b>	<ul style="list-style-type: none"> <li>• FSP Steering Group established (February 2022)</li> <li>• Initial programme brief agreed by Corporate Governance Group (April 2022)</li> <li>• Programme register developed (May 2022)</li> <li>• Programme support officer appointed (June 2022)</li> <li>• S&amp;FP timetable and milestones confirmed</li> <li>• All member briefing held (July 2022)</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing review of programme resourcing requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Not applicable</li> </ul>
<b>Service &amp; Financial Planning</b>	<ul style="list-style-type: none"> <li>• 2023/24 budget adopted and now in place.</li> <li>• Initial review of budgets and services undertaken by Heads of Service (April/May)</li> <li>• Peer challenge at Management Team Awayday (May)</li> <li>• Portfolio holders briefed and discussion of budget and service options and prioritisation will take place at and Executive Awayday (June)</li> </ul>	<ul style="list-style-type: none"> <li>• Preparation of service business plans and draft budgets, including growth, savings and fees &amp; charges proposals, for inclusion in the November draft budget report.</li> <li>• Management Team and Executive Awaydays to consider initial proposals and finalise draft budget (September and October)</li> <li>• Finalisation of draft 2024/25 business plans (October)</li> <li>• Preparation of draft 2024/25 budget report (October)</li> </ul>	<ul style="list-style-type: none"> <li>• 43 proposals generated under FSP delivered a total budget benefit of over £2m for 2023/24, summarised as:</li> <li>• £1.23m additional income</li> <li>• £0.79m cost savings</li> </ul> <p>Full details of all proposals included in the 2023/24 budget are shown in the 2023/24 Budget</p>

	<b>Progress</b>	<b>Next Steps</b>	<b>Financial Benefits</b>
		<ul style="list-style-type: none"> <li>• Publication of draft 2024/25 budget (November)</li> <li>• Consultation on draft 2024/25 budget (November to January)</li> <li>• 2024/25 Budget agreed (February)</li> </ul>	Reports presented in November 2022 and January 2023.
<b>Standalone projects and activities</b>	<ul style="list-style-type: none"> <li>• Project and activity scoping (ongoing)</li> <li>• Activities to deliver 'quick wins' being progressed (ongoing)</li> <li>• Projects being progressed through established project management framework (ongoing)</li> <li>• Review of existing project management resource capacity (June 2022)</li> <li>• Recruitment of additional project management resource (September 2022)</li> <li>• Activities to deliver 'quick wins' continue to be progressed by relevant service areas (ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>• Activities to deliver 'quick wins' continue to be progressed by relevant service areas (ongoing)</li> <li>• Projects being progressed through established project management framework (ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>• Small-scale savings for 2023/24 from 'quick win' activity incorporated within agreed budget</li> <li>• Financial benefits from projects will be confirmed on a case by case basis</li> </ul>
<b>Fees &amp; Charges</b>	<ul style="list-style-type: none"> <li>• Collation of fees and charges register and identification of higher value areas for priority review (May 2022)</li> <li>• 2022/23 increases implemented</li> </ul>	<ul style="list-style-type: none"> <li>• Fees and charges will be considered annually as part of service and financial planning process and updated accordingly</li> </ul>	<ul style="list-style-type: none"> <li>• 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 &amp; Numbering.</li> </ul>
<b>Vacancy Control Mechanism</b>	<ul style="list-style-type: none"> <li>• New vacancy control mechanism introduced (June 2022)</li> <li>• Senior Officer Panel established to review business cases for recruitment to vacant posts (July 2022)</li> <li>• Vacancy control mechanism now operational; recruitment to vacant posts being reviewed by senior management on a case-by-case basis</li> </ul>	<ul style="list-style-type: none"> <li>• Changes and improvements to the process to be implemented as they are identified (ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>• Pay costs budget for 2023/24 budget have been reduced by £0.37m as a result of these controls.</li> </ul>
<b>Third Party Funding Opportunities</b>	<ul style="list-style-type: none"> <li>• £0.5m secured from health partners towards Council community development and partnerships work</li> </ul>	<ul style="list-style-type: none"> <li>• Opportunities for further third party funding continue to be explored (ongoing)</li> </ul>	



	<b>Progress</b>	<b>Next Steps</b>	<b>Financial Benefits</b>
	<ul style="list-style-type: none"> <li>• Investment plan submitted in respect of £1m UK Shared Prosperity Fund funding (July 2022)</li> <li>• Council services as well as third parties invited to submit Strategic CIL bids (August 2022)</li> <li>• UK shared prosperity funding confirmed (January)</li> </ul>		

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# MEDIUM TERM FINANCIAL PLAN

## 2024/25 to 2028/29

### July 2023

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- Introduction
- 1. Medium Term Financial Plan Objectives
- 2. Medium Term Financial Plan Priorities
- 3. Medium Term Financial Plan Context
- 4. Corporate Plan Priorities
- 5. Budget-Setting Priorities 2024/25
- 6. The Revenue Budget
- 7. Revenue Budget Funding
- 8. Council Tax
- 9. Business Rates (National Non-Domestic Rates)
- 10. New Homes Bonus
- 11. Revenue Reserves
- 12. Medium Term Financial Plan Forecast 2024/25 onwards
- 13. Capital Investment Strategy
- 14. Treasury Management & The Prudential Code
- 15. Medium Term Financial Plan Risks & Sensitivities
- 16. Budget Equalities Impact Assessments
- 17. Budget Scrutiny
- 18. Consultation
- 19. Service & Financial Planning Timetable 2024/25
- 20. CIPFA Financial Management (FM) Code
- 21. CIPFA Resilience Index
- 22. Conclusion

## **APPENDICES**

1. Revenue Budget 2023/24
2. Medium Term Revenue Budget Forecast 2024/25 to 2028/29
- 3.1 Capital Programme 2023/24 to 2027/28
- 4.1 Reserves Policy
- 4.2 Revenue Reserve Balances at 1 April 2023
- 4.3 Useable Revenue Reserves
5. Fees & Charges Policy
6. Strategic Financial Risks
7. Service & Financial Planning Timetable 2024/25

## **GLOSSARY**

## Introduction

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

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

In January 2023 the Executive approved the previous version of the MTFP which was based on the objectives of the Corporate Plan 2020-2025. It set out the latest resource projections and estimates of expenditure.

This document refreshes and updates MTFP forecasts in anticipation of service & financial planning for 2024/25.

Key changes since the January 2023 budget report include:

- Updated forecast for pay cost inflation;
- Update forecast for service budget income from The Rise
- Updated forecasts for council tax and business rates income; and
- Latest assumptions on the continuation of Government grants.

As usual, this reflects forecasts before any savings, income and growth from service & financial planning reviews are taken into account.

The draft budget report later this year will set out the detailed actions required to deliver a balanced budget that is consistent with the direction and objectives set out in this MTFP.

## 1. Medium Term Financial Plan Objectives

The objectives of this MTFP are to help us:

- Provide a robust financial framework to assist decision-making processes;
- Manage council finances within the context of a forward-looking service & financial planning framework;
- Prioritise resources to align spending plans with our vision and strategic objectives and resident priorities;
- Recognise the ongoing funding challenges that will need to be addressed through changes to how services are delivered, realising new sources of income and delivery of cashable budget savings, or a combination of all three;
- Maintain council tax resource levels;
- Maintain a balanced budget and continue to strengthen that position;
- Maintain the General Fund reserve at a minimum of 15% of the annual net Revenue Budget to cover significant unforeseen expenditure;

- Maintain Earmarked Revenue Reserves for specific purposes, consistent with achieving our priorities and managing risks. The use of Earmarked Revenue Reserves will be in line with the Reserves Policy at Appendix 4.1 and will be reviewed annually;
- Help confirm the affordable level of capital investment required to support our strategic and financial priorities while remaining within prudential borrowing limits;
- Ensure that fees and charges are set at an appropriate level and that they take into account comparative levels of charge and ability to pay, in line with the Policy at Appendix 5;
- Demonstrate probity, prudence and strong financial control;
- Manage financial risks;
- Continually review budgets to ensure resources are targeted on key objectives;
- Continue to improve our approach to commissioning and procurement to ensure value for money for local taxpayers;
- Support new ways to ensure financial sustainability and maximise income to deliver our priorities. This includes the development of commercial projects to capture both revenue income and capital growth opportunities;
- Pursue opportunities for securing external funding; and
- Support opportunities for working in collaboration with partners where this will support our priorities and improve service value for money.

## 2. Medium Term Financial Plan Priorities

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

- **Economic conditions.** The impact of the economic cycle will need to be considered particularly in relation to business growth, inflationary pressures and interest rate movements. The impact of changes and any impact on public finances will need to be fully evaluated on the financial model;
- **Government Finance Legislation.** There are key pieces of Government legislation which will impact upon the future financial position of the Council. In particular the impact of the localisation of business rates and any additional responsibilities will need to be fully evaluated as well as the Government's planned Fair Funding Review of local Government finance which continues to be delayed but is still due to be introduced at some point in the future;
- **Other Government Legislation.** There are a significant number of political initiatives particularly in relation to localisation and the role of local Government. These will need to be assessed for their relevance to Reigate and Banstead and the impact on future finances;
- **Buoyancy of Income Streams.** These will be sensitive to changes in consumer confidence and the economy so will need to be closely monitored;
- **Strategic Investments:** The Council is looking to continue to pursue developments that produce financial returns while at the same time supporting the delivery of housing and regeneration priorities;
- **Commercial Ventures:** The Council will seek to take advantage of commercial opportunities wherever possible to cover costs, and to review our fees and charges, in order to maximise income in line with corporate objectives. Commercial opportunities will be pursued in line with the guiding principles set out in the Commercial Strategy.
- To carry out an annual **Financial Review** of the historic budget outturn position and of our base budget to ensure maximum value is obtained from those resources already allocated – effectively to ensure financial discipline and good housekeeping are maintained;
- Using **Reserves** in a sustainable and prudent manner to support the Council's strategies and priorities. This will be supported by the Reserves Policy which is set out in Appendix 4.1. It is recognised that reserves can only be used on a 'one off' basis. However, they can play an important part in managing risks and supporting initiatives or investments which can deliver future benefits;

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

### 3. Medium Term Financial Plan Context

Service & financial planning takes place within the context of the national economic and public expenditure plans; this MTFP has been formulated within the context of the current UK economic position and continued pressure on local government funding.

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

#### The Economy and Public Spending

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

- *UK general government gross debt was £2,436.7 billion at the end of Quarter 2 (Apr to June) 2022, equivalent to 101.9% of gross domestic product (GDP).*
- *UK general government deficit (or net borrowing) was £43.9 billion in Quarter 2 2022, equivalent to 7.2% of GDP.*

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

In May 2023 the Office for Budget Responsibility (OBR) reported:

- *Public sector net debt stood at 100.1 per cent of GDP in May 2023, topping 100 per cent of GDP for the first time in 62 years. Borrowing in the first two months of 2023-24 totalled £42.9 billion, almost double the same period last year and £2.1 billion above the monthly profile consistent with our March forecast. That was more than explained by higher-than-expected spending as RPI inflation raised debt interest costs and the non-consolidated part of the NHS pay deal raised consumption spending.*
- *Public sector net borrowing (PSNB) was £20.0 billion in May and £42.9 billion in the first two months of 2023-24. The latter is £19.6 billion (84.1 per cent) above the same period last year and £2.1 billion (5.1 per cent) above our March 2023 forecast profile.*
- *Central government accrued receipts (excluding PSNB-neutral transfers related to quantitative easing) were £71.3 billion in May, up £2.3 billion (3.3 per cent) on last year but £0.5 billion (0.7 per cent) below our March profile. Year-to-date accrued receipts are £0.5 billion (0.3 per cent) above profile. However, HMRC cash receipts were very strong in May potentially due in part to higher inflation and wage growth, which may signal higher accrued receipts in future months.*



- *Central government accrued spending (excluding PSNB-neutral local authority grants and transfers related to quantitative easing) was £78.5 billion in May, up £10.6 billion (15.6 per cent) on last year and £3.0 billion (4.0 per cent) above profile. Year-to-date spending is £5.8 billion (3.7 per cent) above profile thanks to higher-than-expected debt interest and consumption spending.*
- *Net debt in May stood at 100.1 per cent of GDP. This is 3.1 per cent of GDP up on a year earlier but 1.3 per cent of GDP below the monthly profile consistent with our March forecast, thanks to both lower cash debt and higher outturn GDP.*
- *Revisions: 2022-23 borrowing was revised down by £3.0 billion thanks to both higher central government receipts and lower central government spending, meaning it is now £18.3 billion lower than the estimate in our March 2023 forecast*

Source: Office for Budget Responsibility, Commentary on Public Sector Finance, May 2023.

## **Economic Growth**

- *According to the figures released by the ONS, wage growth has proven stronger in sectors with ability to demand higher wages, like finance and manufacturing. Whereas industries such as retail, that which have a high number of employees earning close to the minimum wage, experience comparatively weaker wage growth.*
- *Interestingly, the public sector has witnessed a rise in pay growth, despite ongoing threats of industrial action from doctors, nurses, and teachers. Unions have successfully secured notable pay agreements in certain segments of the private sector, particularly where staff scarcity is prevalent.*
- *The UK economy saw a return to growth in April as consumer spending rebounded and fewer strikes, but the potential for higher interest rates creates uncertainty.*
- *...published data showed GDP expanded by 0.2 percent between March and April, partially reversing the previous month's contraction. This growth, in line with analysts' expectations, was primarily driven by a 0.3 percent expansion in the services sector. While this development raises hopes of avoiding a recession this year, concerns remain as the full impact of high interest rates has yet to be experienced, making it too soon to be confident in recovery. Market expectations that the Bank of England will continue raising rates in the months ahead, are boosted by the strong labour market and the resilience of the economy, to bring inflation down to its 2 percent target.*

Source: Arlingclose June 2023

## **Interest Rates**

*The MPC raised Bank Rate by 50bps to 5.0% in June. Due to current inflation and wage data, we believe that Bank Rate will rise to 5.25% in August and to 5.50% in September.*

- *The risks lie to the upside. Further strong inflation data for June (released in July) will likely result in another 50bps rise in Bank Rate in August.*
- *The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until services inflation and wage growth ease. The stickiness of these data suggests that rate cuts will happen later than previously expected. We see rate cuts from Q2 2024 to a low of around 3% by mid 2025.*

- *Long-term gilt yields are expected to eventually fall from current levels reflecting the lower medium-term path for Bank Rate. However, yields will remain relatively higher than in the past, partly due to quantitative tightening, with continued elevated volatility.*

Source: Arlingclose June 2023

## **Inflation**

- *CPI inflation is expected to fall sharply as energy costs begin to ease. In the modal forecast conditioned on market interest rates, an increasing degree of economic slack and declining external pressures lead inflation to fall to materially below the 2% target in the medium term, but the Committee continues to judge that the risks to that forecast are skewed significantly to the upside.*
- *The mean projection for CPI inflation, which incorporates these risks, is at or just below the 2% target in the medium term*

Source: Arlingclose June 2023

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

- Increased expectation from staff and the representatives during annual pay negotiations and impacts of inflation-linked increases in the National Living Wage;
- Existing suppliers demanding significant increases to reflect their operating costs;
- Energy and fuel cost pressures;
- Cost of new building contracts higher than estimated;
- Suppliers and contractors being at risk of liquidation, potentially affecting delivery of services and increased business rate debt write-offs;
- Requirement to increase Council fees and charges that are linked to CPI;
- Higher than budgeted interest on balances but also increased cost of borrowing;
- Review of the Council tax referendum limit by Government and/or other measures introduced to mitigate the impacts of council tax for households;
- Review of the Business Rates (NNDR) Multiplier used by Government to set annual business rate increases;
- PWLB lending costs will continue to fluctuate because the lending rate is based on gilt yields; and
- Revision of some of Government's Spending Review<sup>21</sup> baseline assumptions.

The MTFP forecasts do not include provision for general price inflation. Business cases for budget growth for specific contract price increases will be considered when the draft budget for 2024/25 is prepared in the autumn.

## **Local Government Funding**

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

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

- April 2011 – New Homes Bonus introduced
- April 2013 - Business Rates Retention introduced
- October 2015 – 100% BRR and Funding Review announced
- April 2016 – Government and LGA working groups set up and start meeting
- Early 2017 - Call for evidence on Fair Funding and Business Rates Retention consultation
- April 2017 – New Homes Bonus scheme changes
- May 2017 election – Business Rates Retention primary legislation falls; Fair Funding Review to continue
- Summer 2017 – announcement of move to 75% Business Rates Retention; confirmation of new Business Rates Baseline and continuation of Fair Funding Review – implementation timing has not yet been confirmed
- July 2018 – new simplified Business Rates Reset first suggested
- December 2018 – no figures beyond 2021/22 were available; indications that ‘Negative Revenue Support Grant’ would result in significant funding reductions for councils like Reigate & Banstead
- December 2018 – new consultations on Fair Funding Review, Business Rates Retention and confirmation of a full Reset of Business Rates growth
- Spending Round19 – one-year settlement for 2020/21 only
- Spending Review20 (SR20) – delayed to autumn 2020 due to the Government’s COVID-19 pandemic response - focussed on prioritising funding to support the ongoing response to the pandemic
- December 2020 - Provisional Local Government Finance Settlement 2021/22 - Covered one year only; based on Spending Review20 (SR20) funding levels.
- December 2021 - the 2022/23 Provisional Local Government Finance Settlement, was for one year only and was based on Spending Review 2021 (SR21) funding levels.
- December 2022 – the 2023/24 Provisional Local Government Finance Settlement was for one year only and once again was based on rolling-over Spending Review 2021 (SR21).

Once again, the emphasis was on providing stability by rolling forward key elements alongside extra cash for priority areas, such as social care, and a commitment to increase district and borough authorities’ Core Spending Power (the Government’s measure of the resources available to local authorities to fund service delivery) by at least 5%, after taking account of the increased council tax referendum limit that was announced in the November Autumn Statement.

Introduced the Minimum Funding Guarantee Grant to support this commitment

While welcome this was still below the forecast rate of CPI at 5.5% and the 9.2% increase for upper tier councils.

The announcement did set out some core principles for 2024/25 including maintaining funding and council tax increases at 2023/24 levels.

The current expectation is that local government funding reform will now take place after the next general election, no earlier than 2025/26.

### **Service & Financial Planning: Government Funding Assumptions**

For the purposes of preparing this MTFP and the draft 2024/25 budget the following has been assumed:

- No changes to total local government funding;
- The most far-reaching funding changes will continue to be delayed;  
When implemented, the funding changes are forecast to reduce this Council's Government retained share of business rates. This is as a consequence of the removal of 'Negative RSG' grant and the Business Rates reset. It is assumed that there will be no other transitional funding arrangements for these changes;
- Another 'roll-over' settlement for 2024/25 means that the Settlement Funding Assessment (SFA) and grants are unlikely to change, and there will be no additional funding allocated for local government next year.
- A further New Homes Bonus (NHB) award is more likely than not – this will be confirmed in the provisional settlement announcement in December. The 'deadweight' of 0.4% will be maintained but there are no longer any legacy payments in respect of previous years' allocations.
- The Services and Minimum Funding Guarantee grants will continue for another year – also to be confirmed in the provisional settlement.
- Council taxbase growth of up to 1.5% per annum and council tax increases continue to be capped at a maximum of 2.99%. The funding for Council Tax Support introduced in 2023/24 will continue; and
- The business rates baseline reset will continue to be delayed. The business rates multiplier will be frozen instead of increasing in line with inflation, therefore, the three elements of the NNDR Retention system (Baseline Need, NNDR Baseline and Tariff/Top Up amounts) will remain at 2023/24 levels. And the Under-Indexing Multiplier Grant will be increased to ensure that local authorities' shares of NNDR income is not impacted (although the indexing basis is now RPI instead of CPI). The NNDR Revaluation in April 2023 will not have significant impacts on this Council's funding position (or its own NNDR costs) due to the associated transitional support arrangements

## **4. Corporate Plan Priorities**

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

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

The Corporate Plan includes objectives in relation to Housing, Vulnerable People, Communities & Community Safety, Leisure & Wellbeing, Towns & Villages, Economic Prosperity, Shaping our Places, Clean & Green Spaces, Environmental Sustainability, Financial Sustainability, Commercial Activities, Operational Assets and Skills & Great People.

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

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

### **Commercial Strategy**

Part 1 of the Commercial Strategy approved by the Executive in November 2020 and Part 2 in December 2021.

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

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

- **Principle 1:** Our commercial activity will be ethical, and consistent with the Council's statutory responsibility to promote economic, environmental and social wellbeing in the borough, and our corporate objectives as well as in line with all relevant advice and guidance;
- **Principle 2:** Any decisions which have a commercial aspect will be based on a robust assessment of the business case using consistent relevant criteria, and appropriate due diligence and risk assessment; and
- **Principle 3:** Surplus income generated through our commercial activities will be used to ensure the financial sustainability of the Council and continued delivery of services for local people.

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

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

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

MTFP forecasts are based on the latest estimate for net income from lettings at Marketfield Way (The Rise) based on the lease terms that are known, after taking into account a reduction factor to reflect operating costs and the risk that these are not yet all firm contractual commitments.

Work also continues under the Commercial Strategy to review the Council's property assets in order to identify potential development opportunities that can be formulated into a project pipeline.

## 5. Budget-Setting Priorities 2024/25

The Priorities that will be taken into account when preparing the draft Budget for 2024/25 are set out below:

- To ensure resources are aligned with the emerging **Corporate Plan priorities**;
- To maintain a **balanced budget** such that expenditure matches income from council tax, fees and charges, and government and other grants and to maintain that position;
- To set a rate for **council tax** which maximises income necessary to deliver our strategic objectives while ensuring that Government referendum limits are not exceeded. The percentage increase will be reviewed annually and be approved by Full Council;
- To **maximise other income** by setting fees and charges, where we have the discretion and need to do so, at a level to ensure at least full cost recovery, promptly raising all monies due and minimising the levels of arrears and debt write-offs;

- To ensure a long-term sustainable view is taken of our **investments** and that appropriate risk analyses are used when considering new investments;
- To consider and take advantage of **commercial opportunities** as they arise to deliver new income streams;
- To maintain an adequate and prudent level of **reserves** and regularly review their planned use and allocation to support delivery of our priorities; and

### **Value for Money**

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

Information about this Council's performance compared to other councils across a range of published measures is published on the LGA website at <https://lginform.local.gov.uk/>

## **6. The Revenue Budget**

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

- **Net Cost of Services:** These are the direct costs incurred in delivering services through the three Directorates, net of specific income generated by them;
- **Central Budgets:** These are costs incurred and income received that are not service-specific, eg. treasury management costs and income and audit fees;
- **Sources of Funding:** These income budgets are general, non-service specific income sources. They include other grant funding from Central Government and this Council's share of Non-Domestic Rate income which includes the continued impact (benefit) of the one-off elimination of 'Negative Revenue Support Grant' that was announced by the Government in September 2019 and has continued in subsequent years pending the outcome of local government funding reforms;
- **Council Tax:** After the budget requirement has been established for the other blocks then the amount required by this Council from council tax can be calculated; known as the 'Demand on the Collection Fund'; and
- **Contributions (to)/from Reserves:** This relates to use of Earmarked Revenue Reserves, which have been allocated to fund specific purposes. The impact of the use of Reserves is a reduction in the total income demand on

council taxpayers. It also refers to the use of funds from the General Fund Balance to support the annual revenue budget.

### Revenue Budget Outturn

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

At 31 March 2023 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 (£1.761 million) (8.8%).

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

The service & financial planning process for 2024/25 will include an assessment of whether any budgets require realignment to reflect historic outturn trends.

### Service Budgets

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

The key variances leading to the underspend are:

#### Organisation

- 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.

#### Place

- 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. .

#### People

- 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

#### Central Budgets

The 2022/23 Original Budget for Central Budgets approved by Council in February 2022 was £1.957 million. At 31 March the outturn was £0.475 million against a management budget of £2.082 million resulting in an underspend of £1.606 million (77.1%).

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

#### Revenue Budget 2023/24

The Revenue Budget for 2023/24 was approved in February 2023.

<b>Table 2: BUDGET SUMMARY</b>	Budget 2023/24 £m
1. Net Cost of Services	20.618
2. Central Budgets	2.576
<b>NET EXPENDITURE</b>	<b>23.194</b>
3. Council Tax	16.293
4. Business Rates (NNDR)	3.994
5. Other Un-ringfenced Grants	
• Services Grant	0.093
• New Homes Bonus Grant	1.034
• Minimum Funding Guarantee Grant	0.803
6. Grants Transferred to Reserves:	
• Homelessness Prevention	0.686
• Transfer to Reserves	(0.686)
7. Call on Earmarked Reserves:	
• Government Funding Risks Reserve	0.484
• IT Strategy Reserve	0.493

<b>Table 2: BUDGET SUMMARY</b>	Budget 2023/24 £m
Use of funds from the General Fund Balance to support the Revenue Budget <sup>1</sup>	-
<b>NET SOURCES OF INCOME</b>	<b>23.194</b>

NOTE 1: The actual sum to be drawn from Reserves to support the budget will depend on the budget outturn position for 2023/24. Over recent years the budget outturn has been an underspend position with no requirement to call on Reserves.

### Service Budgets

Service budgets are summarised in the table below:

<b>Table 3: SERVICE BUDGETS</b>	Budget 2023/24 £m
<b>ORGANISATION</b>	
Communications / Customer Service	1.170
Finance	1.260
ICT	2.396
Legal & Governance	2.259
Organisational Development & HR	0.733
Corporate Policy, Projects & Performance (including Environmental Sustainability)	0.532
Property & Commercial	0.431
<b>PLACE</b>	
Economic Prosperity	0.288
Neighbourhood Operations	4.803
Place Delivery	0.334
Planning	0.693
<b>PEOPLE</b>	
Community Partnerships	1.306
Housing	0.898
Revenues, Benefits & Fraud	2.161
Leisure & Culture	0.408
<b>SENIOR MANAGEMENT TEAM</b>	0.946
<b>TOTAL</b>	<b>20.618</b>

### Central Budgets

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

<b>Table 4: CENTRAL BUDGETS</b>	Budget 2023/24 £m
Insurance	0.467
Treasury Management	(0.087)
Housing Benefits – net subsidy	(0.714)
Budget for Central Pay Costs	0.243
Employer Pension Costs	2.240
Central Vacancy Turnover Provision	(0.150)
Apprenticeship Levy	0.080
Central Recruitment & Visa Expenses	0.045
Central Training Budget	0.082
External Audit Fees	0.150
Internal Audit Fees	0.065
Preceptor Grants – Horley Town Council Double Taxation	0.044
Funding Contribution – Banstead Commons Conservators	0.111
<b>TOTAL</b>	<b>2.576</b>

## 7. Revenue Budget Funding 2023/24

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

<b>Table 5: REVENUE BUDGET FUNDING</b>	Budget 2023/24 £m
Council Tax	16.293
National Non-Domestic Rates	3.994
Other Un-ringfenced Grants:	
• Services Grant	0.093
• New Homes Bonus Grant	1.034
• Minimum Funding Guarantee Grant	0.803
Call on Earmarked Reserves <sup>1</sup> :	

<b>Table 5: REVENUE BUDGET FUNDING</b>	Budget 2023/24 £m
• Government Funding Risks Reserve	0.484
• IT Strategy Reserve	0.493
Use of funds from the General Fund Balance to support the Revenue Budget	-
<b>TOTAL</b>	<b>23.194</b>

NOTE 1: The actual sum to be drawn from Reserves to support the budget will depend on the budget outturn position for 2023/24.

Factors taken into account include:

- |   |  |
|---|--|
| Retained Business Rates Income and Negative RSG Grant | <ul style="list-style-type: none"> <li>Includes continued funding for 'negative RSG', until NNDR reform date is confirmed</li> </ul>   |
| Council Tax   | <ul style="list-style-type: none"> <li>The 2023/24 increase is based on a 2.99% Band D equivalent increase and the forecast tax base increase</li> <li>£0.150 million, which is equivalent to the additional income to be billed compared to 2022/23, was allocated to a new Reserve in 2023/24 to help fund any additional discretionary support</li> </ul> |
| New Homes Bonus                                       | <ul style="list-style-type: none"> <li>Includes updated forecasts for New Homes Bonus based on the December 2023 Provisional Settlement announcement, comprising a £1.034 million allocation for 2023/24 and no legacy payments.</li> </ul>  |
| Contributions (To)/From Reserves                      | <ul style="list-style-type: none"> <li>Calls on earmarked Reserves for specific purposes as detailed in the table.</li> </ul>  |

## 8. Council Tax

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

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

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

### Council Tax 2023/24

The referendum cap was confirmed with the Provisional Local Government Funding Settlement Announcement in December 2022, being the 2.99% for district councils. This was the recommended increase approved by Council in February 2023.

The Band D charge increased from £242.46 to £249.71, an increase of £7.25 per annum (14 pence per week).

Total income from council tax for this council therefore increased from £15.222 million to £16.293 million.

The impacts of the forecast changes in the taxbase and collection performance was an increase from 62,274 to 63,495 properties representing a taxbase increase of 1,220.61 (1.96%) compared to 2022/23.

### Council Tax Policy

No policy changes are recommended for 2023/24.

Local Council Tax Support Scheme allowances and premiums increased on 1 April in line with other national increases contained within the Housing Benefit Regulations 2006 and the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2022; the Scheme is also scheduled for review during 2023/24.

### Council Tax Precepts 2023/24

Table 6.1: ANALYSIS OF COUNCIL TAX BY PRECEPTOR		
Authority	£000	% share
	£	%
Surrey County Council	106,359,931	74.64%
Surrey Police & Crime Commissioner	19,719,742	13.84%
Reigate & Banstead Borough Council	15,855,416	11.13%
Horley Town Council	524,965	0.37%
Salfords & Sidlow Parish Council	42,915	0.03%
	<b>142,502,969</b>	<b>100.00%</b>

Table 6.2: ANALYSIS OF COUNCIL TAX CHANGES BY PRECEPTOR				
Authority	2022/23	2023/24	Increase <sup>1</sup>	
			£	%
Surrey County Council	1,626.39	1,675.08	48.68	2.99
Surrey Police & Crime Commissioner	295.57	310.57	15	5.07
Reigate & Banstead Borough Council	242.46	249.71	7.25	2.99
Horley Town Council	43.17	47.76	4.59	10.63
Salfords & Sidlow Parish Council	29.72	29.72	0.00	0.00
	<b>2,237.31</b>	<b>2,312.84</b>	<b>75.52</b>	<b>3.38%</b>

### Local Council Tax Support Scheme

The Council funds around 10% of council tax for eligible claimants. This reduction in income is taken into account when the taxbase is calculated as part of budget-setting.

No Government funding support is provided; the costs reduce the amount of council tax retained by the preceptors.

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

<b>Table 7: LOCAL COUNCIL TAX SUPPORT SCHEME (June 2022)</b>		<b>Number of Claims</b>		<b>Annual Cost £m</b>	
<b>Category</b>		2022	2023	2022	2023
Vulnerable		1,875	1,940	2.923	3.061
Working Age – employed		601	480	0.552	0.493
Working Age – not employed		1,178	1,041	1.512	1.369
<b>Annual Cost to Preceptors</b>				<b>4.987</b>	<b>4.923</b>

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

The December 2022 Settlement Announcement included funding for additional Council Tax Support in 2023/24, representing up to an extra £25 in support for working age and pensioner households for cost of living pressures.

The Scheme is scheduled for review during 2023/24. Any changes proposed would be subject to consultation and would need to take into account the impacts on recovery performance if support is reduced.

### **Council Tax Collection Performance 2022/23**

This Council's collection performance for council tax in 2022/23 was 98.17% (98.65% in 2020/21).

### **Council Tax Options 2024/25**

Each 1% increase in Council Tax generates £0.163 million additional income for this borough. A 2.99% increase in 2024/25 would yield £0.510 million additional income

### **Council Tax Forecasts**

For MTFP modelling purposes, the Council Tax income forecast at July 2023 is set out below:

<b>Table 8: COUNCIL TAX FORECAST</b>	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Forecast Resources	15.222	15.855	16.565	17.231	17.924	18.644
Annual Increase in Income		0.756	0.709	0.666	0.693	0.721

<b>Table 8: COUNCIL TAX FORECAST</b>	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Cumulative Increase in Income		0.756	1.466	2.132	2.824	3.545
Band D	£242.46	£249.71	£257.18	£264.87	272.79	£280.95
Band D Increase	-	£7.25	£7.47	£7.69	£7.92	£8.16
Taxbase Increase	1.62%	1.96%	1.44%	1.00%	1.00%	1.00%
Annual Band D % Increase		2.99%	2.99%	2.99%	2.99%	2.99%

## 9. Business Rates (National Non-Domestic Rates)

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

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

Over recent years the Government has been undertaking a review of how business rates will operate going forward and has stated its intentions to achieve 75% localisation of business rates. However, the full impact of this cannot be assessed until the details of these changes are release by the Government.

### Appeals

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

### Business Rates Collection Performance 2022/23

Collection performance for business rates in 2022/23 was 99.8% (99.94% in 2021/22).

### Business Rates Forecast at July 2023

<b>Table 9 : NNDR FORECAST</b>	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Forecast NNDR Resources	3.994	2.475	2.524	2.574	2.624	2.678
Annual Increase / (Reduction)	-	(1.519)	0.049	-	0.100	0.054
Cumulative Increase / (Reduction)	-	(1.519)	(1.470)	(1.470)	(1.370)	(1.316)

The forecast for retained business rates income is based on the latest figures published by DLUHC after taking account of recovery performance. The forecast is subject to confirmation when the Provisional Local Government Settlement is published in December. Any changes when the final income from business rates is

confirmed are managed through a call on, or contribution to, the Government Funding Risks Reserve.

## 10. New Homes Bonus

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

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

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

## 11. Revenue Reserves

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

Reserves can be held for four reasons:

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

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

The Reserves Policy is set out at Appendix 4.1 with details of forecast balances at Appendix 4.3. The level of Reserves be reviewed during service & financial planning over the summer with the aim of presenting the recommended use of reserves in 2024/25 onwards as part of the November budget report. This will include an assessment of the adequacy and allocation of current reserves and the associated risks and opportunities.



## **General Fund Balance**

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

The Council's Section 151 Officer advised in the January 2023 budget report that a working balance of £3.5 million is considered the minimum level required. This represents just over 15% of the net budget for 2023/24. This minimum level will be reviewed again as part of 2024/25 service & financial planning.

## **Earmarked Revenue Reserves**

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

The most significant call on Reserves during the year is expected to be the requirement to make prudent provision for credit losses on investments. This has been taken into account in the forecasts at Appendix 4.2.

## **Useable Revenue Reserves**

Revenue Reserves have remained buoyant over recent years with a peak during the pandemic when significant additional Government funding was received and held in Reserves until used. Further details are set out at Appendix 4.3. The majority of these funds have now been used.

## **Opportunity Cost of Holding Reserves**

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

## **Assessing the Adequacy of Reserves**

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

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

- What are the strategic, operational and financial risks facing the Council?

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

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

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

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

- Inflation and interest rate projections;
- Estimate and timings of capital receipts;
- Treatment of planned efficiency savings; and
- Financial risks involved in major funding arrangements.

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

## **12. Medium Term Financial Plan Forecast 2024/25 Onwards**

An early review of Medium-Term Financial Plan budget forecasts has identified a number of new budget pressures that will need to be addressed in 2024/25 onwards.

They include:

- Making budget provision for future pay and pensions increases at a time of escalating inflation;
- Budgeting for the costs of approved borrowing to fund planned Capital Programme commitments;

- The impacts on available resources of Government funding reductions in future years, including the loss of Negative RSG Grant, the Fair Funding Review and Business Rates Reset; and
- Revenue and capital budget growth to deliver priorities in the new Corporate Plan – details to be confirmed during service & financial planning.

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

### **Financial Sustainability Programme**

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

In agreeing the budget for 2023/24, the Executive also agreed to continue a programme of work to ensure the future financial sustainability of the authority. The outcomes of work on the Financial Sustainability programme will be reflected as part of the 2024/25 budget setting process, with the programme continuing into future years to inform ongoing financial planning.

The Programme focuses on four key areas:

- |                             |   |
|-----------------------------|---|
| Income Generation           | <ul style="list-style-type: none"> <li>• Pursuing opportunities to generate new income streams.</li> <li>• Optimising fees and charges.</li> <li>• Implementation of the Commercial Strategy.</li> </ul>  |
| Use of Assets               | <ul style="list-style-type: none"> <li>• Making effective use of existing assets, including the repurposing and sale of surplus properties.</li> </ul>  |
| Prioritisation of Resources | <ul style="list-style-type: none"> <li>• Reviewing in-year budget monitoring forecasts to identify new opportunities for savings and efficiencies.</li> <li>• Reviewing the level of service provided and focussing resources on priority services.</li> <li>• Managing pay costs and making effective use of staff resources.</li> </ul> |
| Achieving Value for Money   | <ul style="list-style-type: none"> <li>• Actively pursuing options to share with other councils to realise efficiency savings.</li> <li>• Identification of invest to save opportunities – including investment in technology and assets to reduce operational costs.</li> </ul>  |

Further details are provided in the separate Annex 2.

### **Revenue Budget-Setting Assumptions 2024/25**

The following assumptions will be used during service & financial planning over coming months when preparing the draft Budget estimates for 2024/25:

- |   |   |
|---|---|
| Council Tax                               | <ul style="list-style-type: none"> <li>• To increase by the referendum limit – assumed to be 2.99% for this report</li> <li>• Plus an increase to reflect forecast growth in the taxbase</li> <li>• The impacts of local discounts, exemptions and the local council tax support scheme will be taken into account when preparing income forecasts</li> </ul>   |
| Government Funding                        | <ul style="list-style-type: none"> <li>• Fair Funding Review and loss of Negative RSG Grant will continue to be delayed</li> </ul>  |
| Retained Business Rates Income            | <ul style="list-style-type: none"> <li>• Reset of Business Rates will continue to be delayed</li> </ul>   |
| Fees & Charges                            | <ul style="list-style-type: none"> <li>• The Council's Fees &amp; Charges Policy is attached at Appendix 5. For budgeting purposes it is assumed that fees and charges will increase in line with the Policy and that all fees and charged will be reviewed to ensure they comply.</li> </ul>   |
| Investment Income and Borrowing           | <ul style="list-style-type: none"> <li>• Investments and borrowing will be forecast in line with forecast balances (reserves) and capital spending plans</li> </ul>   |
| Horley Town Council Double Taxation Grant | <ul style="list-style-type: none"> <li>• The current ten year grant ends in March 2024. 2024/25 budget forecasts have been prepared on the assumption that this will be renewed.</li> </ul>   |
| Pay Inflation                             | <ul style="list-style-type: none"> <li>• An allowance for a pay award will be included in the draft Budget, in addition to forecast contractual pay increases.</li> <li>• This provides the option for pay rises but the specific rate of increase will be subject to established consultation processes.</li> </ul>  |
| Employer Pension Costs                    | <ul style="list-style-type: none"> <li>• The latest published actuarial valuation of the Surrey Pension Fund confirmed that the Fund's total assets, which at March 2019 were valued at £4.3bn, were sufficient to meet 96% of liabilities (ie. the present value of promised retirement benefits) accrued up to that date. The resulting total Fund deficit at the 2019 valuation was £196m. The outcome of the 2022 valuation are not yet published.</li> <li>• Each employer has a contribution requirement set at the valuation, with the aim of achieving full funding within an agreed time horizon and probability measure, as set out in the Fund's Funding Strategy Statement. Individual employers' contributions for April 2023 to March 2026 have been set in accordance with this requirement.</li> <li>• For Reigate &amp; Banstead this is based on a 15% payroll oncost charge plus a £2.2m lump sum annual deficit payment.</li> <li>• There also a requirement to fund £350k per annum contribution for historic 'compensated added years' that were granted to retirees prior to 2015</li> </ul> |
| Price Inflation                           | <ul style="list-style-type: none"> <li>• The general principle remains that services should first seek to cover price inflation from their existing budgets, unless tied contractually to significant cost increases that warrant additional funding.</li> </ul>  |

- Significant increases would be subject to approval of budget growth through the service & financial planning process.
- The current escalating rate of inflation means that it is likely that more bids for inflationary budget growth will have to be considered.

## Forecast Budget Gap

The forecast budget gap over the next five years is set out below. As usual, this is the forecast before any savings, income and growth from service & financial planning reviews are taken into account. An updated forecast will be reported in the November draft budget report. Further details are provided at Appendix 2.

<b>Table 10: MEDIUM TERM REVENUE BUDGET FORECAST</b>	Approved Budget 2023/24	Forecast Budget 2024/25	Forecast Budget 2025/26	Forecast Budget 2023/34	Forecast Budget 2027/28	Forecast Budget 2028/29
	£m	£m	£m	£m	£m	£m
<b>FORECAST GAP</b>	Balanced	2.059	1.825	3.181	4.611	4.937
Annual Increase in Gap	-	2.059	(0.234)	1.356	1.430	0.326
Gap as % of current budget requirement	-	8.9%	7.9%	13.7%	19.9%	21.3%

The key factors that will influence the forecast gap include:

### Service Expenditure

- No significant service budget pressures have been identified to date but this will be subject to further review as part of the service & financial planning process. The outcome will be presented in the November draft budget proposals.
- Ongoing delivery of Financial Sustainability Programme initiatives.
- While an estimate for the 2024/25 pay award has been included in the MTFP forecast this is subject to consultation and has to be considered in the context of the significant financial challenges faced over the medium term. Employee costs comprise 40.9% of gross direct expenditure in the 2023/24 budget.
- The above forecasts include an estimate for the net income to be delivered from The Rise development. £0.500 million in 2024/25 rising to £1.000 million by 2028/29.

### Central Budgets

- Over the next three years net borrowing costs are forecast to remain fairly constant at around 3% of the net Revenue Budget and other Central budget costs are not expected to change significantly

### Council Tax

- Council tax setting assumptions are based on a 2.99% increase and forecast movements in the taxbase.

### NNDR

- Removal of Negative RSG Grant and the Business Rates reset continue to be delayed; when implemented they are likely to have the effect of negating the benefit of forecast business rates growth over the MTFP period.

### Use of Reserves & Grants

- While the 2023/24 budget is based on nil use of funds from the General Fund Balance Reserve, it does require a one-off call of £0.484m from the Government Funding Risks Reserve (for Housing Benefit subsidy reduction) and £0.493m from the IT Strategy Reserve. The ongoing

requirement for this funding will be assessed as part of service & financial planning over coming months.

- Government grant funding that is being used to help fund the net budget requirement in 2023/24 include: Services Grant (£0.093m); New Homes Bonus (£1.034m) and Minimum Funding Guarantee Grant (0.803m). These are expected to continue.

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

Nevertheless this Council remains in a relatively strong position compared to the small number of councils that are now in serious difficulty; in particular those that are having to issue Section 114 notices due to inability to set a legal balanced budget.

Factors that underpin this Council's strength include:

- Healthy Revenue Reserve balances to help mitigate budget risks;
- A relatively low borrowing requirement and no long term external debt at present; and
- Effective corporate governance to ensure compliance with local government financial regulations and maintain effective control of spending.

## 13. Capital Investment Strategy

The latest Capital Investment Strategy is being reported to Executive in July 2023 and sets out a framework for funding and investment decisions in respect of capital assets, in the context of our vision and priorities and available financial resources.

It builds on the Capital Strategy that was approved as part of the Treasury Management Strategy 2024/25 in June 2023.

The Capital Investment Strategy demonstrates that the Council makes capital expenditure and investment decisions in line with service objectives and takes account of stewardship, value for money, prudence, sustainability and affordability.

It sets out the long-term context in which capital expenditure and investment decisions are made, and takes into account to both risk and reward and impact on the achievement of priority outcomes.

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

- **Service objectives** – the capital spending plans should be consistent with the Corporate Plan;
- **Stewardship** of assets – as demonstrated by our asset management planning approach;
- The **value for money** offered by investment plans – as demonstrated by the appraisal of the options;

- The **prudence and sustainability** of investment plans – their implications for external borrowing;
- The **affordability** of capital investment plans – the implications for the council tax; and
- The **practicality** of capital expenditure plans – whether the forward plan is achievable.

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

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

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

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

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

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

### **Capital Programme**

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

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

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

- To maintain a five-year rolling Capital Programme which remains within the approved affordable, sustainable and prudential limits;

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

### Capital Programme 2023/24 to 2027/28

The Council forecasts its Capital Programme over a 5-year period and the latest position is set out below as reported to Executive in January 2023 plus unspent balances brought forward from 2022/23. The planned use of resources is in line with the Medium-Term Financial Plan.

Additional detail is set out in the Capital Investment Strategy reported to Executive in July 2023.

#### Capital Programme

The current Capital Programme is summarised below (details at Appendix 3.1)

Table 11: CAPITAL PROGRAMME by SERVICE	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total £m
	BFWD	Projected	Projected	Projected	Projected	Projected	
	£m	£m	£m	£m	£m	£m	
<b>ORGANISATION SERVICES:</b>							
Property Services	6.383	1.419	1.307	0.909	1.597	0.089	<b>11.704</b>
IT Services	-	0.260	0.250	0.200	0.200	0.200	<b>1.110</b>
Organisational Development	-	0.250	0.250	-	-	-	<b>0.500</b>
Environmental Strategy	0.236	-	-	-	-	-	<b>0.236</b>
<b>PEOPLE SERVICES:</b>							
Housing	7.444	1.412	1.419	1.419	1.419	1.419	<b>14.532</b>
Leisure & Culture	0.064	0.100	0.100	0.100	0.100	0.100	<b>0.564</b>
Community Partnerships	0.108	-	-	-	-	-	<b>0.108</b>
<b>PLACE SERVICES:</b>							
Neighbourhood Operations	1.659	0.897	0.996	1.177	0.902	3.853	<b>9.484</b>
Place Delivery	8.222	-	-	-	-	-	<b>8.222</b>
<b>TOTAL APPROVED CAPITAL PROGRAMME</b>	<b>24.116</b>	<b>4.338</b>	<b>4.322</b>	<b>3.805</b>	<b>4.218</b>	<b>5.661</b>	<b>46.460</b>

#### Future Capital Investment Plans

In addition the Council has previously committed to invest:

- Up to £63.280 million in Commercial income-generating assets; and



- Up to £30.00 million in Housing projects; with £1.050 million committed to date for Temporary Accommodation acquisitions part-funded from the Housing Delivery Revenue Reserve.

Projects will be added to the Capital Programme as new business cases are approved.

### Capital Programme Funding

Sources of funding for the Capital Programme are summarised below:

Table 12: CAPITAL PROGRAMME FUNDING	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total £m
	BFWD	Projected	Projected	Projected	Projected	Projected	
	£m	£m	£m	£m	£m	£m	
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>24.116</b>	<b>4.338</b>	<b>4.322</b>	<b>3.805</b>	<b>4.218</b>	<b>5.661</b>	<b>46.460</b>
<b>FUNDED BY:</b>							
Capital Reserves	-	-	-	-	-	-	-
Capital Receipts	-	35.824	-	-	-	-	<b>35.824</b>
Capital Grants & Contributions	6.254	1.408	1.408	1.408	1.408	1.408	<b>13.294</b>
Earmarked Reserves – Housing Delivery Strategy	1.160	-	-	-	-	-	<b>1.160</b>
Prudential Borrowing	16.703	(32.894)	2.914	2.397	2.810	4.253	<b>(3.817)</b>
<b>TOTAL CAPITAL FUNDING</b>	<b>24.116</b>	<b>4.338</b>	<b>4.322</b>	<b>3.805</b>	<b>4.218</b>	<b>5.661</b>	<b>46.460</b>

Key sources of capital funding:

Table 13: CAPITAL PROGRAMME FUNDING	
Capital Reserves	<ul style="list-style-type: none"> <li>• Previously the Council benefitted from access to significant capital Reserves following the sale of its housing stock. Over recent years these Reserves have been utilised to invest in the capital programme. The remaining balance was nil at March 2023.</li> </ul>
Capital Receipts	<ul style="list-style-type: none"> <li>• Sale of capital assets results in a capital receipt that can be used to invest in new capital assets or to repay prudential borrowing.</li> <li>• The main source of capital receipts over the duration of this Capital programme relate to delivery of major schemes including the Marketfield Way (The Rise) redevelopment. These capital receipts have been factored into forecast funding requirements.</li> <li>• Flexible use of capital receipts – there are no current plans for use of this funding option.</li> </ul>
Capital Grants & Contributions	<ul style="list-style-type: none"> <li>• Forecasts of the future grant funding allocation for Disabled Facilities works have been updated to reflect forecast allocations.</li> <li>• They also include the Council's share of Section 106 and CIL funding.</li> <li>• Revenue funding equivalent to the historic New Homes Bonus grant allocation up to 2020/21 has previously been allocated to support implementation of the Housing Delivery Strategy.</li> </ul>

<b>Table 13: CAPITAL PROGRAMME FUNDING</b>	
Prudential Borrowing	<ul style="list-style-type: none"> <li>• The primary source of long-term funding for the Capital Programme is now prudential borrowing, primarily from the Public Works Loans Board (PWLB).</li> <li>• Loans are managed through the approved Treasury Management Strategy and policies.</li> <li>• Interest on borrowing is paid to the PWLB and charged to the annual revenue budget along with the Minimum Revenue Provision that is necessary to set aside funds for eventual repayment of the loan principal. These costs have to be taken into account when setting a balanced Revenue Budget.</li> <li>• There are increasing restrictions on the type of capital expenditure that is eligible for prudential borrowing. Borrowing to fund investment solely for commercial gain is no longer permitted.</li> </ul>
Revenue Budget Contributions	<ul style="list-style-type: none"> <li>• There is no expectation that significant capital expenditure will be funded from the revenue budget in 2023/24.</li> </ul>

### **Revenue Budget Impact of Capital Spending**

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

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

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

### **Capital Programme – Policy on Capitalisation of Salaries.**

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

## **14. Treasury Management & The Prudential Code**

CIPFA defines treasury management as:

*“The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*

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

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

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

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

### **The Prudential Code**

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

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

- Confirms councils' power to borrow – which in the medium term must only be for capital purposes, while short-term borrowing can be for cash flow purposes;
- Makes it clear that, as previously, councils may not mortgage assets;
- Places a duty on councils not to exceed their prudential borrowing limits, or any national limits imposed by central government;
- Places a duty on councils to determine – and review – their own borrowing limits in accordance with the Prudential Code;

- Gives the Government a reserve power to impose borrowing limits that would override councils' own borrowing limits for national economic reasons;
- Makes it clear that credit arrangements should be treated as borrowing under the prudential system; and
- Confirms that councils may invest both for the prudential management of their financial affairs and for purposes relevant to their functions.

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

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

Other key changes that have been implemented in 2024/25 onwards include:

- The inclusion of proportionality as an objective, so that an authority incorporates an assessment of risk against levels of resources;
- Clarifications to better define commercial activity and investment;
- Quarterly performance reporting; and
- The introduction of the Liability Benchmark as a new Treasury Management indicator.

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

## 15. Medium Term Financial Plan Risks & Sensitivities

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

### **SR2: Financial Sustainability**

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

A summary of the mitigating actions is set out at Appendix 6.

### **Operational Risk Register – Budget-Setting**

The principles and assumptions contained within this MPFP are aimed at ensuring that the Council is financially sustainable and continues to deliver high quality services.

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

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

<b>Table 14: BUDGET RISKS</b>			
<b>Perceived Risk</b>	<b>Impact</b>	<b>Likelihood</b>	<b>Preventative Action</b>
Failure to remain up to date with changes in relevant legislation, regulations and guidance	High	Low	Ensure that all relevant information is taken into account when producing MTFP and budget forecasts.
Changes in legislation affecting the scope of services and the cost of carrying them out	Medium	Medium	Maintain regular contact with Heads of Service regarding developments that have potential financial implications.
Local Government Financial Settlement worse than forecast	High	Medium	Model a range of MTFP and budget scenarios and strategies.
Outdated MTFP assumptions Significant variations due to economic factors	High	Low	Regularly review and update assumptions.
Inaccurate budget assumptions	High	Medium	Regularly review and update assumptions.
Unexpected financial events	High	Medium	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks.
Deliverability of new income streams against forecast timescales	High	Medium	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks.
Demographic and demand-led pressures	Medium	Medium	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks.
Reduction in existing fees & charges income	Medium	Low	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks.
Contract risks e.g. contractor viability, non-delivery	Medium	Low	Regular in-year budget forecasting, monitoring and reporting. Take action where adverse forecasts are identified. Regular reviews of key financial risks.

<b>Table 14: BUDGET RISKS</b>			
<b>Perceived Risk</b>	<b>Impact</b>	<b>Likelihood</b>	<b>Preventative Action</b>
			Maintain regular contact with Heads of Service regarding developments that have potential financial implications.
COVID-19 risks	Low	Low	Legacy impacts of the pandemic have been addressed during budget-setting for 2022/23 onwards.
Commercial Risks	High	High	Treasury management budget forecasts include assumptions regarding the accrued interest on loans to the council's companies. If the companies cannot repay their loans the sums outstanding and accrued interest will have to be written off (if not covered by sale of company assets). These risks are already reflected in the annual statement of accounts where the expected credit loss is calculated and balances are impaired.
Inflation Risks	High	High	Budget setting for 2024/25 will have to take into account the actual and forecast impacts of price inflation on pay, supplies & services, energy & fuel and contract costs.

### **Sensitivity Analysis**

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

<b>Table 15: SENSITIVITY</b>	<b>Change</b>	<b>Estimated Annual Impact on Budget Requirement Increase / (Decrease) £000</b>
Council Tax/Taxbase		(163)
Business Rates Income	+1%	(40)
Staff Costs		276
Non-Pay Costs		127
Fees & Charges		(173)

### **Budget Uncertainties & Risks**

While the approved budget for 2023/24 is robust, there remain, a number of uncertainties and risks to be addressed over the medium-term which are set out below.

The Economy:

- Economic slowdown nationally or globally could result in lower income (through - for example - reduced discretionary spending or lower than anticipated recycle prices) and increases in demand (benefits and statutory duties such as homelessness);
- A reduction in the number of businesses in the Borough will have an impact on retained Business Rates income; and
- The escalating rate of inflation remains a concern.

#### Future Government Funding:

- The outcome of the Fair Funding Review and Business Rates reset along with the end of Negative RSG Grant;
- The planned end of New Homes Bonus over coming years; and
- The Homelessness Reduction Act which requires Councils to provide more support to homeless people and people at risk of becoming homeless. The Government has committed ring-fenced funding towards this duty but there remains a question mark over the longer term.

#### Revenue Budget Savings and Income Generation:

- Following the significant budget reductions in recent years, it has become increasingly difficult to generate additional ongoing savings. If the Council is to deliver financial sustainability, then we will need to continue efforts to become a more commercial organisation and fully explore income generating opportunities involving, for example, property investment, partnership working and providing services for other organisations. However Government and CIPFA guidance on 'borrowing in advance of need' limits some of the options that may otherwise have been considered to deliver new commercial income streams; and
- Excellent progress has been made over the past year to fill several of the Council's longstanding void commercial properties. This has the dual benefit of maintaining rental income levels and also avoiding having to fund the costs of managing empty buildings (energy, rates, insurance, etc). However there is likely to always be periods of time when some units are vacant.

#### Corporate Plan 2025:

- The Corporate Plan sets out the Council's vision and objectives over the medium term and will enable it to target its resources in the most efficient and effective way.

The main challenge, as ever, will be balancing our ambitions as a high performing council with our ability to resource those ambitions. The prioritisation of services like Housing Delivery and Environmental Sustainability will place new demands on existing resources. A combination of careful stewardship and an innovative approach to service delivery will be required to ensure that we achieve our goals.

#### Service Budget Risks:

- Despite significant improvements in recent years the **Pension Fund** remains a risk over the longer term as future economic downturns may impact on the

value of Fund investments and liabilities leading to increases in the cost of the employer contribution;

- Proposals set out in the Government's **Waste & Resources Strategy**, are still anticipated to be introduced via secondary legislation following enactment of the Environment Bill and this was confirmed in the Settlement announcement in December 2022. The Strategy will set out how the Government intends to preserve material resources by minimising waste, promoting resource efficiency, and moving towards a circular economy.

Three key measures from the Strategy are proposed:

- Invoke the 'polluter pays' principle and extend producer responsibility (EPR) for packaging;
- Introduce a deposit return scheme (DRS) for drinks containers, to reward people for bringing back bottles and encourage them not to litter their empties; and
- Improve recycling rates by ensuring consistency in household and business recycling.

These measures will have a considerable impact on local authorities, particularly consistency in recycling, which will affect how kerbside recycling services are delivered in the near future.

Timescales are subject to confirmation when the outcome of consultation is known.

Recycling budgets are also currently experiencing significant volatility due to rapid pricing changes. There are times when the Council generates an income from recyclates while at others it has to pay to dispose of the same waste. This makes future budget planning challenging;

- **Housing Benefit** subsidy and funding remain a concern: £0.564 million budget growth was required in 2023/24 to fund the reduction in housing benefit subsidy and grants from Government (DWP). There are several reasons why this funding is forecast to reduce including the continued transition of claims to Universal Credit, increased costs of supported housing claims for exempt accommodation and increased cost of discretionary housing payments;
- **Homelessness Prevention** remains a very volatile area of activity that is challenging to forecast and budget.

Several posts that are currently funded through calling on the Homelessness Prevention grant that is held in an Earmarked Reserve. They comprise:

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

The 2023/24 Homelessness Prevention grant allocation of £0.686 million was confirmed in December 2022. This has been transferred to an earmarked Reserve until called upon to fund related expenditure. While there is currently sufficient grant funding available for these posts to continue in 2023/24 there always remains a risk that the grant may cease and a decision would be



required whether to continue to fund these posts through the Revenue budget as part the service & financial planning process.

- Other posts that are funded fully or in part from **fixed term resources** include:
  - Community Partnerships 1.0 FTE £0.044m East Surrey Heartlands NHS
  - Community Partnerships 0.4 FTE £0.018m Surrey County Council
  - Economic Prosperity 1.0 FTE £0.034m DWP
  - Leisure & Culture 4.3 FTE £0.157m Refugee Support Grant
  - Leisure & Culture 3.0 FTE £0.131m East Surrey Partnership
  - Place Delivery 1.0 FTE £0.071m Section 106 funding
  - Planning & Development 2.0 FTE £0.087m CIL
- As reported to Executive in October 2022, work on preparing the **Local Plan** will require the allocation of funding from the Corporate Plan Delivery Fund in 2022/23 onwards as the details and timings are confirmed. It is also anticipated that work on the Council's response to the Development Consent Order relating to Gatwick airport expansion will also require the allocation of funding from the Corporate Plan Delivery Fund in 2022/23 onwards as the details and timings are confirmed. During 2024/25 consideration will also have to be given to funding this authority's responsibilities as a planning authority and landowner under the Government's **Biodiversity Net Gain** strategy;
- The 2023/24 budget does not include any specific funding implications arising from implementation of other **strategies** that are currently in development. The financial implications will be considered as part of service and financial planning for 2024/25.

Financial Sustainability Programme Delivery:

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

COVID-19 Pandemic

- The legacy impacts of the pandemic have been addressed during budget setting for 2023/24 and are no longer considered to pose a financial significant risk.

### **MTFP and Budget Monitoring and Review**

An updated MTFP forecast will be reported as part of the draft Budget report in November and the final Budget proposals in January.

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

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

## 16. Budget Equalities Impact Assessments

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

## 17. Budget Scrutiny

Savings and growth proposals will be considered by the Budget Scrutiny Panel of the Overview & Scrutiny Committee in November 2023. The conclusions and recommendations of the Panel and the Committee are reported to the Executive

## 18. Consultation

As part of the budget setting process, public consultation will be undertaken and budget proposals will also be circulated to the business community via the monthly Business e-bulletin.

Comments received will be reported to the Executive and taken into account in agreeing the final budget.

## 19. Service & Financial Planning Process and Timetable 2024/25

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

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

Revenue Budget Report

Produced on an annual basis – draft in November and final in the following January. It sets out the plan for setting and managing a balanced budget for the following financial year.

It is here that the detailed decisions on revenue and capital expenditure are presented, including proposed budget savings and growth. The recommended Budget is supported by operational budget detail that forms the basis for in-year budget monitoring and management.

Capital Programme	Sets out capital expenditure plans over the medium term. This is aligned with the Revenue Budget where it results in borrowing and operating costs and/or income streams.
Capital Investment Strategy	Updated on an annual basis and sets out the framework for investing in capital assets over the medium term. Objectives: <ul style="list-style-type: none"> <li>• Ensure capital expenditure contributes to the achievement of the Council's organisational strategy</li> <li>• Set a Capital Programme which is affordable and sustainable</li> <li>• Maximise the use of assets</li> <li>• Provide a clear framework for decision making and prioritisation relating to capital expenditure and funding</li> <li>• Establish a corporate approach to the review of asset utilisation</li> </ul>
Treasury Management Investment Strategy.	Sets out the approach to managing the cash available to the Council and how to maximise its value. Also sets out the Council's investment and borrowing arrangements and controls.
Reserves Policy	Sets out the reasons for holding reserves and how they will be used, including financial limits where appropriate. The Policy is attached at Appendix 4.1.
Fees & Charges Policy.	Sets out a corporate view of the fees and charges levied by the Council for consideration each year. The Policy is attached at Appendix 5.
Council Tax Taxbase	Approved by Full Council in December each year
Annual Council Tax Report	Approved by Full Council in February each year

### **Service & Financial Planning Objectives**

The objectives for service & financial planning each year are to:

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

## Service & Financial Planning Timetable

The timetable for Service & Financial Planning 2024/25 is set out at Appendix 7.

## 20. CIPFA Financial Management (FM) Code

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

The CIPFA FM Code was introduced April 2021 and work was undertaken as part of 2023/24 budget-setting to review compliance with the Principles and Standards in the Code and to identify any actions required to address any gaps identified.

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

The Code has several components, comprising:

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

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

- Organisational leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture;
- Accountability – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs;

- Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making;
- Adherence to professional standards is promoted by the leadership team and is evidenced;
- Sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection; and
- The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

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

<b>Table 16: CIPFA FINANCIAL MANAGEMENT STANDARDS</b>	
<b>FM Standard Reference</b>	
<b>Section 1: The responsibilities of the chief finance officer and leadership team</b>	
<b>A</b>	The leadership team is able to demonstrate that the services provided by the authority provide value for money.
<b>B</b>	The authority complies with the CIPFA <i>Statement on the Role of the Chief Finance Officer in Local Government</i> .  <u>Areas for Development:</u> <ul style="list-style-type: none"> <li>• Finance team development now that all permanent vacancies are filled</li> </ul>
<b>Section 2: Governance and financial management style</b>	
<b>C</b>	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.
<b>D</b>	The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).
<b>E</b>	The financial management style of the authority supports financial sustainability.
<b>Section 3: Long to medium-term financial management</b>	
<b>F</b>	The authority has carried out a credible and transparent financial resilience assessment.  <u>Areas for Development:</u> <ul style="list-style-type: none"> <li>• Annual MTFP review and reporting, including financial risks assessment</li> <li>• Implementation of the Financial Sustainability Programme</li> <li>• Response to observations arising from internal audit reviews of Financial Resilience</li> </ul>
<b>G</b>	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.

**Table 16: CIPFA FINANCIAL MANAGEMENT STANDARDS**

FM Standard Reference	
	<p><u>Areas for Development:</u></p> <ul style="list-style-type: none"> <li>• Annual MTFP review and reporting, including financial risks assessment</li> <li>• Implementation of the Financial Sustainability Programme</li> </ul>
<b>H</b>	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.
<b>Section 4: The annual budget</b>	
<b>I</b>	<p>The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.</p> <p><u>Areas for Development:</u></p> <ul style="list-style-type: none"> <li>• Annual MTFP review and reporting, including financial risks assessment</li> <li>• Implementation of the Financial Sustainability Programme</li> <li>• Response to observations arising from internal audit reviews of Financial Resilience</li> </ul>
<b>J</b>	The authority complies with its statutory obligations in respect of the budget setting process.
<b>K</b>	The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.
<b>Section 5: Stakeholder engagement and business plans</b>	
<b>L</b>	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.
<b>M</b>	<p>The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.</p> <p><u>Areas for Development:</u></p> <ul style="list-style-type: none"> <li>• Continued development of the Council's business case model and toolkit to ensure it reflects good practice relating to preparation of the financial case</li> </ul>
<b>Section 6: Monitoring financial performance</b>	
<b>N</b>	<p>The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.</p> <p><u>Areas for Development:</u></p> <ul style="list-style-type: none"> <li>• Implementation of internal audit recommendations relating to contract management and procurement</li> </ul>

Table 16: CIPFA FINANCIAL MANAGEMENT STANDARDS	
FM Standard Reference	
O	The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.
<b>Section 7: External financial reporting</b>	
P	<p>The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.</p> <p><u>Areas for Development:</u></p> <ul style="list-style-type: none"> <li>Continued development of the closedown plan and supporting processes to improve the quality and timeliness of the annual accounts</li> </ul>
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.

The main areas for further development during 2023/24 are set out above.

## 21. CIPFA Resilience Index

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

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

- the capacity and capability of the authority, its leadership team and its officers to manage the authority’s finances in a sustainable manner.

The assessment makes reference to the following:

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

The Council’s position on a range of financial measures compared to similar councils is available online through the CIPFA Financial Resilience Index at:

<https://www.cipfa.org/services/financial-resilience-index/resilience-index>.

The most recent snapshot, based on data published at March 2022, is set out below:

<b>Table 17: CIPFA RESILIENCE INDEX INDICATORS</b>	<b>This Council’s Relative Risk Compared to Similar Councils</b>	<b>This Council’s Prospects over the Medium Term</b>
Reserves Sustainability – increase in reserves over recent years	<i>Medium risk compared to the average</i>	Planned use of previously un-allocated reserves (for example for investment in Housing) means that this position has to remain under review
Level of Reserves – compared to the annual revenue budget	<i>Medium risk compared to the average</i>	
Changes in reserves over recent years	<i>Medium risk compared to the average</i>	
Interest payable compared to recent budget	<i>Lower risk than the average</i>	Planned growth in the Capital Programme and associated borrowing means that this position may not be maintained.
Gross external debt	<i>Lower risk than the average</i>	
Fees & Charges - as % of service budgets	<i>Higher risk than the average</i>	Implementation of the new Fees & Charges Policy and planned review is improving the Council’s position against this indicator as it results in new and/or increased sources of income.
Ratio of Council tax contribution to revenue budget	<i>Higher risk than the average</i>	Risk may increase if the budget increases without the ability to levy a proportionate increase in council tax.



Table 17: CIPFA RESILIENCE INDEX INDICATORS	This Council's Relative Risk Compared to Similar Councils	This Council's Prospects over the Medium Term
Funding growth - compared to Government baseline	<i>Increasing risk</i>	This risk is expected to increase as Government funding reduces and the ingoing impacts of the COVID-19 pandemic on income budgets are confirmed.

## 22. Conclusion

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

It is the Council's primary financial planning tool and will form the basis for ongoing discussions throughout service & financial planning for 2024/25.

## **APPENDICES**

1. Revenue Budget 2023/24
2. Medium Term Revenue Budget Forecast 2024/25 to 2028/29
- 3.1 Capital Programme 2023/24 to 2027/28
- 4.1 Reserves Policy
- 4.2 Revenue Reserve Balances
- 4.3 Useable Revenue Reserves
5. Fees & Charges Policy
6. Strategic Financial Risks
7. Service & Financial Planning Timetable

### **GLOSSARY**

## REVENUE BUDGET 2023/24

REVENUE BUDGET 2020/21	Budget 2023/24 £m
ORGANISATION	
Communications & Customer Service	1.170
Finance	1.260
IT	2.396
Legal & Governance	2.259
Organisational Development & HR	0.733
Corporate Policy, Projects & Performance (incl. environmental sustainability)	0.532
Property & Commercial	0.431
PLACE	
Economic Prosperity	0.288
Neighbourhood Services	4.803
Place Delivery	0.334
Planning	0.693
PEOPLE	
Community Partnerships	1.306
Housing	0.898
Revenues, Benefits & Fraud	2.161
Leisure & Culture	0.408
SENIOR MANAGEMENT TEAM	0.946
<b>SERVICE BUDGETS TOTAL</b>	<b>20.618</b>
CENTRAL BUDGETS	2.576
<b>NET EXPENDITURE 2020/21</b>	<b>23.194</b>
Council Tax	16.293
National Non-Domestic Rates	3.994
Other Un-ringfenced Grants	1.930
Grants transferred to Reserves	0.686 (0.686)
Call on Earmarked Reserves	0.977
<b>NET SOURCES OF INCOME 2020/21</b>	<b>23.194</b>
<b>BUDGET GAP</b>	<b>NIL</b>

## MEDIUM TERM REVENUE BUDGET FORECAST 2024/25 to 2028/29

MEDIUM TERM REVENUE BUDGET FORECAST	Approved Budget 2023/24 £m	Cumulative Impact 2024/25 £m	Cumulative Impact 2025/26 £m	Cumulative Impact 2026/27 £m	Cumulative Impact 2027/28 £m	Cumulative Impact 2028/29 £m
<b>Current Year Budget Requirement</b>	<b>23.194</b>					
Service Budgets – Pay Increase		1.750	4.000	6.250	8.500	9.500
Service Budgets – net additional growth / savings / income		(0.500)	(0.750)	(1.000)	(1.000)	(1.000)
Central Budgets – net additional growth / savings / income		-	-	-	-	-
<b>Service &amp; Central Budgets</b> Other growth, savings and income proposals		TBC during service & financial planning				
<b>Council Tax</b> 2.99% increase plus forecast taxbase increase		(0.710)	(1.376)	(2.069)	(2.789)	(3.509)
<b>Business Rates (NDR)</b> Latest Forecast		1.519	(0.049)	-	(0.100)	(0.054)
<b>Grants and Reserves</b> Net change in call on Grants and Reserves		-	-	-	-	-
<b>Forecast Gap Compared to Current Budget</b>	<b>nil</b>	<b>2.059</b>	<b>1.825</b>	<b>3.181</b>	<b>4.611</b>	<b>4.937</b>
Annual Increase in Gap		2.059	(0.234)	1.356	1.430	0.326
Gap as % of current budget requirement		8.9%	7.9%	13.7%	19.9%	21.3%

## CAPITAL PROGRAMME 2023/24 to 2027/28

CAPITAL PROGRAMME - DETAILS							
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total £m
	BFWD	Projected	Projected	Projected	Projected	Projected	
	£m	£m	£m	£m	£m	£m	
<b>ORGANISATION SERVICES</b>							
<b>STRATEGIC PROPERTY</b>							
<b>Rolling Property Maintenance Programmes</b>							
Forum House, Brighton Road Redhill	0.270	0.150	0.150	0.100	0.100	-	<b>0.770</b>
Beech House, London Road Reigate	3.000	-	-	-	-	-	<b>3.000</b>
Unit 61E Albert Road North	0.074	0.012	0.012	0.012	0.075	-	<b>0.184</b>
Regent House, 1-3 Queensway Redhill	0.175	0.090	0.090	0.075	0.090	-	<b>0.520</b>
Linden House, 51B High Street Reigate	-	0.012	0.012	0.012	0.015	-	<b>0.050</b>
Units 1-5 Redhill Distribution Centre Salfords	0.115	0.017	0.017	0.017	0.025	-	<b>0.191</b>
Crown House	0.285	0.075	0.075	0.075	0.075	-	<b>0.585</b>
Tenanted Properties	0.167	0.100	0.100	0.100	0.100	-	<b>0.567</b>
Tenanted Property Assets	0.135	0.076	0.076	0.050	0.076	-	<b>0.413</b>
Operational Buildings	0.370	0.095	0.080	0.069	0.080	-	<b>0.694</b>
Priory Park	0.223	0.010	0.030	0.010	0.050	-	<b>0.323</b>
Public Conveniences	0.021	0.010	0.020	0.010	0.095	-	<b>0.156</b>
Infrastructure (walls)	0.031	0.010	0.060	0.010	0.020	-	<b>0.131</b>

<b>CAPITAL PROGRAMME - DETAILS</b>							
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total £m
	BFWD	Projected	Projected	Projected	Projected	Projected	
	£m	£m	£m	£m	£m	£m	
Allotments	0.042	0.012	0.022	0.012	0.012	-	<b>0.100</b>
Cemeteries & Chapel	0.080	0.020	0.040	0.020	0.020	-	<b>0.180</b>
Pavilion Replacement - Woodmansterne	0.020	-	-	-	-	-	<b>0.020</b>
Leisure Centre Maintenance	0.159	0.190	0.030	0.036	0.175	-	<b>0.590</b>
Existing Pavilions Programme	0.097	0.050	0.050	0.050	0.150	-	<b>0.397</b>
Car Parks Capital Works Programme	0.563	0.195	0.170	0.080	0.075	-	<b>1.083</b>
Earlswood Depot/Park Farm Depot	0.061	0.020	0.020	0.020	0.050	-	<b>0.171</b>
Community Centres Programme	0.081	0.067	0.065	0.032	0.125	-	<b>0.370</b>
Harlequin Property Maintenance	0.270	0.120	0.100	0.030	0.100	-	<b>0.620</b>
Building Maintenance - Capitalised Staff Costs	0.028	0.028	0.028	0.028	0.028	0.028	<b>0.168</b>
Massetts Road Accommodation Works	0.021	0.021	0.021	0.021	0.021	0.021	<b>0.126</b>
Temporary & Emergency Accommodation Works	0.095	0.040	0.040	0.040	0.040	0.040	<b>0.290</b>
<b>Total</b>	<b>6.383</b>	<b>1.419</b>	<b>1.307</b>	<b>0.909</b>	<b>1.597</b>	<b>0.089</b>	<b>11.704</b>
<b>IT SERVICES</b>							
ICT Replacement Programme	-	0.200	0.250	0.200	0.200	0.200	<b>1.050</b>
Replacement Printers and Photocopiers	-	0.060	-	-	-	-	<b>0.060</b>
<b>Total</b>	<b>-</b>	<b>0.260</b>	<b>0.250</b>	<b>0.200</b>	<b>0.200</b>	<b>0.200</b>	<b>1.110</b>
<b>ORGANISATIONAL DEVELOPMENT</b>							



<b>CAPITAL PROGRAMME - DETAILS</b>							
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total £m
	BFWD	Projected	Projected	Projected	Projected	Projected	
	£m	£m	£m	£m	£m	£m	
<b>COMMUNITY PARTNERSHIPS</b>							
CCTV	0.105	-	-	-	-	-	<b>0.105</b>
UKSPF - Digital Connectivity for Local Community Facilities	0.003	-	-	-	-	-	<b>0.003</b>
<b>Total</b>	<b>0.108</b>	-	-	-	-	-	<b>0.108</b>
<b>PLACE SERVICES</b>							
<b>NEIGHBOURHOOD OPERATIONS</b>							
<b>Rolling Maintenance Programmes</b>							
Vehicle Wash Bay Replacement	0.350	-	-	-	-	-	<b>0.350</b>
Vehicles & Plant	1.022	0.582	0.681	0.837	0.562	3.668	<b>7.352</b>
Play Areas Improvement	-	0.230	0.230	0.230	0.230	0.100	<b>1.020</b>
Air Quality Monitoring Equipment	-	0.040	0.040	0.065	0.065	0.040	<b>0.250</b>
Parks & Countryside – Infrastructure & Fencing	-	0.045	0.045	0.045	0.045	0.045	<b>0.225</b>
Workshop Refurbishment	0.160	-	-	-	-	-	<b>0.160</b>
Contribution to Surrey Transit Site	0.127	-	-	-	-	-	<b>0.127</b>
<b>Total</b>	<b>1.659</b>	<b>0.897</b>	<b>0.996</b>	<b>1.177</b>	<b>0.902</b>	<b>3.853</b>	<b>9.484</b>
<b>PLACE DELIVERY</b>							
Marketfield Way Redevelopment	5.575	-	-	-	-	-	<b>5.575</b>
Horley Public Realm Improvements - Phase 4	0.565	-	-	-	-	-	<b>0.565</b>



<b>CAPITAL PROGRAMME - DETAILS</b>							
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total £m
	BFWD	Projected	Projected	Projected	Projected	Projected	
	£m	£m	£m	£m	£m	£m	
Merstham Recreation Ground	1.465	-	-	-	-	-	<b>1.465</b>
Redhill Public Realm Improvements	0.030	-	-	-	-	-	<b>0.030</b>
Pay-on-Exit Car Parking, Horley	0.046	-	-	-	-	-	<b>0.046</b>
Preston - Parking Improvements	0.542	-	-	-	-	-	<b>0.542</b>
<b>Total</b>	<b>8.222</b>	-	-	-	-	-	<b>8.222</b>
<b>TOTAL APPROVED CAPITAL PROGRAMME</b>	<b>24.116</b>	<b>4.338</b>	<b>4.322</b>	<b>3.805</b>	<b>4.218</b>	<b>5.661</b>	<b>46.460</b>

## RESERVES POLICY

### Introduction

The establishment, monitoring and review of the levels of reserves and balances are an important element of the Council's financial management systems and financial standing.

The Chief Finance Officer (Section 151 Officer) is required by law to formally report to the Council their opinion on the adequacy of the Council's reserves. Irrespective of this, a well-managed authority is clear about the reserves it needs now and, in the future, to support its service aspirations, while at the same time delivering value for money within a climate of significant resource pressure and economic/social risk.

This Policy does not cover non-distributable reserves required to support financial accounting transactions e.g. the Revaluation Reserve, Capital Adjustment Account and Pension Reserve. (Non-distributable reserves are those that cannot be used for revenue or capital purposes.)

Reserves can be held for four reasons:

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

Such reserves are generally referred to as Earmarked Revenue Reserves.

### What are Reserves?

There is no clear definition of reserves even though reference is made to reserves in legislation. The Chartered Institute of Public Finance and Accountancy (CIPFA) states 'amounts set aside for purposes falling outside the definition of provisions should be considered as reserves.' Provisions are required for any liabilities of uncertain timing or amount that have been incurred.

Generally there are two types of reserves, those that are available to meet revenue or in some cases capital expenditure (Useable) and those that are not available to finance revenue or capital expenditure (Unuseable). Useable reserves result from events that have allowed monies to be set aside, surpluses or decisions causing anticipated expenditure to have been postponed or cancelled. They can be spent or earmarked at the discretion of the Council.

The Council must manage its reserves in accordance with its strategic longer-term planning process.

Policy principles:

- The General Fund Balance will be maintained at a minimum of 15% of the net Revenue Budget to cover any major unforeseen expenditure;
- Earmarked revenue reserves will be maintained for specific purposes that are consistent with achieving Corporate Plan priorities and/or where they are required to account separately for Government funding streams;
- Reserves must only be used to fund one-off expenditure;
- Recurring expenses may only be funded from reserves if plans are in place to fund the ongoing costs and replenish the reserve within 12 months;
- Unplanned revenue income receipts will be held in a reserve pending future decisions as to their use; and
- We aim to balance the Revenue Budget over the period of the MTFP without reliance on the use of reserves.

**July 2023**

## REVENUE RESERVE BALANCES 2023/24

	Balance £m	Purpose
General Fund Balance	<b>£3.500</b>	Acts as a buffer against unpredicted budget pressures. The minimum level required is £3.5 million

Earmarked Revenue Reserves	Balance £m	Purpose
Housing Delivery Strategy Reserve	17.920	Established to support delivery of the Council's Housing Delivery Strategy. Funded from the equivalent of the balance on historic New Homes Bonus grant allocations.
Capital Schemes Feasibility Studies Reserve	1.527	Established to ensure that funding is available to prepare business cases and obtain external professional advice for new initiatives designed to deliver new sustainable commercial income streams.
Homelessness Prevention	1.314	Established to account separately for the funding set aside for homelessness prevention.
Government Funding Reduction Risks Reserve	0.999	Earmarked for the purpose of mitigating the planned reduction in Government funding pending delivery of new sustainable income streams.
Corporate Plan Delivery Fund (CPDF)	0.978	Provides time-limited funding to deliver key priorities, Corporate Plan objectives and invest-to-save initiatives, including investment in new technology.
Commercial Risks & Volatility Reserve	2.438	Earmarked for the purpose of mitigating the impacts of delays in delivery of new sustainable commercial income streams.
Economic Development Initiatives Reserve	0.632	Established to fund initiatives to raise awareness amongst local people of quality local employment opportunities.
IT Strategy Reserve	0.624	Established to support implementation of the new IT Strategy.
Insurance Reserve	0.500	Provides cover against uninsured losses.
Feasibility Studies (Infrastructure Initiatives) Reserve	0.250	Established to fund the Council's contribution to councils in Surrey collectively funding the development of infrastructure feasibility studies so that bids can be made for full project funding when bidding rounds become available.
COVID-19 – Council Tax Hardship Funding	0.241	Unused funding brought-forward for use in future years.

<b>Earmarked Revenue Reserves</b>	<b>Balance £m</b>	<b>Purpose</b>
Family Support Programme	0.239	Established to carry-forward unused funding for use in future years.
Environmental Sustainability Reserve	0.170	Established to fund Investment in delivery of the Environmental Sustainability Strategy.
Economic Pressures Reserve	0.150	New – established as part of budget-setting for 2023/24 to provide additional discretionary support.
Economic Pressure	0.150	Established during budget setting for 2023/24 to help fund discretionary support to residents
Pension Reserve	0.142	Established to set aside funds in anticipation of the next Pension Fund Revaluation.
Revenues & Benefits Fraud Prevention Reserve	0.106	Established to hold funds recovered following successful prosecutions
Contaminated Land Investigation Works Reserve	0.100	Established to fund costs that were previously capitalised where capitalisation is no longer an option
Contaminated Land	0.100	Established during budget setting for 2023/24 to fund costs that were previously capitalised where capitalisation is no longer an option
COVID-Test & Trace Admin Funding	0.100	Unused funding brought-forward for use in future years.
Flood Prevention Works Reserve	0.050	New – established as part of budget-setting for 2023/24 to fund costs that were previously capitalised where capitalisation is no longer an option
Flood Defence	0.050	Established during budget setting for 2023/24 to fund costs that were previously capitalised where capitalisation is no longer an option
Business Engagement Funding Reserve	0.036	Established to carry-forward unused funding for use in future years.
Housing Repossession Prevention Reserve	0.030	Established to fund costs that were previously capitalised where capitalisation is no longer an option
<b>Total Earmarked Revenue Reserves:</b>	<b>£28.846</b>	

<b>Total Reserves</b>	<b>£32.346</b>
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## USEABLE REVENUE RESERVES

USEABLE REVENUE RESERVES	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
General Fund Balance	6.717	8.737	5.912	12.547	12.547	8.949	3.000	3.000	3.500
Earmarked Reserves	10.963	13.485	19.075	21.703	25.042	32.646	38.738	42.596	27.005
<b>Total Reserves</b>	<b>17.680</b>	<b>22.222</b>	<b>24.987</b>	<b>34.250</b>	<b>37.589</b>	<b>41.595</b>	<b>41.738</b>	<b>45.596</b>	<b>32.346</b>
Reserves as a % of the Net Revenue Budget	135.01%	169.70%	190.81%	261.55%	287.05%	255.26%	240.00%	230.28%	139.46%

## FEES & CHARGES POLICY

Our Medium Term Financial Plan (MTFP) sets out our financial objectives to support delivery of the Corporate Plan. These plans remain challenging in the context of an uncertain economic future, cost of living pressures on residents, significantly reduced funding from Government and the move towards more locally-generated income streams.

We need to continue to move towards being financially self-sufficient. Maximising the potential for increased income will be integral to supporting delivery of the MTFP.

Seeking opportunities for income generation is a priority for the Council, alongside broader proposals for the trading and commercialisation of some services, and continuing to delivery high quality and essential services to residents.

This Fees & Charges Policy outlines the key principles to be considered in charging for Council services in a transparent and consistent manner.

### Scope

This Policy applies to the setting and reviewing of all fees and charges for Council services, where the Council has discretion to apply a charge and discretion over the level of charge applied.

The Policy excludes:

- Charges that are determined by Central Government and external regulatory bodies
- Council Tax
- Business Rates
- Property rents
- Any charges where there are legal or contractual reasons for exclusion
- Any charges levied by Trading Companies or other third parties delivering services on behalf of the Council.

### Application

Services should refer to this Policy when reviewing current charges or proposing new charges as part of the service & financial planning process for the forthcoming financial year, and for any other in-year consideration of service charging.

Understanding the relationship between cost and charges is vital when determining charges for services and support and advice should be sought from the Finance team when applying this Policy.

## **Aims and Objectives**

The overarching aim of the Policy is to embed a financially sustainable approach to setting fees and charges. One of the requirements of financial sustainability is to ensure the Council thinks consistently in a business-like manner and clearly articulates the costs and benefits associated with the activities it carries out.

The objectives of the Fees & Charges Policy are:

- To promote efficiency and support the financial sustainability of our business in order to support the MTFP and deliver the Corporate Plan and its supporting strategies and programmes
- To minimise the draw on local taxpayers of discretionary services and promote fairness by fostering a culture where discretionary services are supported largely by users rather than the council tax payer
- To set a clear, flexible and equitable framework of standards and procedures for applying charges and fees to relevant Council services for both individuals and organisations. The level of charge will reflect the cost plus a return where this is permissible/appropriate.
- To meet the aim of being 'business like' through service areas understanding and reviewing the costs and charges for their service areas.

## **Charging and Trading Legislation**

The legislation and case law that governs Councils' ability to charge and generate income is complex. Specific powers to charge for services are contained in a variety of local government statutes.

These include:

- Local Authorities (Goods and Services) Act 1970 – introduced powers for councils to enter into agreement with other Local Authorities and public bodies for the supply of goods and services. Any agreement may contain such terms as to payment or otherwise as the parties consider appropriate.
- Local Government Act 2003 – added further opportunities to the above. This act enables council's to trade in activities related to their functions on a commercial basis and make a profit, which may be reinvested in services, through a trading company.
- Localism Act 2011 – the General Power of Competence (GPC) introduced a power to allow councils to do anything that an individual may do. However, for the purposes of charging, this should not exceed the cost of provision of the service in question, as operating for a commercial purpose (i.e. to make a profit) must be done through a trading company.

## **Standard Charging Principles**

Standard principles will be applied to all fees and charges (within the scope of this Policy) set by the Council. Where a service plans deviate from these principles, the basis and reason for variation will be clearly documented and approved in accordance with the Council's Constitution/scheme of delegation.



Services that have discretion over charging are encouraged to operate more commercially in order to maximise efficiency and reduce dependence on corporate funding support. The ability of services to operate in this way is dependent on services being able to set and amend their charges with a level of flexibility, including consideration of current market rates and demand for the service. The Policy will also make decision making simpler and more timely.

This Policy enables us to apply differential charging, discounting and alternative pricing structures in order to maximise commercial benefit and target service take-up. Individual service areas can vary charge rates on a case by case basis, taking into account relevant market rates and the need to maximise income and operate efficiently.

All fees and charges will:

- Demonstrate how they contribute to the achievement of corporate and service objectives
- Maximise potential income, to support financial sustainability, unless there is an explicit policy decision to subsidise a service
- Take account of the user base and the potential impact on users and service demand of changes to the service
- Be subject to equality impact assessment screening and consultation where appropriate
- Minimise the costs of collection
- Utilise an appropriate and justified charging model
- As a minimum be reviewed for increase annually from 1 April each year in line with Consumer Price Index (CPI) inflation increases (rate published for the preceding July each year)
- Be updated either annually where appropriate following review, or cumulatively at least every 3 years where more frequent change would be disruptive to customers
- Be subject to a full review at least every 3-5 years.

### **Charging Models**

When introducing or reviewing a charge the Council will follow one of three models:

Charge	Definition	Application
Full Cost recovery	<p>Full Cost Recovery is defined in this Policy as the Chartered Institute of Public Finance and Accounts' (CIPFA's) 'total cost' model.</p> <p>When charging 'total cost' the Council is aiming to charge the user the full cost to the Council of providing that service. The 'total cost' to the Council is calculated following CIPFA methodology.</p> <p>The cost of the charge will include, in addition to the direct cost of providing the service, costs such as fair and appropriate proportion of the cost of premises, central services and other overheads</p>	This is the Council's 'default' charging principle.
Direct Cost Plus	<p>As a minimum the Council would recover the direct cost of providing the service plus wherever possible, a contribution to overheads.</p> <p>The level of overhead contribution is an operational decision, and will be dependent upon the particular circumstances and objectives.</p>	<p>This allows flexible pricing decisions to take account of external market conditions. For instance, there are circumstances where setting charges at a level more than full cost recovery may be appropriate (e.g. when trading with other local authorities or public bodies the Council is not limited in the amounts it can charge).</p> <p>This charging model also allows charges to be set below full cost recovery to achieve a particular objective – for example entering into a new market or attracting new business. However, in line with the Standard Charging Principles, the aim will always be to recover the full cost of a service over time.</p>
Subsidised	A subsidised charge requires the Council to contribute to the direct cost of the service. Where the Council is not covering the direct costs of the service, it will require a contribution from the Council. All subsidies will be subject to the approval of the Executive.	<p>This model provides the Council with the option to provide a service with full or partial subsidy. The level of subsidy will be determined by reference to the nature of the service and the rationale for any subsidy for example:</p> <ul style="list-style-type: none"> <li>• providing a public good</li> <li>• encouraging service take up</li> <li>• the user group's ability to pay.</li> </ul> <p>The financial impact of subsidy decisions on the budget will be identified both individually and collectively, and actively managed and reviewed.</p>

### **Authority to Set and Vary Charges**

The decision on charging levels will be based on the relevant charging method: full cost recovery, direct cost plus or subsidised.

All charging decisions must be made in accordance with the Council's Constitution (Budget and Policy Framework, Scheme of Delegation and Financial Procedure Rules) and be able to demonstrate consistency with our strategic priorities, policies and statutory obligations.

The decision to vary charges for existing chargeable services which are not subsidised is an operational decision, which will be taken by the appropriate Director or Head of Service in consultation with the Chief Finance Officer.

### **Publication of Fees and Charges**

The schedule of established Council fees and charges will be published on an annual basis, accompanying the Council's annual budget report. This information will also be made available on the Council's website.

Where it is necessary to change fees or charges during the year, these changes may not be reflected in the published annual schedule, but will be clear to service users at the point of use.

### **Policy Review**

This Policy will be reviewed periodically, taking into account developing Council policies and priorities and any changes in legislation.

**July 2023**

## EXTRACT: STRATEGIC RISK REGISTER STRATEGIC FINANCIAL RISKS

SR2	Financial Sustainability	RED
Description	<p>The effects of the Covid-19 pandemic, coupled with current adverse macroeconomic conditions and the wider local government funding context, have created conditions of unprecedented financial uncertainty and challenge for the Council. The Council is therefore increasingly reliant on generating additional income and identifying savings and efficiencies from existing budgets. If not mitigated, these financial challenges risk an adverse impact on the Council's ability to deliver its Corporate Plan objectives.</p>	
Owner	Portfolioholder	Finance, Governance & Organisation Cllr Lewanski
	Officers	Chief Finance Officer Pat Main
Controls	<p>The Council will continue to ensure that strong financial management arrangements are in place and will continue investment in skills and expertise to support the delivery of the Council's financial and commercial objectives while managing risks.</p> <p>The Medium-Term Financial Plan (MTFP) sets out the forecast budget challenges over the coming five years and forms the basis for service and financial planning, while the Capital Investment Strategy provides an overview of how capital expenditure, capital financing and treasury management activity contributes to the provision of Council services and how associated risk is managed.</p> <p>The budget pressures identified by the MTFP will be addressed by the Council's Financial Sustainability Programme.</p> <p>The Commercial Strategy sets out the commercial activity the Council will consider, provide a framework on option evaluation, and provide the basis on which commercial decision making will be made.</p> <p>The Annual Revenue Budget sets out funding allocations for the current year and confirms officer accountability for ensuring that expenditure and income are managed within limits approved by Members. In year budget monitoring reports confirm compliance with these limits and report any action required to manage budget variances.</p> <p>The Treasury Management Strategy helps ensure that investments achieve target returns within approved security and liquidity limits and that borrowing to fund the Capital Programme is affordable.</p> <p>Internal audit will be utilised to review the approach taken to secure financial sustainability</p>	
Mitigating actions/progress	<p>In addressing its significant financial challenges, the Council has established a Financial Sustainability Programme. The programme will take the form of a series of ambitious initiatives that reduce costs and/or increase income, enabling the Council to set a balanced budget without drawing on reserves. Key to this will be looking at delivering services differently to realise savings, as well as embedding lasting cultural change across the organisation.</p> <p>Accordingly, the programme is premised on the following:</p> <ol style="list-style-type: none"> <li>1. <b>Projects</b> – new ideas and opportunities for generating income and/or making savings.</li> </ol>	

		<p>2. <b>Service and financial planning</b> (2023/24 onwards) – for all budget areas, reviewing the services delivered and the associated budgetary requirements. Ensuring that there is a clear justification for all services delivered and that budgets are set accordingly. Opportunities for delivering services in a different way to unlock savings will also be explored. SR2 Financial sustainability RED</p> <p>3. <b>Fees and charges</b> – carrying out a fundamental review to ensure the full application of the fees and charges policy across the Council.</p> <p>Updates to the programme will be reported to the Overview and Scrutiny Committee and Executive.</p> <p>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.</p> <p>Energy costs have also escalated following the most recent contract renewals and the extent of Government financial support to offset the impacts remains uncertain.</p> <p>This risk will transfer over to the 2023/24 strategic risk register as SR1 ‘Financial Sustainability’.</p>		
Score	Likelihood	More than likely	Direction of Travel	-
	Impact	Significant		
Status		Treat		
Last Update		May 2023		

## SERVICE & FINANCIAL PLANNING TIMETABLE 2024/25

Date	Event	Purpose
June/July 2023	Management Team away day	Consider service position and initial forecasts
	Executive away day	Discuss budget setting priorities and 'direction of travel'
6 July 2023	Overview & Scrutiny	Medium Term Financial Plan Update Capital Strategy Update
13 July 2023	Executive	
September/October 2023	Management Team away day	Consider draft Budget proposals
	Executive away day	Agree draft Budget proposals
16 November 2023	Executive	Agree draft Budget
November 2023 to January 2024	Consultation on draft budget	Consultation in line with constitution to gather feedback
29 November 2023 7 December 2023	Budget Scrutiny Panel Overview and Scrutiny	Review of draft Budget
14 December 2023	Executive	Receive Scrutiny Panel Feedback
25 January 2024	Overview and Scrutiny	Review Final Budget Changes
1 February 2024	Executive	Final Budget and Council Tax proposals
20 February 2024	Full Council	Approve Budget and Council Tax

## GLOSSARY OF TERMS

### **Actuarial Valuation**

An independent report of the financial position of the Surrey Local Government Pension Fund carried out by an actuary every three years. The actuary reviews the pension fund assets and liabilities as at the date of the valuation and makes recommendations such as, employer's contribution rates and deficit recovery period, to the Council.

### **Baseline Funding Level**

The amount of a local authority's start-up funding allocation which is provided through the local share of the estimated business rates aggregate at the outset of the scheme as forecast by the Government. It forms the baseline against which tariffs and top-ups are calculated.

### **Billing Authority**

Reigate & Banstead Council is the Billing Authority with responsibility for calculating the amount to be raised through the council tax in this borough after taking into account the precepts levied by the major precepting authorities.

### **Budget Requirement**

The Council's Revenue Budget after deducting funding streams such as fees and charges and any funding from reserves (excludes council tax and business rates income).

### **Capital Expenditure**

Spend on assets that have a lasting value, for example, commercial investments including land and buildings and large items of equipment such as vehicles. This can also include indirect expenditure in the form of grants or loans to other persons or bodies.

### **Capital Programme**

The Council's plan for future spending on capital projects such as buying land, buildings, vehicles and equipment.

### **Capital Receipts**

Proceeds from the disposal of land or other assets and can be used to finance new capital expenditure; but cannot be used to finance revenue expenditure.

### **Capping**

This is the power under which the Government may limit the maximum level of local authority spending or increases in the level of spending year on year, which it considers excessive. It is a tool used by the Government to restrain increases in council tax.

### **CIPFA**

The Chartered Institute of Public Finance and Accountancy is one of the UK accountancy institutes. Uniquely, CIPFA specialises in the public sector. Consequently, CIPFA holds the responsibility for setting accounting standards for local government.

### **Collection Fund**

A statutory account maintained by the Council recording the amounts collected from council tax and business rates and from which it pays precepts to Surrey County Council, the Police & Crime Commissioner, Towns, Parishes and the Ministry for Housing, Communities and Local Government for business rates.

### **Collection Fund Surplus (or Deficit)**

If the Council collects more or less than it expected at the start of the financial year, the surplus or deficit is shared with the major precepting authorities, Surrey County Council and the Police & Crime Commissioner, in proportion to the respective council taxes. These surpluses or deficits have to be returned to the council taxpayer in the following year through lower or higher council taxes. If, for example, the number of properties or the allowance for discounts, exemptions or appeals vary from those used in the council tax base, a surplus or deficit will arise. From 2013/14 onwards the collection

fund has included business rates income. The business rates surplus or deficit is shared with the Ministry for Housing, Communities and Local Government.

### **Core Spending Power**

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

### **Council Tax Base**

The council tax base for a Council is used in the calculation of council tax and is equal to the number of Band D equivalent properties. To calculate this, we count the number of properties in each band and work out an equivalent number of Band D equivalent properties. The band proportions are expressed in ninths and are specified in the Local Government Finance Act 1992. They are: A 6/9, B 7/9, C 8/9, D 9/9, E 11/9, F 13/9, G 15/9 and H 18/9, so that Band A is six ninths of the 'standard' Band D, and so on.

### **The Council Tax Calculation**

The formal calculation of council tax as presented in the Council Tax Resolution to Full Council in February each year.

### **CPI and RPI**

The main inflation rate used in the UK is the CPI (Consumer Price Index); the Chancellor of the Exchequer bases the UK inflation target on the CPI. The CPI inflation target is currently set at 2%. The CPI differs from the RPI (Retail Price Index) in that CPI excludes housing costs. Also used is RPIX, which is a variation on RPI, which excludes mortgage interest payments.

### **Earmarked Revenue Reserves**

These balances are not a general resource but earmarked by the Council for specific purposes.

### **Financial Procedure Rules**

These are a written code of procedures in the Council's Constitution, which provide a framework for the proper financial management of the authority. They cover rules for accounting and audit procedures, and set out administrative controls over the authorisation of payments, etc.

### **Financial Year**

The local authority financial year commences on 1 April and finishes on the following 31 March.

### **General Fund**

This is the main revenue fund of the local authority; day-to-day revenue budget spending on services is met from this fund.

### **General Fund Balance**

This is the main unallocated reserve that is held to meet any unforeseen budget pressures.

### **Gross Domestic Product (GDP)**

GDP is defined as the value of all goods and services produced within the UK economy.

### **Gross Expenditure**

The total cost of providing Council services, before deducting income from Government or fees and charges for services.

### **Housing Benefit Subsidy**

Local authorities determine and pay applications for housing benefit in accordance with the national scheme and receive a Subsidy grant from Government to fund the costs. The Government is moving to a national scheme of universal credit which includes an element of housing benefit.

### **Individual Authority Business Rates Baseline**

This is derived by apportioning the billing authority business rates baseline between billing and major precepting authorities on the basis of major precepting authority shares.



### **Local Share**

From April 2013, local councils have been allowed to keep a proportion of the business rates they collect from businesses in their area. In most areas, half of business rates will have to be paid over to central government (the 50% scheme), with some piloting 100% business rates retention. Billing authorities continue to collect all of the business rates in their area on behalf of the major precepting authorities and central government. Reigate & Banstead's share of the 50% retained is 40%.

### **Management Budget**

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

### **Minimum Funding Guarantee Grant**

Introduced in the local government finance settlement 2023/24 to help fund the commitment to increase district and borough authorities' Core Spending Power by at least 5%,

### **Net Expenditure**

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

### **National Non-Domestic Rates (NNDR)**

Also known as 'Business Rates', National Non-Domestic Rates are collected by billing authorities including Reigate & Banstead and, up until 31 March 2013 were all paid into a central national pool, then redistributed to authorities according to resident population. From 2013/14 local authorities have retained a 'Local Share', see above, the aim of which is to provide an incentive for councils to help local businesses set up and grow.

### **New Homes Bonus**

Under this scheme councils receive a New Homes Bonus per each new property built in the borough for the first four years following completion. Payments are based on match-funding the council tax raised on each property with an additional amount for affordable homes. It is paid in the form of an unring-fenced grant. Since 2017/18 the scheme excludes the first 0.4% of growth ('the deadweight') is excluded to 'sharpen the incentive'.

### **Original Budget**

The Revenue Budget that is approved by Council in February.

### **Prudential Borrowing**

Set of rules governing local authority borrowing for funding capital projects under a professional code of practice developed by CIPFA to ensure that capital investment plans are affordable, prudent and sustainable. Local authorities generally borrow from the National Loans Fund via the Public Works Loan Board (PWLB), a statutory body operating within the UK Debt Management Office, an executive agency of the Treasury.

### **Reserves**

We set aside resources to provide protection against difficult economic times. The level of reserves helps ensure a relatively secure financial base. It is important to carry out regular reviews to ensure an appropriate balance between securing the future financial position of the Council and investing in current delivery of services.

### **Revenue Expenditure**

The day-to-day running cost of services provided by Council.

### **Safety Net**

In order to prevent local authorities having to drastically cut services as a result of a significant fall in business rate income and to provide some protection against major economic shocks, the government introduced a safety net mechanism to ensure that no local authority will experience a fall in business rate income of more than 7.5% in any one year under the 50% scheme. This safety net is paid for by a Levy on what the government deems to be 'excessive growth'.

### **Section 151 Officer**

Legally councils must appoint under section 151 of the Local Government Act 1972 a named Chief Finance Officer to provide professional financial advice. In Reigate & Banstead this is the post of Head of Finance.

### **Service & Financial Planning**

The annual process for reviewing service priorities and preparing budget forecasts.

### **Services Grant**

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

### **Settlement Funding Assessment (SFA)**

A local authority's share of the local government spending control total (business rates and Revenue Support grant) which comprises its baseline funding level (in 2013/14 this was called the 'start-up funding allocation').

### **Specific Grants**

As the name suggests, funding through a specific grant is provided for a specific purpose and cannot be spent on anything else e.g. Homelessness Prevention.

### **Spending Review**

The Spending Review is an internal Government process through which the Treasury negotiates budgets for each Government department. The 2015 Spending Review set Government spending for the four financial years. Subsequent spending reviews have been for one or two years only.

### **Tariffs and Top-Ups**

Because the amount of business rates an individual authority is able to collect will vary enormously depending upon location and the characteristics of the authority, the government introduced a system of top-ups and tariffs to redistribute business rates around the country. Local councils with a relatively high level of business rates pay a tariff into a national pot which is used to pay top-ups to those local authorities with relatively low levels of business rates. Reigate & Banstead is a 'tariff' authority.

### **Treasury Management**

The process of managing cash flows, borrowing and cash investments to support our finances. Details are set out in the Treasury Management Strategy which is approved by Executive and Full Council each year.

# Agenda Item 5



<b>SIGNED OFF BY</b>	Chief Finance Officer
<b>AUTHOR</b>	Pat Main
<b>TELEPHONE</b>	Tel: 01737 276063
<b>EMAIL</b>	pat.main@reigate-banstead.gov.uk
<b>TO</b>	Overview & Scrutiny Executive Council
<b>DATE</b>	Thursday, 6 July 2023 Thursday, 13 July 2023 Thursday, 20 July 2023
<b>EXECUTIVE MEMBER</b>	Portfolio Holder for Finance, Governance & Organisation

<b>KEY DECISION REQUIRED</b>	Y
<b>WARDS AFFECTED</b>	All

<b>SUBJECT:</b>	<b>CAPITAL INVESTMENT STRATEGY 2024/25</b>
<p><b>RECOMMENDATIONS:</b></p> <p><b>Overview &amp; Scrutiny</b></p> <p>(i) To note the report and raise any comments for consideration by Executive.</p> <p><b>Executive</b></p> <p>(i) That the Capital Investment Strategy be recommended to Council for adoption as the framework for the Capital Programme elements of service and financial planning for 2024/25 onwards.</p> <p><b>Council</b></p> <p>(i) That the Capital Investment Strategy be adopted as the framework for the Capital Programme elements of service and financial planning for 2024/25 onwards.</p>	
<p><b>REASONS FOR RECOMMENDATIONS:</b></p> <p>The Council is required to set a budget by 11 March each year. This report and the associated documents will support this obligation for 2024/25.</p>	

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## **EXECUTIVE SUMMARY:**

This Strategy sets out the approach to capital investment. It forms a key part of the Council's governance arrangements and provides a mechanism by which investment and financing plans can be prioritised, ensuring that capital decisions take account of stewardship, value for money, prudence, sustainability, affordability and risks.

The report will be considered at the meeting of the Overview & Scrutiny Committee on 6 July 2023 and their feedback and questions will be taken into consideration when preparing the Capital Programme.

Executive and Council have authority to approve the above recommendation.

## **STATUTORY POWERS**

1. The Council operates its capital investment activity as an integral part of its statutory obligation to effectively manage the Council's finances under the *Local Government Act 2003* and associated regulations.
2. Investments are undertaken in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management and the Prudential Code for Capital Finance in Local Authorities, and the Government's Investment Regulations.

## **BACKGROUND**

3. The requirement for local authorities to prepare a Capital Investment Strategy was introduced as a consequence of revisions of the Department for Levelling Up, Housing & Communities (DLUHC) Investment Guidance, DLUHC Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code
4. This latest Capital Investment Strategy (the 'Strategy') reflects the outcome of work to continue to develop the Council's approach in this area over the past year in anticipation of service and financial planning for 2024/25.

## **KEY INFORMATION**

5. The purpose of the Strategy at Annex 1 is to:
  - Demonstrate how the Council's capital expenditure plans contribute to the achievement of corporate priorities;
  - Confirm how the Council will ensure that the Capital Programme is affordable and sustainable;
  - Describe the framework for decision-making and prioritisation relating to capital expenditure; and
  - Set out the approach to evaluating and monitoring asset utilisation.

It is intended to be read in combination with the Treasury Management Strategy 2023/24 that is scheduled for approval by Council in July 2022.

6. It covers:

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- How the Council's capital investment plans will support delivery of corporate priorities and key strategies – including the Corporate Plan 2020-2025. Commercial Strategy, IT Strategy and Housing Delivery Strategy;
  - How capital investment options are evaluated – to demonstrate effective governance, robust decision-making and compliance with new regulations and guidance;
  - How the Council plans to achieve a balance between capital investment to support service delivery and investments that deliver a financial return to support the budget;
  - How the Capital Programme will be funded and how the Council will ensure it is affordable over the medium term;
  - How capital investment plans and the effective use of assets will support delivery of the Financial Sustainability Plan; and
  - How capital investment risks are managed.
7. The Strategy is reviewed on an annual basis as part of the Council's established service and financial planning processes.

## **OPTIONS**

8. The Executive can accept, amend or reject any or all of the Capital Investment Strategy information and request that other factors are taken into account when preparing 2024/25 Capital Programme proposals.

## **LEGAL IMPLICATIONS**

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

## **FINANCIAL IMPLICATIONS**

10. The financial impacts of the Capital Investment Strategy will be reflected in the Council's 2024/25 Budget proposals. There are no additional direct financial implications that arise from this report.
11. The Chief Finance Officer confirmed in the 2023/24 budget report that they were satisfied that the current Capital Programme is prudent, affordable and sustainable.

## **EQUALITIES IMPLICATIONS**

12. This report provides background and context for the capital elements of service and financial planning activities of the Council. There are no equality implications arising directly from this report. An equalities impact assessment will be prepared as part of the Service and Financial Planning report to Executive in November when the full implications of all budget proposals, including any arising from the Capital Investment Strategy and Capital Programme, can be assessed.

## **COMMUNICATION IMPLICATIONS**

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13. There are no communication implications arising from this report. A copy of the Strategy will be published on the Council's website.

## **ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS**

14. There are no environmental sustainability implications arising directly from this report. Opportunities for investment in capital assets that support delivery of the Council's environmental sustainability objectives will be considered when business cases are developed.

## **RISK MANAGEMENT CONSIDERATIONS**

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

## **CONSULTATION**

16. As part of the budget setting process, public consultation will be undertaken and budget proposals will also be circulated to the business community via the monthly Business e-bulletin.
17. Comments received will be reported to the Executive and taken into account in agreeing the final budget for 2024/25
18. Capital Programme proposals will be considered by the Budget Scrutiny Panel of the Overview & Scrutiny Committee in November 2023. The conclusions and recommendations of the Panel and the Committee are reported to the Executive.

## **POLICY FRAMEWORK**

19. Approval of the annual Revenue Budget, determination of the Council Tax and approval of the Capital Programme are functions of the full Council under the Council's constitution (Article 4.12).
20. The Capital Programme reflects the priorities in the Council's Corporate Plan and puts in place resources to deliver these priorities.
21. The recommendations in this report are a key decision because they form part of the annual service and financial planning process that lead to recommendation of the revenue budget, capital programme and council tax to full Council.

## **ANNEXES**

1. Capital Investment Strategy 2024/25

## **BACKGROUND PAPERS**

- *Corporate Plan and subsidiary strategies*, available at [www.reigate-banstead.gov.uk/rbbc2025](http://www.reigate-banstead.gov.uk/rbbc2025)
- *Budget 2023/24 & Capital Programme 2023/24 to 2027/28*, report to Executive, 26 January 2023
- *Treasury Management Strategy 2023/24*, report to Executive, 22 June 2023

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- *Medium Term Financial Plan 2024/25 to 2028/29*, report to Executive, 13 July 2023

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## CAPITAL INVESTMENT STRATEGY

2024/25 to 2028/29

July 2023

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### INDEX

1. Introduction
2. Baseline Capital Asset Position
3. Strategic Direction
4. Capital Expenditure Plans
5. Debt, Borrowing & Treasury Management
6. Affordability, Delivery & Risks
7. Equalities Impact Assessment
8. Scrutiny
9. Consultation

### APPENDICES

1. Extract from the Treasury Management Strategy 2023/24: Capital Strategy
2. Commercial Governance Framework
3. Medium Term Financial Plan 2024/25 to 2028/29
4. Asset Investment Approach
5. Accounting Policies
6. Property Investment Decisions Checklist
7. Capital Programme 2023/24 to 2027/28
8. Flexible Use of Capital Receipts Strategy
9. Risk Management

# 1. Introduction

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

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

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

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

This Capital Investment Strategy ('the Strategy') therefore builds upon the Council's Commercial Strategy Parts 1 and 2 and Treasury Management Strategy in order to:

- Set the **long-term context** in which capital expenditure and investment decisions are made in a sustainable way;
- Set the basis upon which **risk and reward** and **priority outcomes** are considered as part of capital decisions;
- Set the context within which capital decision making is consistent with the concepts of **value for money, public stewardship and prudence**; and
- Report explicitly on the deliverability, affordability and risk associated with Capital Strategy.

It is intended to provide a framework for ongoing decisions and provide a useful strategic link to other interrelated Council strategies which are impacted by capital decision making - including the Corporate Plan, Medium Term Financial Plan and Treasury Management Strategy. The period covered is aligned with these interrelated Strategies.

This Strategy covers the following:

- **Section 2: Baseline Capital Asset Position**
- **Section 3: Strategic Direction** - sets out the Council's long-term strategic context, in terms of its Corporate Plan 2020-2025 objectives and how these translate to priorities when making capital investment decisions. It also sets out the Council's objectives in terms of debt levels and asset management.

- **Section 4: Capital Expenditure** - sets out the Council's priorities and principles when making capital investment decisions. It also sets out the control framework, the current Capital Programme and how this impacts upon the Council's revenue budget.
- **Section 5: Debt and Borrowing & Treasury Management** - sets out the impact of the Capital Strategy on the Council's debt and borrowing position and how it aligns with the Treasury Management Strategy for 2024/25.
- **Section 6: Deliverability, Affordability & Risk** - the Code requires the Council's Chief Finance Officer (Head of Finance) to explicitly report on these matters.
- **Sections 7, 8 and 9:** cover arrangements for equalities, scrutiny and consultation

## 2. Baseline Capital Asset Position

This section sets out the Council's baseline capital asset position in terms of:

- The value of Capital assets at 31 March 2023 that will be reported in the Council's accounts;
- The Council's investment assets, and other assets which generate a return, and the projected income they generate per annum;
- How the condition of the assets is assessed; and
- How current assets have been funded.

### Analysis of Capital Assets

The tables below summarise the Council's asset position in terms of their 'book value'.

<b>Table 1: KEY COUNCIL ASSETS BY ACCOUNTING CLASSIFICATION</b>		<b>Valuation at 31 March 2023 £m</b>
<b>Description</b>		
Property Plant & Equipment		135.949
Investment Property		40.989
Assets Under Construction		73.614
Vehicles		2.530

Source: Valuation for 2022/23 Statement of Accounts

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

<b>Table 2: SIGNIFICANT ASSETS AT MARCH</b>	<b>Statement of Accounts Classification</b>	<b>Asset Use</b>	<b>Valuation at 31 March 2023 £m</b>
Land & Premises, Marketfield Way, Redhill <sup>1</sup>	Property, Plant & Equipment	Under Construction	57.860
Donyngs Sports Centre	Property Plant & Equipment	Leisure	21.555
Tadworth Centre	Property Plant & Equipment	Leisure	20.248
Units 1-5 Redhill Distribution Centre, Salbrook Road, Salfords	Investment Property	Commercial: Industrial	15.882
Horley Sports Centre	Property Plant & Equipment	Leisure	13.925
Regent House, Queensway, Redhill	Investment Property	Commercial; Office	11.983
Cromwell Road Development	Property Plant & Equipment	Residential	8.138
Harlequin Theatre, Redhill	Property Plant & Equipment	Cultural	7.540
Warwick Quadrant, Redhill	Property Plant & Equipment	Commercial : supermarket / library / theatre	7.059
Town Hall Middle Block, Reigate	Property Plant & Equipment	Operational	5.816
Travelodge, Redhill	Property Plant & Equipment	Commercial: Hotel	5.763

<b>Table 2: SIGNIFICANT ASSETS AT MARCH</b>			
<b>Asset Name</b>	<b>Statement of Accounts Classification</b>	<b>Asset Use</b>	<b>Valuation at 31 March 2023 £m</b>
Forum House, Brighton Road, Redhill	Investment Property	Commercial: offices	5.072
Earlswood Depot	Property Plant & Equipment	Operational	5.025
Linden House, High Street, Reigate	Property Plant & Equipment	Commercial: retail / gym	4.939
Beech House, London Road, Reigate	Investment Property	Commercial: offices	3.789
Town Hall Main Building, Reigate	Property Plant & Equipment	Operational	3.250
1,3,4,6,14-16 and 20 Reading Arch Road, Redhill	Property Plant & Equipment	Commercial: industrial	2.959
Banstead Sports Centre	Property, Plant & Equipment	Leisure	2.258
Agricultural Land (Various)	Property, Plant & Equipment	Agricultural	1.946
61E Albert Road North, Reigate	Property Plant & Equipment	Commercial: industrial / warehousing	1.895
Crown House, Redhill <sup>2</sup>	n/a <sup>2</sup>	Commercial: offices	1.819
Bancroft Road Multi Storey Car Park, Reigate	Property Plant & Equipment	Car Park	1.295
55-57, 59, 61 & 63 Victoria Road, Horley	Investment Property	Commercial / Other	1.019
Gloucester Road Car Park, Redhill	Property Plant & Equipment	Car Park	0.884
64, Massetts Road, Horley	Property, Plant & Equipment	Residential	0.793
Bell Street Car Park, Reigate	Property Plant & Equipment	Car Park	0.585
1-4 Quarrydene Parade/1-10 Hearthstone, Merstham	Property Plant & Equipment	Commercial: restaurant / library / retail	0.271
Priory Park, Reigate	Property, Plant & Equipment	Open Space	0.068
Madeira Walk Sandpit, Reigate	Property Plant & Equipment - Surplus	Open Space	0.038
Former Scouts site, Thornton Close, Horley	Property Plant & Equipment - Surplus	Open Space	0.037

Source: Valuation for 2022/23 Statement of Accounts

Note 1: Current valuation – redevelopment in progress

Note 2: Asset held by Greensand Holdings Limited

## Property Assets

The full list of assets is published annually, in accordance with the Local Government Transparency Code, on the Council's website

<http://www.reigate-banstead.gov.uk/downloads/download/582/assetregisterdataset>

## Operational Assets

The strategic objectives for operational assets are that they should be:

- Able to allow customers to access the service and any other related services of partners (where co-located) and suitable for staff to deliver these services;
- In good condition to the extent that services can be provided from them in a comfortable environment for both staff and customers without interruption;
- Suitable and fit for the purpose for which they are being used in terms of size, type and layout of accommodation – including accessible to people with disabilities;
- Flexible to the extent that they can be adapted economically to adjust to changing service needs, including sharing with partners in service delivery;
- Able to achieve a balance between efficiency in operation, running costs and long-term sustainability;

- Able to contribute positively to the immediate environment, particularly where there is a need for physical regeneration of the locality; and
- Maintained to minimise reactive maintenance and risk by improving planned maintenance arrangements.

The Council aims to deliver the best financial value from its portfolio by using property to deliver service efficiencies and reduce running costs.

### Non-Operational Assets

The strategic objectives for non-operational assets are that they should be:

- Able to make the maximum contribution to service revenue budgets in terms of rental income at the minimum risk and expenditure; or
- Able to make a positive contribution to the social wellbeing of the community either through its presence as a heritage asset or through use by others such as voluntary groups, charity organisations or small businesses; or
- Acquired, disposed of or developed for reasons of strategic importance, such as to influence the physical and economic regeneration and environmental quality of the Borough.

### Lettings & Disposals

Section 123 of the Local Government Act 1972 is a statutory requirement that requires the Council, except in limited circumstances, to obtain best consideration for lettings or disposals. Accordingly, all third-party lettings are on market terms. If financial assistance is provided it is done so through the Council's rental grant subsidy system and is therefore a transparent means of supporting qualifying organisations.

### Income-Generating Assets

While the Council has a relatively small portfolio of properties that are held for purely investment purposes, it has a wide number of assets that are held for other purposes but which still generate rental income to support the revenue budget. Over time the use of these assets may change as new priorities are confirmed and assets are repurposed to help delivery new policies (eg regeneration or place-shaping projects).

Income-generating assets are generally let on full repairing and insuring terms with the Council collecting the income, but either having no liability for repairs and maintenance, or recovering the expenditure via a service charge. The most significant of these assets are listed below.

<b>Table 3: COUNCIL ASSETS: GROSS RETURNS</b>					
<b>Asset Name</b>	<b>Asset Type</b>	<b>Price Paid £m/Year</b>	<b>Valuation at 31 March 2023 £m</b>	<b>Budgeted Rent £m</b>	<b>Gross Budgeted Yield<sup>1</sup></b>
Units 1-5 Redhill Distribution Centre, Salfords	Industrial / warehousing	£15m (2018)	15.882	0.833	4.9%
Regent House, Queensway, Redhill	Offices	£15.35m (2018)	11.983	0.881	7.1%
Warwick Quadrant, Redhill	Retail / library / theatre	£2.4m for half-share of freehold (2005)	7.059	0.305	4.3%
Travelodge, Redhill	Hotel	£5.0m (2017)	5.763	0.317	7.0%
Linden House , 51b High Street, Reigate	Retail / gym	£4.7m (2014)	4.939	0.333	7.1%
Crown House, Redhill <sup>2</sup>	Offices	£2.15m (2017)	1.819	0.177	9.5%

<b>Table 3: COUNCIL ASSETS: GROSS RETURNS</b>					
<b>Asset Name</b>	<b>Asset Type</b>	<b>Price Paid £m/Year</b>	<b>Valuation at 31 March 2023 £m</b>	<b>Budgeted Rent £m</b>	<b>Gross Budgeted Yield<sup>1</sup></b>
Forum House, Brighton Road, Redhill	Offices	£5.53m (2017)	5.072	0.330	6.3%
Beech House, Reigate <sup>3</sup>	Offices	£6m (2017)	3.789	-	-
1,3,4,6,14-16 and 20 Reading Arch Road, Redhill	Industrial	£0.045m for larger site including these properties (1972) plus asset subsequent purchases	2.959	0.115	3.8%
Unit 61E, Albert Road North	Industrial / warehousing	£0.950m (2018)	1.895	0.089	4.7%
55-63 Victoria Road, Horley	Restaurant / library / retail	Leaseback from Thames Valley Housing Association following sale in 2013 of former Council-owned office building (2015)	1.019	0.070	6.7%
1-4 Quarrydene Parade/Hearthstone, Merstham	Retail / residential	£0.017m for larger site including this property (1950)	0.271	0.084	7.9%

NOTES

1. Gross yields are a straight Income/Valuation calculation based on the annual budgeted rent and the latest gross asset valuation
2. Asset held by Greensand Holdings Limited
3. Void and awaiting refurbishment/redevelopment at the time of setting the 2023/24 budget

### Community Assets

These include community centres, parks/open spaces and pavilions. Some are let to community groups such as scout groups or football clubs. The net income received from these assets is minimal and the Council often has responsibility for repair and maintenance of the building or land.

### Properties Held for Disposal

These assets are held for disposal because they are surplus to operational or community requirements. In being held for disposal they will be assessed for realising the best capital receipt whether that is for example from a straight disposal, disposal with conditions or disposal with overage conditions. Prior to disposal the asset will be assessed for opportunities around capital receipt for example obtaining a relevant planning consent or resolution.

### **Asset Performance and Condition**

The Council's approach to condition assessment is summarised at Appendix 1.

### Land & Buildings

The most recent condition survey forms the basis of the rolling capital programme for property maintenance that was approved in February 2023. The survey focussed on the main operational and commercial assets.

Generally, the assets surveyed at that time were found to be in reasonable condition with no health & safety or structural issues. The priority areas for attention related to mechanical and engineering works such as boiler replacements and lift refurbishments, and civil engineering works to Council car parks.

### Housing Assets

While the Council is not a major provider of social housing, it is a Registered Provider and have a steadily increasing housing stock. Recent developments include:

- 32 homes with ground floor commercial space at Cromwell Road in Redhill Town Centre;
- 25 homes at Pitwood Park in Tadworth; and
- 4 bungalows at Lee Street in Horley.

### Vehicles

During 2018, existing and future fleet vehicle requirements were reviewed. The outcome of this review was included in a capital growth bid during the service & financial planning 2019/20 process. Procurement and delivery took place during 2020/21 and 2021/22. Further investment is planned through the approved Capital Programme:

<b>Table 4: VEHICLES &amp; PLANT</b>	<b>2022/23 BFWD £m</b>	<b>2023/24 Projected £m</b>	<b>2024/25 Projected £m</b>	<b>2025/26 Projected £m</b>	<b>2026/27 Projected £m</b>	<b>2027/28 Projected £m</b>	<b>Total £m</b>
Vehicles & Plant Programme	1.022	0.582	0.681	0.837	0.562	3.668	<b>7.352</b>

### **Capital Asset Funding at 31 March**

Assets have historically been funded through use of capital receipts, capital grants and drawing on available balances (internal borrowing). At 31 March 2023, the Council had no long-term external borrowing.

The Treasury Management Strategy for 2023/24 was approved in June 2023 and includes authority to borrow up to £40.0 million (Authorised Limit) to help fund delivery of the approved Capital Programme 2023/24 to 2027/28. Further details are provided below.



### 3. Strategic Direction

This section sets out in summary the Council's long-term strategic context - in terms of its Corporate Plan and Commercial Strategy. It explains how these translate to priorities when making capital decisions. It also sets out the Council's objectives in terms of debt levels and asset management.

Reigate & Banstead 2020-2025 is the Council's Corporate Plan. It sets out the Council's priorities and explains how we will focus resources and deliver services to those living, working and spending time in Reigate & Banstead.

The plan sets a vision that the Council will:

- deliver quality services and support;
- provide value for money;
- make the borough a great place to live, work in, do business and visit;
- be proactive about tackling climate change and reducing our environmental impact; and
- be flexible and sustainable, responding to the needs and demands of our borough, residents and businesses.

It includes objectives in relation to Housing, Vulnerable Residents, Communities & Community Safety, Leisure & Wellbeing, Towns & Villages, Economic Prosperity, Shaping our Places, Clean & Green Spaces, Environmental Sustainability, Financial Sustainability, Funding our Services, Operational Assets and Skills & Great People.

It also includes a set of 'cross-cutting commitments' describing how the Council will deliver services, covering aspects such as communications, customer contact, partnership working and financial efficiency.

This Capital Investment Strategy has been developed to align with the Plan vision and priorities.

#### Partnership Working

The Council has a strong track record of working in partnership with others to benefit the residents of the borough. The Council will continue to identify joint working opportunities if they contribute to overall council priorities. Such partnerships may relate to delivery of individual capital schemes or be more strategic and long term in nature.

#### Priority Areas

The Capital Strategy aims to deliver against the vision as set out in the Corporate Plan 2020-2025 and Commercial Strategy Parts 1 and 2. Specifically, the Council's priorities in terms of its capital spend can be summarised as follows:

- The prosperity of the borough: investment that will stimulate **economic growth**;
- Income and efficiency: investment which promotes the **financial stability** of the Council;
- Supporting delivery of **core Council services**: investment that will empower our staff to deliver and improve the efficient and effective delivery of services to our community, with particular emphasis on investment in **affordable housing**;

- Building Community assets: investment that will benefit our **communities**; and
- Ensuring the **environmental quality and sustainability** of the borough: investment that will make the borough a more attractive place to live, work and visit or deliver wider environmental benefits.

### **Medium Term Financial Plan**

The Medium-Term Financial Plan (MTFP) is summarised at Appendix 3. Costs of financing assets (borrowing) are reflected in Central Budget forecasts.

### **Service & Financial Planning**

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

### **Financial Sustainability Programme**

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

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

- |                             |   |
|-----------------------------|---|
| Income Generation           | <ul style="list-style-type: none"> <li>• Pursuing opportunities to generate new income streams.</li> <li>• Optimising fees and charges.</li> <li>• Implementation of the Commercial Strategy.</li> </ul>  |
| Use of Assets               | <ul style="list-style-type: none"> <li>• Making effective use of existing assets, including the repurposing and sale of surplus properties.</li> </ul>  |
| Prioritisation of Resources | <ul style="list-style-type: none"> <li>• Reviewing in-year budget monitoring forecasts to identify new opportunities for savings and efficiencies.</li> <li>• Reviewing the level of service provided and focussing resources on priority services.</li> <li>• Managing pay costs and making effective use of staff resources.</li> </ul> |
| Achieving Value for Money   | <ul style="list-style-type: none"> <li>• Actively pursuing options to share with other councils to realise efficiency savings.</li> <li>• Identification of invest to save opportunities – including investment in technology and assets to reduce operational costs.</li> </ul>  |

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

### **Asset Funding**

The Council has not historically had any need to borrow to fund its capital expenditure.

However, going forward it is recognised that significant capital expenditure will be necessary to meet Corporate Plan objectives, generate income and stimulate the local economy; and that this will require the Council to borrow.

The Council aims to balance risks and rewards when making decisions regarding the development of its Capital Programmes such that its levels of borrowing remain affordable, prudent and sustainable - both over the medium and the long-term.

Policies and procedures are in place to ensure that capital decisions are sound and overall debt levels remain proportionate and affordable.

This is under-pinned by the Treasury Management Strategy which helps ensure that annual borrowing limits that are affordable, prudent and sustainable.

### **Asset Management**

Effective asset management is important to the Council. The condition of the Council's asset base will be monitored and maintained. Asset disposals will be considered in light of Council priorities, finances and risk.

The Asset Management Plan 2023 to 2028 was approved by the Partner, Shareholder and Trustee Executive Sub-Committee in November 2022. It sets out how property assets will be managed, through a structured approach to strategic asset management planning to support delivery of Corporate Plan priorities, including operational efficiency and environmental sustainability.

### **Commercial Strategy**

Part 1 of the Commercial Strategy approved by the Executive in November 2020 and Part 2 in December 2021.

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

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

- **Principle 1:** Our commercial activity will be ethical, and consistent with the Council's statutory responsibility to promote economic, environmental and social wellbeing in the borough, and our corporate objectives as well as in line with all relevant advice and guidance;
- **Principle 2:** Any decisions which have a commercial aspect will be based on a robust assessment of the business case using consistent relevant criteria, and appropriate due diligence and risk assessment; and
- **Principle 3:** Surplus income generated through our commercial activities will be used to ensure the financial sustainability of the Council and continued delivery of services for local people.

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

- A project pipeline to establish new income streams from asset activity while also delivering broader corporate objectives.

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

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

Work also continues under the Commercial Strategy to review the Council's property assets in order to identify potential development opportunities that can be formulated into a project pipeline.

### **Other Strategies and Plans**

Going forward investment in current and new capital assets will continue to be influenced by corporate Strategies, including those relating to Environmental Sustainability, Housing Delivery, Leisure & Culture and Greenspaces.

### **Summary**

The Capital Investment Strategy is a tool to support delivery against the Council's vision as set out in its Corporate Plan and supporting strategies.

All capital decisions are considered in light of this vision and the Council sets priorities for capital spend accordingly.

The Council recognises that capital expenditure (including commercial acquisition opportunities) that meet its objectives, generate income or revenue budget savings ('invest to save') and stimulate the local economy should be considered and that this will require the Council to borrow to fund it.

The Council aims to balance the risks and rewards when making decisions regarding the development of its Capital Programmes such that its levels of borrowing remain affordable, prudent and sustainable - both over the medium and the long term.

The condition of the Council's asset base will be monitored and maintained. Asset disposals will be considered in light of Council priorities, finances and risk.

## 4. Capital Expenditure Plans

This section sets out the Council's priorities and principles when making capital decisions. It covers the control framework, the current Capital Programme and how this impacts on the revenue budget.

### Capital Expenditure

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

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

### Priority Areas for Investment 2024/25 to 2028/29

The Council's priorities in terms of its capital spend can be summarised as follows:

- The prosperity of the borough: investment that will stimulate **economic growth**;
- Income and efficiency: investment which promotes the **financial stability** of the Council;
- Supporting delivery of **core Council services**: investment that will empower our staff to deliver and improve the efficient and effective delivery of services to our community;
- Building Community assets: investment that will benefit our **communities**; and
- Ensuring the **environmental quality and sustainability** of the borough: investment that will make the borough a more attractive place to live, work and visit or deliver wider environmental benefits.

### Principles

In order to deliver against these priorities, capital decisions will apply the following principles:

- A clear business case is in place which is affordable and links to Council priorities. The Council's Commercial Governance Framework is set out at Appendix 2;
- Revenue consequences of capital decisions are identified and accounted for and must be affordable. The Medium-Term Financial Plan is summarised at Appendix 3; it reflects forecast borrowing costs;
- Sound asset management planning is applied to ensure maintenance of appropriate asset condition;
- Taking steps to maximise and leverage external funding wherever possible;

- Ensuring that decisions to invest in assets that generate a return consider relative risk and reward and are taken in line with the Council's Commercial Strategy, including the associated due diligence and governance checks (Appendices 1 and 5);
- Ensuring that all capital investment decisions are proportionate and risks are robustly managed. This may include spreading the risk by working in partnership with partners;
- Considering current condition, cost of maintenance and sustainability considerations when making asset disposal decisions along with capital receipt achievability and the opportunity cost of continued investment in the asset (as opposed to investing funds elsewhere);
- The contribution the asset makes to delivery of Council priorities; and
- Broader risk management considerations - including any benefits/disbenefits associated with increasing/decreasing the Council's asset base in any particular area or sector.

### **Capital Investment Business Cases**

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

The Corporate Management Team appraises all bids and makes recommendations to the Executive as part of the annual Services & Financial Planning process. The recommended Capital Programme is then presented to Executive in January and to Council for approval in February each year.

Additional capital requirements and opportunities identified through the year are considered on their merits in line with the above governance controls. Any in year changes to the capital budget will be made in accordance with the constitution, including appropriate approval by Executive and/or Council.

### **Policies and Classification Controls**

The Council sets aside prudent provision for the repayment of debt where borrowing or credit arrangements have been used to finance capital expenditure. This is known as the Minimum Revenue Provision (MRP). Business cases for capital investment therefore include not only the interest costs of any associated borrowing but also the costs of repayment of any debt. In order to ensure that borrowing levels are affordable over the long term a prudent assessment of asset life is made within the MRP thereby ensuring that any borrowing is fully provided for and repaid over the life of the asset.

The definition of which expenditure is classified as capital (as opposed to revenue) expenditure is subject to robust control via the Finance Team.

Further detail on capitalisation policies is set out at Appendix 5. The MRP Policy is reviewed each year when the Treasury Management Strategy is updated.

### MRP Policy Consultation

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

Some authorities

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

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

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

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

The final changes and timescale for implementation are yet to be confirmed.

### **Commercial Assets and Due Diligence**

The Council will target asset acquisitions that benefit, improve and/or develop the area and also generate new ongoing income streams.

The approach is explained at Appendix 2 which sets out the control framework around decisions on acquisition of assets which generate a return.

These controls include the role of the Partner, Shareholder and Trustee Executive Sub-Committee, and work of the supporting officer groups, which approves new investment opportunities.

Other controls include adopting a robust approach to due diligence and financial appraisal, further details of which are set out at Appendix 6.

### **Governance**

The Capital Programme is monitored by the Finance Team, the Corporate Governance Group (comprising the Head of Paid Service, Directors and Statutory Officers) and through quarterly financial monitoring reports that are presented to the Executive after review by the Overview & Scrutiny Committee.

The Partner, Shareholder and Trustee Executive Sub-Committee has delegated authority to approve proposals relating to acquisitions or disposal of land and property and income-generating development opportunities on new or existing sites.

### **Reporting**

The Capital Strategy outturn position will be reported every year as part of the reporting on the Treasury Management Strategy. It will assess how the Capital Strategy has been implemented over the previous financial year - and how capital expenditure and capital financing has contributed to the provision of council services. It will also summarise how associated risks has

been managed, identifying any key issues to be considered over both the medium and the longer term.

### **Capital Programme 2023/24 to 2027/28**

The Council forecasts its Capital Programme over a 5-year period and the latest position is set out below as reported to Executive in January 2023 plus unspent balances brought forward from 2022/23. The planned use of resources is in line with the Medium-Term Financial Plan.

#### Capital Programme Outturn 2022/23

At 31 March 2023, the Capital Programme budget for 2022/23 was £79.958 million (including £36.983 million of approved carry-forward capital allocations from 2021/22).

The outturn position of £21.155 million was £55.803 million (69.8%) below the approved Programme for the year.

The variance is primarily as a result of slippage due to:

- £6.383 million on Property Rolling Programmes
- £8.222 million on the Marketfield Way project and other Place Delivery Schemes
- £1.659 million on Neighbourhoods schemes, including the Fleet Replacement Programme

In total £24.116 million in respect of previously approved schemes has been carried forward to the Programme for 2023/24 onwards.

Proposals for use of these funds will be subject to approval of reports by Executive or the Partnership, Trustee and Shareholder Sub Committee when business cases are developed.

In-year Capital Programme approvals during 2022/23 have included:

- £4.000 million for purchasing Temporary & Emergency accommodation;
- £0.460 million for contributions to works on housing properties at Stirling House, Mitchell Court and New Pond Farm;
- £0.375 million expenditure on Preston parking improvements;
- £3.318 million for accommodation for Refugees (funded from the Local Authority Housing Fund grant); and
- £0.720 million for purchase of commercial units in Redhill.

#### Capital Programme Growth

Capital Programme proposals in the January 2023 budget report included growth of £7.683 million for 2023/24 to 2027/28. The primary reason for this growth was the addition of 'rolled-forward' allocations for 2027/28 (also 2025/26 for Property Services) and some small-scale rescheduling of previously approved allocations to match spending plans.

#### Capital Programme 2023/24 to 2027/28

The current Capital Programme is summarised below (details at Appendix 7)



Table 5.1: CAPITAL PROGRAMME by SERVICE	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total £m
	BFWD	Projected	Projected	Projected	Projected	Projected	
	£m	£m	£m	£m	£m	£m	
<b>ORGANISATION SERVICES:</b>							
Property Services	6.383	1.419	1.307	0.909	1.597	0.089	<b>11.704</b>
IT Services	-	0.260	0.250	0.200	0.200	0.200	<b>1.110</b>
Organisational Development	-	0.250	0.250	-	-	-	<b>0.500</b>
Environmental Strategy	0.236	-	-	-	-	-	<b>0.236</b>
<b>PEOPLE SERVICES:</b>							
Housing	7.444	1.412	1.419	1.419	1.419	1.419	<b>14.532</b>
Leisure & Culture	0.064	0.100	0.100	0.100	0.100	0.100	<b>0.564</b>
Community Partnerships	0.108	-	-	-	-	-	<b>0.108</b>
<b>PLACE SERVICES:</b>							
Neighbourhood Operations	1.659	0.897	0.996	1.177	0.902	3.853	<b>9.484</b>
Place Delivery	8.222	-	-	-	-	-	<b>8.222</b>
<b>TOTAL APPROVED CAPITAL PROGRAMME</b>	<b>24.116</b>	<b>4.338</b>	<b>4.322</b>	<b>3.805</b>	<b>4.218</b>	<b>5.661</b>	<b>46.460</b>

Table 5.2: CAPITAL PROGRAMME by INVESTMENT TYPE	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total £m
	BFWD	Projected	Projected	Projected	Projected	Projected	
	£m	£m	£m	£m	£m	£m	
Regeneration Schemes	8.222	-	-	-	-	-	<b>8.222</b>
Housing Delivery	7.560	0.186	0.193	0.193	0.193	0.193	<b>8.518</b>
Vehicles & Plant	1.372	0.582	0.681	0.837	0.562	3.668	<b>7.702</b>
Disabled Facilities	-	1.287	1.287	1.287	1.287	1.287	<b>6.435</b>
Tenanted Properties	4.085	0.455	0.455	0.391	0.480	-	<b>5.867</b>
Community Assets	1.066	0.750	0.838	0.599	1.023	0.245	<b>4.521</b>
Operational Assets	0.459	0.393	0.378	0.117	0.158	0.028	<b>1.533</b>
ICT Assets	-	0.260	0.250	0.200	0.200	0.200	<b>1.110</b>
Car Parks	0.563	0.195	0.170	0.080	0.075	-	<b>1.083</b>
Other Assets	0.631	0.040	0.040	0.065	0.065	0.040	<b>0.881</b>
Leisure Centres	0.159	0.190	0.030	0.036	0.175	-	<b>0.590</b>
<b>TOTAL APPROVED CAPITAL PROGRAMME</b>	<b>24.116</b>	<b>4.338</b>	<b>4.322</b>	<b>3.805</b>	<b>4.218</b>	<b>5.661</b>	<b>46.460</b>

### Future Capital Investment Plans

In addition the Council has previously committed to invest:

- Up to £63.280 million in Commercial income-generating assets; and
- Up to £30.00 million in Housing projects; with £1.050 million committed to date for Temporary Accommodation acquisitions part-funded from the Housing Delivery Revenue Reserve.

Projects will be added to the Capital Programme as new business cases are approved.

### Capital Programme Funding

Sources of funding for the 2023/24 to 2027/28 Capital Programme are summarised below:

<b>Table 6: CAPITAL PROGRAMME FUNDING</b>	<b>2022/23 BFW £m</b>	<b>2023/24 Projected £m</b>	<b>2024/25 Projected £m</b>	<b>2025/26 Projected £m</b>	<b>2026/27 Projected £m</b>	<b>2027/28 Projected £m</b>	<b>Total £m</b>
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>24.116</b>	<b>4.338</b>	<b>4.322</b>	<b>3.805</b>	<b>4.218</b>	<b>5.661</b>	<b>46.460</b>
<b>FUNDED BY:</b>							
Capital Reserves	-	-	-	-	-	-	-
Capital Receipts	-	35.824	-	-	-	-	<b>35.824</b>
Capital Grants & Contributions	6.254	1.408	1.408	1.408	1.408	1.408	<b>13.294</b>
Earmarked Reserves – Housing Delivery Strategy	1.160	-	-	-	-	-	<b>1.160</b>
Prudential Borrowing	16.703	(32.894)	2.914	2.397	2.810	4.253	<b>(3.817)</b>
<b>TOTAL CAPITAL FUNDING</b>	<b>24.116</b>	<b>4.338</b>	<b>4.322</b>	<b>3.805</b>	<b>4.218</b>	<b>5.661</b>	<b>46.460</b>

Key sources of capital funding:

<b>Table 7: CAPITAL PROGRAMME FUNDING</b>	
Capital Reserves	<ul style="list-style-type: none"> <li>Previously the Council benefitted from access to significant capital Reserves following the sale of its housing stock. Over recent years these Reserves have been utilised to invest in the capital programme. The remaining balance was nil at March 2023.</li> </ul>
Capital Receipts	<ul style="list-style-type: none"> <li>Sale of capital assets results in a capital receipt that can be used to invest in new capital assets or to repay prudential borrowing.</li> <li>The main source of capital receipts over the duration of this Capital programme relate to delivery of major schemes including the Marketfield Way (The Rise) redevelopment. These capital receipts have been factored into forecast funding requirements.</li> <li>Flexible use of capital receipts – there are no current plans for use of this funding option.</li> </ul>
Capital Grants & Contributions	<ul style="list-style-type: none"> <li>Forecasts of the future grant funding allocation for Disabled Facilities works have been updated to reflect forecast allocations.</li> <li>They also include the Council's share of Section 106 and CIL funding.</li> <li>Revenue funding equivalent to the historic New Homes Bonus grant allocation up to 2020/21 has previously been allocated to support implementation of the Housing Development Strategy and Pipeline</li> </ul>
Prudential Borrowing	<ul style="list-style-type: none"> <li>The primary source of long-term funding for the Capital Programme is now prudential borrowing, primarily from the Public Works Loans Board (PWLb).</li> </ul>

<b>Table 7: CAPITAL PROGRAMME FUNDING</b>	
	<ul style="list-style-type: none"> <li>Loans are managed through the approved Treasury Management Strategy and policies.</li> <li>Interest on borrowing is paid to the PWLB and charged to the annual revenue budget along with the Minimum Revenue Provision that is necessary to set aside funds for eventual repayment of the loan principal. These costs have to be taken into account when setting a balanced Revenue Budget.</li> <li>There are increasing restrictions on the type of capital expenditure that is eligible for prudential borrowing. Borrowing to fund investment solely for commercial gain is no longer permitted.</li> </ul>
Revenue Budget Contributions	<ul style="list-style-type: none"> <li>There is no expectation that significant capital expenditure will be funded from the revenue budget in 2023/24.</li> </ul>

### **Revenue Budget Impact of Capital Spending**

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

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

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

### **Capital Programme – Policy on Capitalisation of Salaries.**

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

### **Modelling the Impact of Additional Capital Spending**

The approved Capital Programme (as set out above) is subject to change and amendment in line with the priorities set out above and an assessment of risk and reward.

The risk and rewards of new investment opportunities will be fully-assessed. The revenue impact of these and any other options/opportunities will be considered, as will the implications for Council borrowing limits and affordability.

### **Summary**

The Council has set its priorities for capital spend and principles which will be applied when making capital decisions.

The Council has robust controls in place to manage capital spend which include capital bids and business cases, clear policies and classification controls, a Commercial Asset Strategy, due diligence, governance and reporting arrangements.

The approved Capital Programme is subject to annual review and amendment in line with the priorities set out above and an assessment of risk and reward.

## 5. Debt, Borrowing and Treasury Management

The Capital Strategy at Annex 1 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.

It covers:

- Capital expenditure and financing
- How the Capital Programme is set
- Approach to asset disposals and asset management
- Treasury management approach, including the Liability Benchmark, borrowing affordability and treasury investment strategy and risks
- Investments for service purposes
- Liabilities
- Revenue Budget implications
- Knowledge and skills

### Methods of Funding Capital Expenditure

There are a range of methods of funding capital expenditure as follows:

- **Government grants** and non-government contributions. Where there is a requirement to make an application to an external agency for external funding and, when appropriate, to commit Council resources as matched funding to any bid for external resources, a business case must be presented to the Executive (and full Council if insufficient capital budget exists) for approval;
- **Prudential borrowing**. The Council will investigate opportunities to resource capital projects using prudential borrowing where plans are sustainable, affordable and prudent. Full appraisal will take place to ensure that, where appropriate, sufficient revenue returns are generated to cover the cost of borrowing;
- **Capital receipts**. Where the sale of an asset leads to the requirement to repay grant, the capital receipt will be utilised for this purpose. Once this liability has been established and provided for, capital receipts will be available to support the Capital Programme as a corporate resource. Commercial asset capital receipts here will be used to support the sustainability of the Council's Commercial Asset Strategy;
- **Revenue contributions**. Revenue budgets or reserves could be used to support the financing of a capital project;
- Use of **Leasing**. Some of the assets used by the Council are financed by a lease arrangement, for example vehicles. There may be instances where leasing could offer value for money and it will remain a consideration when options are being appraised; and

- **Section 106 Agreements** (Town and Country Planning Act 1990) and **Community Infrastructure Levy** (CIL) sums. In considering an application for planning permission, the Council may seek to secure benefits to an area or restrict uses or activities related to a proposed development through the negotiation of a 'planning obligation' with the developer.

## **Treasury Management**

CIPFA defines treasury management as:

*“The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*

One of the main functions of treasury management (the other being cash-flow management) is the funding of the Council’s capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations.

The Capital Strategy and Treasury Management strategy are therefore closely linked as the Capital Programme determines the borrowing need of the Council.

The Council is required to annually approve a Treasury Management Strategy that, in light of the Council’s approved budget, establishes investment and borrowing policies for the Council for the current and future financial years.

In compliance with the requirements of the Prudential and Treasury Codes, the following section looks at the Council’s capital financing and treasury management activity.

### **Policy on Borrowing in Advance of Need**

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through mid-year or annual Treasury Management reporting.

### **PWLB Borrowing**

Following on from the Public Works Loan Board (PWLB) consultation which closed in July 2020, HM Treasury concluded their findings and published revised lending terms for the PWLB in November 2020 while at the same time reducing PWLB lending rates to reverse the increase imposed in October 2019.

The key features of the new lending terms are:

- As a condition of accessing the PWLB, authorities are required to submit a high-level description of their capital spending and financing plans for the following three years, including their expected use of the PWLB;
- This includes requiring the Chief Financial Officer to confirm that there is no intention to buy investment assets primarily for yield at any point in the next three years. This

assessment has to be based on their professional interpretation of guidance issued alongside the new lending terms;

- Given the nature of local authority borrowing, it is not possible to reliably link particular loans to specific spending, therefore this restriction applies on a 'whole plan' basis – meaning that the PWLB will not lend to any local authority which plans to buy investment assets primarily for yield anywhere in their capital plans, regardless of whether that transaction would notionally be financed from a source other than the PWLB;
- When applying for a new loan, the local authority will be required to confirm that the plans they have submitted remain current and that the assurance that they do not intend to buy investment assets primarily for yield is still accurate; and
- Should it transpire that a local authority has deliberately misused the PWLB, HM Treasury has the option to suspend that authority's access to the PWLB, and in the most extreme cases, to require that loans be repaid.

### **Governance**

The Audit Committee is responsible for scrutiny and governance of Treasury Management within the Council. It reviews the Treasury Management policy and procedures and all Treasury Management reports.

The Capital Programme is monitored by Executive who also review all Treasury Management reports. Council approves the Treasury Management Strategy each year along with the half-year performance report.

Throughout the year, the Audit Committee receives Treasury Management updates and an Annual Treasury Management Outturn Report is reported to Executive and Council.

The Treasury Management function is subject to regular internal and external audit reviews.

Further detail can be found in the Treasury Management Strategy 2022/23 – 2027/28.

## 6. Affordability, Delivery & Risks

The Prudential Code states that it is the responsibility of the Council's Chief Finance Officer (Head of Finance) to explicitly report on the affordability, delivery and the risks associated with this Strategy. This section reports on these matters.

### **Affordability (and Proportionality)**

As set out in Section 4, affordability is a key criterion when considering whether a project should be approved for inclusion within the Capital Programme. Before any decisions are made, new schemes are considered by the relevant officer Boards and Member meetings which consider business cases and capital bids.

All projects must also have a clearly identified capital funding source with a definite commitment of financial support if external funding, such as an external grant, is to be used. On-going revenue costs associated with a capital asset must be provided for within the revenue budget.

Where borrowing is to be used, interest and repayment costs (the MRP charge) are accounted for within revenue budgets. MRP is matched to a prudent asset life. Any income streams put forward to fund an asset must be sustainable.

In terms of assets which generate a return, due diligence arrangements are in place to stress test key assumptions and demonstrate affordability.

Annual borrowing costs (interest costs and MRP) are monitored in the context of the Council's overall budget and the income generated from assets. These measures are set out in section 4 and remain affordable.

In accordance with Government guidance the Council's processes highlighted above ensure that the Council's level of debt and aggregate risk remains proportionate.

### **Return on Investment**

This is a business case measure of the expected percentage return after taking account of original acquisition costs plus the cost of construction or other enhancement and all associated fees. It will take account of whether the proposal would be attractive in the marketplace and whether it secures value for money.

### **Impact of Investment**

Capital investment will be undertaken primarily to secure change; to make a positive difference to the Borough, its residents, businesses and visitors. This cannot only be evaluated in financial terms therefore outcomes will be determined that are to be achieved by the investment and also the degree of certainty attached to them. Outcomes for this purpose will vary depending on the nature of the investment.

### **Delivery**

Capital Programme delivery is monitored on a monthly basis at officer level and quarterly by Executive and Overview & Scrutiny.



The Capital Strategy - Annual Outturn report (referenced in Section 4) will assess how the Capital Strategy has been implemented over the previous financial year - and how capital expenditure and capital financing has contributed to the provision of council services.

### **Risk Management**

The Council is exposed to a range of risks with regard to the continued affordability and delivery of it's the Capital Programme including:

- Financial risks related to the investment of the Council's assets, cash flow and market volatility;
- Macroeconomic risks related to the growth or decline of the local economy, interest rates, inflation and the wider national and global economy;
- Reputational risks related to the Council's dealings and interests, and the impact of adverse outcomes on the Council's reputation and public perception; and
- Governance risks related to ensuring that prudence and careful consideration are prominent in the Council's decision-making.

It is important to recognise that there are always risks associated with a large Capital Programme and associated borrowing, but these can be mitigated and indeed are mitigated. A summary of key risks is set out at Appendix 9.

Governance is addressed through transparent reporting and the oversight provided by Executive, Overview & Scrutiny and the Partner, Shareholder and Trustee Executive Sub-Committee.

Due diligence is undertaken on acquisitions and external advice is sought wherever necessary.

There are clear links from the Capital Strategy to the Treasury Management Strategy, prudential indicators, authorised borrowing limits and the revenue budget. These are also subject to review and oversight by Members through the Audit Committee, Executive and Council.

New borrowing will increase the Council's annual level of fixed interest and repayment costs which is subject to ongoing review within budgetary reporting and quarterly Treasury Management updates reports.

The Council makes 'prudent' provision for debt repayment which broadly reduces indebtedness in line with each asset's life and so charges the economic consumption of capital assets as they are used.

Investment properties carry a different type and level of risk relating to variations in income streams (tenant non-renewal etc.) and from asset values (impact of economic conditions and sector trends etc.). The Council has established a clear strategy, criteria and a governance process around such investment purchases to minimise the risk and to balance risk and reward.

When making decisions - particularly around assets which generate a return - due diligence processes include second opinion on asset values, site visits, surveys and market intelligence. They also include risk analysis and sensitivity analysis in order to model how affordability is impacted by stress testing key underlying assumptions. Consideration is also made to the profile of the Council's asset base - and how effectively risk is spread across different asset types and sectors.

### **COVID-19 and Economic Pressures**

The COVID-19 pandemic resulted in significant new risks and uncertainties for local authorities. These included potential delays to capital programme delivery due to post-lockdown supply chain disruption. Also impacts of a downturn in the economy resulting in reduced asset values, lower capital receipts and lower than forecast income streams from assets while general inflation pressures will result in increased build costs.

To date there has not been any significant disruption to delivery of schemes that are currently in progress. Any ongoing impacts on the Council's capital investment plans will be kept under review.

### **Internal Audit**

Independent assurance as to the effectiveness of controls in this area is also provided as part of the Council's risk-based Internal Audit Plan.

### **Summary**

The Council's Chief Finance Officer has reported explicitly on the deliverability, affordability and risk associated with Capital Strategy as set out above.

## **7. Equalities Impact Assessments**

The annual service & financial planning reports include information about the implications of budget proposals, including capital investment plans. Where new service changes, projects or policies are proposed, equalities impact assessments will be carried out by the responsible officers.

## **8. Scrutiny**

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

Treasury Management reports are considered by the Overview & Scrutiny Committee and their feedback and questions are reported to Executive.

## **9. Consultation**

The Capital Investment Strategy is published on the Council's website.

The annual budget proposals, including the Capital Programme, are subject to public consultation and also circulated to the business community via the Business e-bulletin (which has in excess of 1,500 recipients).

## Appendices

1. Extract from the Treasury Management Strategy 2023/24: Capital Strategy
2. Commercial Governance Framework
3. Medium Term Financial Plan 2024/25 to 2028/29
4. Asset Investment Approach
5. Accounting Policies
6. Property Investment Decisions Checklist
7. Annual Report Template
8. Capital Programme 2023/24 to 2027/28
9. Flexible Use of Capital Receipts Strategy
10. Risk Management

## Extract: Treasury Management Strategy 2023/24

Approved by Executive in June 2023

### CAPITAL STRATEGY

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 <sup>1</sup>	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 <sup>1</sup>	-	-	6,434	5,807	2,727
<b>TOTAL</b>	<b>35,683</b>	<b>21,156</b>	<b>10,772</b>	<b>10,129</b>	<b>6,532</b>

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
<b>TOTAL</b>	<b>35,683</b>	<b>21,156</b>	<b>10,772</b>	<b>10,129</b>	<b>6,532</b>

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	-	-
<b>TOTAL</b>	<b>556</b>	<b>583</b>	<b>36,411</b>	<b>588</b>	<b>602</b>

The Minimum Revenue Provision Statement is set out at TMS 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
<b>TOTAL CFR</b>	<b>76,400</b>	<b>89,500</b>	<b>53,900</b>	<b>53,400</b>	<b>52,800</b>

**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 TMS 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 TMS 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.

<b>Table 5: Prudential Indicator: Gross Debt and the Capital Financing Requirement</b>	<b>31.3.2022 Actual</b>	<b>31.3.2023 Forecast</b>	<b>31.3.2024 Budget</b>	<b>31.3.2025 Budget</b>	<b>31.3.2026 Budget</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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.

<b>Table 6: Borrowing and the Liability Benchmark</b>	<b>31.3.2022 Actual</b>	<b>31.3.2023 Actual</b>	<b>31.3.2024 Budget</b>	<b>31.3.2025 Budget</b>	<b>31.3.2026 Budget</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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
<b>TOTAL</b>	<b>25,900</b>	<b>16,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>

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.

<b>Table 9: Prudential indicator: Net income from commercial and service investments to net revenue stream</b>	<b>2021/22 Actual</b>	<b>2022/23 Forecast</b>	<b>2023/24 Budget</b>	<b>2024/25 Budget</b>	<b>2025/26 Budget</b>
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 discretionary 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.

<b>Table 10: Prudential Indicator: Proportion of financing costs to net revenue stream</b>	<b>2021/22 Actual</b>	<b>2022/23 Actual</b>	<b>2023/24 Budget</b>	<b>2024/25 Budget</b>	<b>2025/26 Budget</b>
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 statute, 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.

## **TMS Appendix 1: Minimum Revenue Provision (MRP) Policy**

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).

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.

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.**

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.

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.

The repayments of principal will be set aside as capital receipts to finance the initial capital advance in lieu of making MRP.

### **MRP Overpayments.**

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.

## **TMS 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.

## **TMS Appendix 3: Asset Management**

The Asset Management Plan 2023/24 to 2027/28 was proved by the Partner, Shareholder and Trustee Executive Sub-Committee in November 2022.

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.

## COMMERCIAL GOVERNANCE FRAMEWORK 2019

### Background

1. This Framework is the distillation of lessons learnt from a review of commercial governance arrangements undertaken by a Member Task Group in 2018-19. The objective of this Framework is to set out a best practice template for the set up and delivery of Partner, Shareholder and Trustee Executive Sub-Committee and companies by the Council in future.

### Approach

2. The Framework is structured to follow the lifecycle stages of a commercial venture, with elements applying to each stage – initiation: planning: execution: closure.
3. The Framework provides a structured approach against which individual proposals can be assessed on a “**comply or explain**” basis – ie. each element must be followed, unless there is a sound and well explained justification for doing otherwise.

*Figure 1: Framework overview*





## Scope

4. This Framework applies to any commercial venture (eg limited company or LLP in which the Council is a shareholder), or another internal or external structure whose impact on the Council is potentially similar to a commercial entity, where the Council's actual cumulative exposure (by combination of nominal value of ordinary or preference share capital, loan commitments, payments/remuneration to partners and other exposures) exceeds £100,000 (net of projected income).
5. For as long as the venture is of smaller scale than this threshold (which may be a result of the Council being a minority shareholder) or in a trial phase, discretion can be applied in how the Framework is applied.

## Framework: Golden Rules

6. A number of key principles inform the Council's approach to the set up and delivery of Partner, Shareholder and Trustee Executive Sub-Committee. These principles (known as Golden Rules) should be applied before any such ventures are approved on a "comply or explain" basis. Explanations for any non-compliance should be recorded and scrutinised before the venture is approved.
  - (i) The shareholder function for all ventures will be exercised by a single, properly constituted Partner, Shareholder and Trustee Executive Sub-Committee. This may be supported by Member/Officer advisory group(s) where appropriate, for specific ventures, but the Sub-Committee will be the route for all formal reporting and decision making (except where items are taken directly to the Executive or to Full Council).
  - (ii) The structure chosen and related elements (eg shareholdings, employment contracts, other incentives, lines of accountability) must be considered as a whole by the Executive to ensure that there is alignment between incentives of the commercial venture /company and the Council's objectives.
  - (iii) The allocation of Council resources to a venture by the Executive will only occur on the basis of a report containing a completed version of the Initiation and Planning Checklist (Figure 2), with supporting documents as appropriate. Such resources will then only be transferred following execution of appropriate agreements (eg loan agreements).
  - (iv) The Sub-Committee will receive updates from ventures, based on the Execution and Closure Checklist (Figure 3) on a quarterly basis (the level of detail of such updates being proportionate to the scale of each venture). Reporting should capture reasons for decisions and the underlying supporting evidence relied upon.
  - (v) Internal financial reporting (ie. to the Council's finance function) will be undertaken monthly, with reconciliation of cross charges and intragroup balances.
  - (vi) Any material changes to the business plan for any venture will be reported to and agreed by the Executive Sub-Committee.
  - (vii) There will be strong controls over, and transparency relating to, potential conflicts of interest and related party transactions – covering officers, members, other shareholders, customers and suppliers. The highest risk applies to s151 Officer, Monitoring Officer, Head of Paid Service and Executive members and therefore there is a presumption against the appointment of any of these postholders to a Director role.

- (viii) Business plans will require the early appointment of a Non-Executive Director (or equivalent independent member).
- (ix) Appointment to all roles will be skills led, informed by a documented skills audit.
- (x) The Local Authorities (Companies) Order 1995 sets out the rights for an authority and individual member to receive company specific information. In applying the reasonableness test the Council will apply a presumption in favour of sharing relevant information with individual members. The presumption (to be confirmed as part of the initial business case/approval) should be that companies should file full accounts to the Council and publicly (on a voluntary basis if other criteria require a lesser form of reporting).

### Commercial Governance Checklist

7. A practical checklist is set out below, which is based on the suite of Key Lines of Enquiry (KLOE) which were used in the Task Group's review of past Partner, Shareholder and Trustee Executive Sub-Committee and is therefore grounded in the Council's practical experience. For each line of enquiry it records evidence of compliance (or the rationale for non-compliance).
8. The Checklist has two parts, covering different stages of the lifecycle and therefore to be used at different stages and, most likely, to different governance bodies:
  - **Initiation and Planning:** to be presented to the Executive when a request is made to approve the venture, and hence provides a reference point against which the operation of the venture can be measured.
  - **Execution and Closure:** to be presented to the Executive Sub-Committee on a regular (at least annual) basis, to enable it to discharge its role in monitoring delivery of the venture against the business plan.

Figure 2: Checklist - Initiation and Planning

Requirement	Evidence of compliance (or explanation for non-compliance)
<b>Initiation</b>	
a. How does the project fit with the Council's vision?	
b. What are the objectives of the venture?	
c. What is the Council's appetite for each of the risks involved with the venture? Do we understand the risks?	
d. What are the pros and cons of potential delivery vehicles? Why do we need a corporate entity (if that is what is recommended)?	
e. Why is this the preferred delivery vehicle?	
f. What is the structure of the proposed corporate entity? <ol style="list-style-type: none"> <li>i. Structure (limited company, LLP, other).</li> <li>ii. Other shareholders/partners involved.</li> <li>iii. Capital structure (equity, debt, other).</li> </ol>	
g. What actions have been taken to obtain Member buy in?"	
h. What actions have been taken to obtain officer buy in?"	

Requirement	Evidence of compliance (or explanation for non-compliance)
i. Is the Council's role in commercial decision-making clear?	
<b>Planning</b>	
a. Does the assessment cover relevant criteria including costs, complexity, risks, return on investment?	
<p>b. Is there a robust business case (to a comparable standard to that which an external investor would require)? Does the business case adequately cover?:</p> <ul style="list-style-type: none"> <li>i. Projected income and expenditure, over a reasonable time horizon.</li> <li>ii. A clear view of the amount of financing required from the Council, and other parties, over the same time horizon.</li> <li>iii. A range of scenarios covering both optimistic and pessimistic outcomes, showing the financial impact on the Council in each.</li> <li>iv. Success/outcome measures, translated into KPIs which will be reported regularly to the Executive Sub-Committee.</li> <li>v. Any other requirements on the Council, eg staff time, office space, or use of other Council assets.</li> <li>vi. Potential tax (corporation tax, VAT, other) and other liabilities arising.</li> <li>vii. How any unexpected losses would be absorbed.</li> <li>viii. Market and other research on which the financial forecasts are based.</li> <li>ix. Any Intellectual Property already possessed or expected to be developed as part of the venture, and clarity over its ownership.</li> <li>x. Resolution/shutdown plans/exit strategy in the event of a significant adverse event.</li> </ul> <p>c. What is the proposed governance model?</p> <ul style="list-style-type: none"> <li>i. Role of Chairman of the Board (or equivalent).</li> <li>ii. Composition of the Board (or equivalent), including Non-Executive Director(s).</li> <li>iii. The proposed measures for training and evaluation of performance of the Board.</li> <li>iv. Arrangements for reporting back to the Council: <ul style="list-style-type: none"> <li>i. To officers.</li> <li>ii. To the Partner, Shareholder and Trustee Executive Sub-Committee.</li> <li>iii. To the Overview &amp; Scrutiny Committee.</li> </ul> </li> <li>v. Potential constraints on sharing of information with the Council, and ways of addressing them (eg if there is to be a</li> </ul>	

Requirement	Evidence of compliance (or explanation for non-compliance)
<p>minority shareholder, ensuring that the Articles of Association and/or other documentation allow for full information flow to the Council).</p> <p>vi. Any other governance mechanisms proposed, eg advisory board, stakeholder committee.</p>	
<p>d. Who are the key people involved and how have we satisfied ourselves that their skills and experience are relevant and sufficient?</p> <p>i. Identities, skills and experience of key personnel (covering people management, leadership, financial and commercial skillsets).</p> <p>ii. Results of due diligence on key personnel.</p> <p>iii. Assessment of potential conflicts of interest – including any current or expected involvement of related parties/companies.</p>	
<p>e. What controls will be in place to minimise/mitigate risk?</p> <p>i. Procurement and fraud controls.</p> <p>ii. Financial controls (within the Council) to ensure funds advanced are in line with approved limits.</p> <p>iii. Financial controls (within the company/venture) including authorisation of expenditure.</p> <p>iv. Controls relating to other risks arising from the venture.</p>	

Figure 3: Checklist – Execution and Closure

Requirement	Evidence of compliance (or explanation for non-compliance)
<b>Execution</b>	
a. Is performance, resource and financial information being adequately tracked?	
b. Is the delivery of the project being tracked and monitored and early action being taken to address risks?	
c. What business management reporting processes are in place?	
d. What processes are in place to manage income/sales and to confirm compliance with the agreed business case?	
e. Is financial forecasting reviewed and managed to ensure adequate funding and cashflow available to confirm compliance with the business case? Is there a clear separation between the reports from the company/venture and the covering analysis by the Council's officers?	
f. What financial controls are in place to ensure expenditure complied with the agreed business case? Have the directors attested that these controls have been complied with during the previous reporting period?	
g. Are processes in place for agreeing changes to the business case (services delivered/sold/finances and resources required)?	

h. Is there assurance that no project creep is occurring? What change control processes are in place?	
i. Have all contracts entered into (since the previous review) been checked for any conflicts of interest, and if any such conflicts arise, have these been resolved and/or made transparent?	
j. What corporate actions/filings have been reported to Companies House since the previous report?	
k. What are the results of the most recent evaluation of Board performance?	
<b>Closure</b>	
a. Was the agreed exit strategy (as set out in the Planning stage) followed? If not, why not?	
b. Has there been a review of the venture, appropriate to the scale of the venture and involving all relevant stakeholders?	
c. Are lessons learnt being captured and implemented?	

### Review

9. The Framework and its implementation shall be reviewed regularly and initially no later than 12 months after its adoption to ensure that it is meeting its objective and that lessons learnt drive improvement.

## MEDIUM TERM REVENUE BUDGET FORECAST 2024/25 to 2028/29

MEDIUM TERM REVENUE BUDGET FORECAST	Approved Budget 2023/24 £m	Cumulative Impact 2024/25 £m	Cumulative Impact 2025/26 £m	Cumulative Impact 2026/27 £m	Cumulative Impact 2027/28 £m	Cumulative Impact 2028/29 £m
<b>Current Year Budget Requirement</b>	<b>23.194</b>					
Service Budgets – Pay Increase		1.750	4.000	6.250	8.500	9.500
Service Budgets – net additional growth / savings / income		(0.500)	(0.750)	(1.000)	(1.000)	(1.000)
Central Budgets – net additional growth / savings / income		-	-	-	-	-
<b>Service &amp; Central Budgets</b> Other growth, savings and income proposals		TBC during service & financial planning				
<b>Council Tax</b> 2.99% increase plus forecast taxbase increase		(0.710)	(1.376)	(2.069)	(2.789)	(3.509)
<b>Business Rates (NDR)</b> Latest Forecast		1.519	(0.049)	-	(0.100)	(0.054)
<b>Grants and Reserves</b> Net change in call on Grants and Reserves		-	-	-	-	-
<b>Forecast Gap Compared to Current Budget</b>	<b>nil</b>	<b>2.059</b>	<b>1.825</b>	<b>3.181</b>	<b>4.611</b>	<b>4.937</b>
Annual Increase in Gap		2.059	(0.234)	1.356	1.430	0.326
Gap as % of current budget requirement		8.9%	7.9%	13.7%	19.9%	21.3%

## ASSET INVESTMENT APPROACH

### Introduction

The Council has for several years targeted investment in assets that generate new ongoing income streams in support of achieving the Council's ambition of being financially self-sufficient.

### Strategic Context

The Council's Corporate Plan 2020-2025 sets out our priorities for the current five year period and explains how we will focus our resources and deliver services to those living, working and spending time in Reigate & Banstead. This includes objectives to be a financially self-sustaining Council by maximising income and efficiency opportunities, and to generate additional income to build our financial resilience through responsible and sustainable commercial activities. One way we can do this is by developing our existing land, commercial properties and acquisitions that generate new additional income that will contribute to the local economy.

The Council's Commercial Strategy assists in the understanding of why this Council needs to undertake commercial activity, and how funding will be focused. It includes a Commercial Activity Action Plan, progress on which will be reported annually. The Action Plan will support delivery of new income generation opportunities for inclusion in future MTFP forecasts.

The Council recognises that asset management and investment is critical to the delivery of efficient and effective services. The effective use of Council-owned property and assets can contribute to the local economy and act as a catalyst for investment and strengthen the prosperity of the borough.

This Commercial Asset Investment Approach focuses on investment acquisitions and development and underpins the framework for how the Council will manage use of its assets into the future. It sets out the organisational arrangements for implementing and developing the Strategy.

### Aims and Objectives

The aim is to realise the benefits of the effective management of investments, which include:

- Creating a balanced portfolio of assets that minimises management costs and resources;
- Increasing returns and creating new revenue income streams;
- Adopting an approach of balancing risk and reward;
- Supporting delivery of the Council's objective to ensure financial self-sufficiency; and
- Supporting the local economy.

### Governance

This approach will form the basis on which any investment decisions are made; the summary below sets out the decision-making process.

- |         |   |
|---------|---|
| Stage 1 | Initial assessment of investment opportunity by officers overseen by the Corporate Governance Group, supported by the Strategic Property Officer Group and the Companies Project Board. |
| Stage 2 | Recommendation for decision to proceed to offer to Partner, Shareholder and Trustee Executive Sub-Committee.  |
| Stage 3 | Negotiation and full due diligence.   |
| Stage 4 | Final recommendation to Partner, Shareholder and Trustee Executive Sub-Committee.   |

The Strategic Property Officer Group will carry out an initial high-level assessment and desk top valuations of any investment opportunity. Key criteria for the assessment will include:

- The contribution of any opportunity to Corporate Plan objectives
- The type, tenure and location of the asset and current and forecast market conditions

- The impact that pursuing the opportunity will have on the Council's overall portfolio
- Immediate and longer-term capital costs and revenue implications
- Risks associated with the specific opportunity as well as any wider risks for the organisation should it pursue the opportunity; and
- The exit strategy.

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

The Corporate Governance Group will receive proposals and act as a catalyst for making recommendations to proceed to offer to the Partner, Shareholder and Trustee Executive Sub-Committee.

Following a positive decision, an offer will be made to the property owners/agents subject to checks being carried out e.g. disclosure of freehold title, the property being clear of any onerous restrictions, full structural, mechanical and electrical surveys.

### **Strategic alignment with other Council policies**

There is a need to be mindful of other work-streams and Council priorities. These include:

- Medium Term Financial Plan, Revenue Budget and Capital Programme;
- Treasury Management Strategy - to ensure compliance with approved borrowing levels;
- Treasury Management Capital Strategy - to set the long-term context in which capital expenditure and investment decisions are made in a sustainable way;
- Commercial Strategy;
- Housing Delivery Strategy – including:
  - the Housing Development Strategy and Pipeline that are under development; and
  - acquisition of additional temporary and emergency accommodation;
- IT Strategy;
- Environmental Sustainability Strategy; and
- the Government's Biodiversity Net Gain Strategy that has potential implications for the authority as a landowner.

### **Scope**

This approach will apply to all acquisitions of land and property. An acquisition is defined as acquiring a legal interest in land and property by the taking of a freehold, leasehold or license in land and property for investment purposes.

### **Performance**

The Council is committed to understanding how the performance of its assets contributes to satisfaction levels of its customers. It will use this information to ensure that assets remain fit for purpose and continue to deliver accessible services that meet the needs of the community. This is against a background of changing service requirements and rising levels of public expectation.

### **Value for Money**

The Council will ensure that any acquisitions deliver value for money in terms of service benefit, operating costs and financial return from its assets. The Council will continually challenge whether its assets are required, are fit for purpose, and contribute to the delivery of the Council's priorities.

### **Innovation**

The creative use of Council assets can act as an effective driver for change. The Council has an excellent track record of delivering through a partnership approach and continues to seek new opportunities for collaboration with other public authorities, third sector and private sector.

By attracting private sector financing and sharing some of the risks, these innovative ways of working may allow the Council to progress ambitious, large scale plans that were previously considered unaffordable or too long-term.

### **Data Management**



In all cases where an acquisition occurs, arrangement will be made to ensure that details are recorded in the Council's asset management and financial records. Where appropriate the Council's business rate liabilities and insurance requirements will be updated.

### **Compliance**

The Council will ensure that all acquisitions are safe and they fully comply with all statutory obligations, e.g. health and safety (including asbestos and water safety).

The Council will endeavour to ensure that it complies with its leasehold obligations, including building repairs. It will be pragmatic in its approach and seek to ensure value for money in all the work undertaken.

### **Environmental Sustainability**

The Council is keen to minimise the adverse impact, and maximise the positive impact, that its activities may have on the environment. It is committed to reducing energy consumption and carbon emissions from acquisitions and any developments adopting sustainable forms of construction.

### **Disposal**

Linked to the acquisitions is the potential for disposal of assets, the key drivers include:

- Obtaining capital receipts, which can be reinvested in new acquisitions;
- Clearly defining surplus and under-used property and asset rationalisation;
- Identification of potential development and disposal opportunities that may deliver wider redevelopment benefits and/or capital receipts or revenue. This may include working in partnership with a developer partner; and
- Pro-active disposal of small landholdings that may be a maintenance liability, provided that the proposed uses are in line with the Local Plan.

### **Summary**

This Approach reflects the latest guidance and past performance on delivering against the Council's Asset Strategy. Going forward the Strategy will focus on acquisitions, development of existing assets and reviewing the long-term future of legacy assets and provide a framework for managing the use of Council assets into the future. It will be subject to regular review to ensure it remains current.

## ACCOUNTING POLICIES

The Accounting Policies which inform the Financial Statements of the Council are in accordance with statutory provisions and the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which adopts relevant International Financial Reporting Standards (IFRS).

The key accounting policies applicable to this authority, and any specific policies adopted where local discretion can be applied are subject to approval by Audit Committee.

The full accounting policies are contained within the notes to the Core Financial Statements to the Final Accounts. Those policies related to the recording and financing of capital expenditure are reproduced below.

### Capital Grants and Contributions

Where no grant conditions exist or conditions have been met (e.g. under a Section 106 agreement), capital grants and contributions are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement. The balance of the grant or contribution that has not been used to finance expenditure is transferred to the Capital Grants Unapplied Account via the Movement in Reserves Statement. The amount of the grant or contribution that has been used to finance expenditure is transferred to the Capital Adjustment Account via the Movement in Reserves Statement. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account when they have been applied to fund capital expenditure.

Where grant conditions exist and have not initially been met, the grant is recognised in the Capital Grants Receipts in Advance Account. When grant conditions have been met, the grant is then recognised in the Comprehensive Income and Expenditure Statement and transferred via the Movement in Reserves Statement to the Capital Adjustment Account. If the grant conditions are not and/or are unlikely to be met, then the grant will be repaid.

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy is charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges for this Council may be used to fund revenue expenditure.

### Grants and Contributions Attributable to Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset for the Council, has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## **Heritage Assets**

The Council's heritage assets consist of paintings (oil and watercolour) and marble sculptures which have been donated to the Council and are held in the Town Hall, and the mayor's regalia. A number of wooden sculptures are also located in local parkland.

These items are reported in the Balance Sheet at insurance valuation which is based on market values. Insurance valuations are updated every five years. The collection is relatively static with donations and purchases being rare. Where they do occur, donations are recognised at cost and revalued annually.

The Council also hold land and historical structures. Where an accurate valuation can be established, these assets are valued and accounted for in line the Councils accounting policy for land and buildings.

For some assets, the cost of obtaining an accurate valuation, would be disproportionate to the benefits to the user, due to lack of comparable. Therefore, these assets are not recognised on the balance sheet: Castle Grounds, Reigate Caves, the Well House and Reigate Heath Windmill.

## **Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the authority can be determined by reference to an active market. In practice, no intangible asset held by the authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the capital adjustment account and the capital receipts reserve.

## **Disposals and Non-Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back

to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts which is credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### **Property, Plant and Equipment (PPE)**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

#### **Recognition**

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accrual's basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred. A de minimus level is applied for individual/groups of assets.

#### **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost.
- operational assets – Depreciated replacement cost (DRC) Existing Use Value (EUV) or Fair Value basis, determined by the characteristics of the asset; and
- all other assets – fair value, determined as the highest and best use amount that would be paid for the asset in an orderly transaction between market participants.

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for the asset's current value.

Assets included in the Balance Sheet are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their value at the year-end, but as a minimum every five years by a qualified external valuer, excepting non-property assets that have short useful lives and/or low values.

Valuations are undertaken on 31st December and an impairment/material changes review carried out on 31 March. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### **Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the comprehensive income and expenditure statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **Depreciation**

Depreciation is provided for on all property, plant, and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land and certain community assets) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following basis:

- buildings – straight-line allocation over the useful life of the property as determined in consultation with the valuer, up to a maximum of 50 years; and
- vehicles, plant, and equipment – straight-line allocation over the useful life of the asset as set out below:
  - vehicles and plant – 5 to 8 years; and
  - equipment – up to 5 years.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account."

### **Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

## PROPERTY INVESTMENT DECISIONS – CHECKLIST

Criteria	Measure		
<b>Financial</b>			
Price	Comparison with Red Book value		
Purchase Costs	Within industry norm		
Financial return on total investment cost	>5%	>2.5% and strongly supports corporate plan objectives	<2.5%
Return over short to medium term	Negative inflow (net income stream)		Positive inflow (net cost)
Net Present Value	>3.5% above cost of capital	<3.5% over cost of capital + significant contribution to corporate objectives	<3.5% over cost of capital
Internal Rate of Return (over the long-term life of the asset)	<10 years	10-20 years	>20 years
Payback	<15 years	15-20 years	>20 years
Stress test/tipping point	>50% value of covenant	<50% but >30%	<30%
Impact on MTFP (£)	Annual impact on MTFP funding gap (net cost or income)		
Financial Standing/appraisal of company financial health	>60% 50-60% with >12m covenant	50-60% with <12m+ covenant	<50%
Credit Score	No significant issues identified (Dun & Bradstreet or equivalent)		
<b>Treasury Management</b>			
Complies with 'Borrowing in Advance of Need' test	Complies		
<b>Impact on Corporate Cash Flows</b>			
Within Operational Boundary	Complies		
Within authorised limit	Complies		
Liquidity concerns	None		
Exit Strategy	Does not add new risks to MTFP forecasts		
Lease accounting classification	Operating Lease (not Finance lease)		
Opted to Tax	VAT on acquisition is recoverable and no adverse impact on the Council's Partial Exemption status	VAT on acquisition is not recoverable with adverse impact on the Council's Partial Exemption status	
<b>Property Characteristics</b>			
Location	In borough or clearly supports local economy		
Category	Supports balanced but diverse portfolio which may comprise: <ul style="list-style-type: none"> <li>• Shops - Class A1</li> </ul>		

Criteria	Measure		
	<ul style="list-style-type: none"> <li>• Offices – Class A2/B1</li> <li>• Industrial - Class B2</li> <li>• Distribution &amp; Storage - Class B8</li> <li>• Hotels &amp; Hostels - Class C1</li> <li>• Residential Institutions - Class C2</li> <li>• Dwellings, Houses, Flats &amp; Apartments - Class C3</li> <li>• Non-Residential Institutions - Class D1</li> <li>• Assembly &amp; Leisure - Class D2</li> <li>• Other – not included above</li> </ul>		
Type	Prime/secondary/tertiary Established office/industrial		
Tenure	Freehold or long leasehold(s)		
Occupation	Single occupier with good covenant	Multi-let	Vacant
Condition	Good condition; or Price reflects works required	Significant concerns about life, value or potential returns	
Environmental	Flood risk, conservation area, etc		
Planning	Use conforms to planning consents		
Energy Performance	> D	< D with details provided of works required to achieve D	< D
Title	Transfer required		
Legal	Any issues identified (including permitted use) Tenant check (company and directors)		
Rent	At or above market rent		
Income Flow	5+ years to lease renewal/tenant break option		
Rent Review	Upward only, preferably at market standard frequency		
Repairs	Full repairing and insuring lease (property policies arranged through the Council's insurers)		
<b>Corporate Plan Priorities</b>			
Strategic significance	Has significant strategic value Supports delivery of key corporate objectives		

### Key

Exceeds minimum criteria for investment – recommended for consideration
Does not fully meet criteria - may be considered if issues can be addressed
Does not meet criteria – not recommended for consideration



## CAPITAL PROGRAMME 2023/24 to 2027/28

CAPITAL PROGRAMME - DETAILS							
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total £m
	BFWD	Projected	Projected	Projected	Projected	Projected	
	£m	£m	£m	£m	£m	£m	
<b>ORGANISATION SERVICES</b>							
<b>STRATEGIC PROPERTY</b>							
<b>Rolling Property Maintenance Programmes</b>							
Forum House, Brighton Road Redhill	0.270	0.150	0.150	0.100	0.100	-	<b>0.770</b>
Beech House, London Road Reigate	3.000	-	-	-	-	-	<b>3.000</b>
Unit 61E Albert Road North	0.074	0.012	0.012	0.012	0.075	-	<b>0.184</b>
Regent House, 1-3 Queensway Redhill	0.175	0.090	0.090	0.075	0.090	-	<b>0.520</b>
Linden House, 51B High Street Reigate	-	0.012	0.012	0.012	0.015	-	<b>0.050</b>
Units 1-5 Redhill Distribution Centre Salfords	0.115	0.017	0.017	0.017	0.025	-	<b>0.191</b>
Crown House	0.285	0.075	0.075	0.075	0.075	-	<b>0.585</b>
Tenanted Properties	0.167	0.100	0.100	0.100	0.100	-	<b>0.567</b>
Tenanted Property Assets	0.135	0.076	0.076	0.050	0.076	-	<b>0.413</b>
Operational Buildings	0.370	0.095	0.080	0.069	0.080	-	<b>0.694</b>
Priory Park	0.223	0.010	0.030	0.010	0.050	-	<b>0.323</b>
Public Conveniences	0.021	0.010	0.020	0.010	0.095	-	<b>0.156</b>

CAPITAL PROGRAMME - DETAILS							
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total £m
	BFWD	Projected	Projected	Projected	Projected	Projected	
	£m	£m	£m	£m	£m	£m	
Infrastructure (walls)	0.031	0.010	0.060	0.010	0.020	-	<b>0.131</b>
Allotments	0.042	0.012	0.022	0.012	0.012	-	<b>0.100</b>
Cemeteries & Chapel	0.080	0.020	0.040	0.020	0.020	-	<b>0.180</b>
Pavilion Replacement - Woodmansterne	0.020	-	-	-	-	-	<b>0.020</b>
Leisure Centre Maintenance	0.159	0.190	0.030	0.036	0.175	-	<b>0.590</b>
Existing Pavilions Programme	0.097	0.050	0.050	0.050	0.150	-	<b>0.397</b>
Car Parks Capital Works Programme	0.563	0.195	0.170	0.080	0.075	-	<b>1.083</b>
Earlswood Depot/Park Farm Depot	0.061	0.020	0.020	0.020	0.050	-	<b>0.171</b>
Community Centres Programme	0.081	0.067	0.065	0.032	0.125	-	<b>0.370</b>
Harlequin Property Maintenance	0.270	0.120	0.100	0.030	0.100	-	<b>0.620</b>
Building Maintenance - Capitalised Staff Costs	0.028	0.028	0.028	0.028	0.028	0.028	<b>0.168</b>
Massetts Road Accommodation Works	0.021	0.021	0.021	0.021	0.021	0.021	<b>0.126</b>
Temporary & Emergency Accommodation Works	0.095	0.040	0.040	0.040	0.040	0.040	<b>0.290</b>
<b>Total</b>	<b>6.383</b>	<b>1.419</b>	<b>1.307</b>	<b>0.909</b>	<b>1.597</b>	<b>0.089</b>	<b>11.704</b>
IT SERVICES							
ICT Replacement Programme	-	0.200	0.250	0.200	0.200	0.200	<b>1.050</b>
Replacement Printers and Photocopiers	-	0.060	-	-	-	-	<b>0.060</b>
<b>Total</b>	<b>-</b>	<b>0.260</b>	<b>0.250</b>	<b>0.200</b>	<b>0.200</b>	<b>0.200</b>	<b>1.110</b>

<b>CAPITAL PROGRAMME - DETAILS</b>							
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total £m
	BFWD	Projected	Projected	Projected	Projected	Projected	
	£m	£m	£m	£m	£m	£m	
<b>ORGANISATIONAL DEVELOPMENT</b>							
Workplace Facilities: Estate/Asset Development	-	0.250	0.250	-	-	-	<b>0.500</b>
<b>ENVIRONMENTAL STRATEGY</b>							
Environmental Strategy Delivery	0.236	-	-	-	-	-	<b>0.236</b>
<b>PEOPLE SERVICES</b>							
<b>HOUSING</b>							
<b>Grant-Funded Schemes</b>							
Disabled Facilities Grant	-	1.287	1.287	1.287	1.287	1.287	<b>6.435</b>
Home Improvement Agency (Part Grant Funded)	-	0.125	0.132	0.132	0.132	0.132	<b>0.653</b>
Purchase of Accommodation	3.997	-	-	-	-	-	<b>3.997</b>
Purchase of Accommodation (Local Authority Housing Fund)	2.967	-	-	-	-	-	<b>2.967</b>
Purchase of Accommodation - Mitchell Court	0.240	-	-	-	-	-	<b>0.240</b>
Purchase of Accommodation - Stirling House	0.120	-	-	-	-	-	<b>0.120</b>
<b>Housing Delivery Strategy</b>							
Lee Street Bungalows	0.020	-	-	-	-	-	<b>0.020</b>
Cromwell Road Development	0.100	-	-	-	-	-	<b>0.100</b>
<b>Total</b>	<b>7.444</b>	<b>1.412</b>	<b>1.419</b>	<b>1.419</b>	<b>1.419</b>	<b>1.419</b>	<b>14.532</b>
<b>LEISURE &amp; CULTURE</b>							

<b>CAPITAL PROGRAMME - DETAILS</b>							
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total £m
	BFWD	Projected	Projected	Projected	Projected	Projected	
	£m	£m	£m	£m	£m	£m	
Harlequin - Service Development	0.064	0.100	0.100	0.100	0.100	0.100	<b>0.564</b>
<b>COMMUNITY PARTNERSHIPS</b>							
CCTV	0.105	-	-	-	-	-	<b>0.105</b>
UKSPF - Digital Connectivity for Local Community Facilities	0.003	-	-	-	-	-	<b>0.003</b>
<b>Total</b>	<b>0.108</b>	-	-	-	-	-	<b>0.108</b>
<b>PLACE SERVICES</b>							
<b>NEIGHBOURHOOD OPERATIONS</b>							
<b>Rolling Maintenance Programmes</b>							
Vehicle Wash Bay Replacement	0.350	-	-	-	-	-	<b>0.350</b>
Vehicles & Plant	1.022	0.582	0.681	0.837	0.562	3.668	<b>7.352</b>
Play Areas Improvement	-	0.230	0.230	0.230	0.230	0.100	<b>1.020</b>
Air Quality Monitoring Equipment	-	0.040	0.040	0.065	0.065	0.040	<b>0.250</b>
Parks & Countryside – Infrastructure & Fencing	-	0.045	0.045	0.045	0.045	0.045	<b>0.225</b>
Workshop Refurbishment	0.160	-	-	-	-	-	<b>0.160</b>
Contribution to Surrey Transit Site	0.127	-	-	-	-	-	<b>0.127</b>
<b>Total</b>	<b>1.659</b>	<b>0.897</b>	<b>0.996</b>	<b>1.177</b>	<b>0.902</b>	<b>3.853</b>	<b>9.484</b>
<b>PLACE DELIVERY</b>							
Marketfield Way Redevelopment	5.575	-	-	-	-	-	<b>5.575</b>

CAPITAL PROGRAMME - DETAILS							
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total £m
	BFWD	Projected	Projected	Projected	Projected	Projected	
	£m	£m	£m	£m	£m	£m	
Horley Public Realm Improvements - Phase 4	0.565	-	-	-	-	-	<b>0.565</b>
Merstham Recreation Ground	1.465	-	-	-	-	-	<b>1.465</b>
Redhill Public Realm Improvements	0.030	-	-	-	-	-	<b>0.030</b>
Pay-on-Exit Car Parking, Horley	0.046	-	-	-	-	-	<b>0.046</b>
Preston - Parking Improvements	0.542	-	-	-	-	-	<b>0.542</b>
<b>Total</b>	<b>8.222</b>	-	-	-	-	-	<b>8.222</b>
<b>TOTAL APPROVED CAPITAL PROGRAMME</b>	<b>24.116</b>	<b>4.338</b>	<b>4.322</b>	<b>3.805</b>	<b>4.218</b>	<b>5.661</b>	<b>46.460</b>

## FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY

As part of the Local Government Finance Settlement (LGFS) in March 2016, the Secretary of State for Housing, Communities and Local Government provided Local Authorities with the opportunity to use capital receipts to fund the revenue costs of transformation.

This flexibility was then extended to 2023/24, but with a new restriction on the use of capital receipts to fund discretionary redundancy payments and a new requirement to submit plans for use of the discretion in advance of each financial year.

The flexible use of capital receipts is designed to offset the revenue cost of transformational projects which are expected to deliver future ongoing revenue savings for either the Council or other public sector delivery partners.

In order to take advantage of the change of use to capital receipts, the Council must act in accordance with the statutory guidance issued by the Secretary of State. This guidance requires the Council to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy.

### **Qualifying expenditure**

Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.

### **Projects**

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

There are therefore currently no projects in place that plan to make use of the capital receipts flexibility.

Should this change, details of the expected savings/service transformation will be provided to full Council alongside the impact on the Council's Prudential Indicators.

## RISK ASSESSMENT

Ref	Risk	Impact	Likelihood	Mitigation	Residual Risk
CIS1	Financial risks where the costs of maintaining an asset are understated.	M	M	Agency, legal costs, management costs, debt repayment and insurance costs are included in the financial assessment as are any other known commitments. The condition of the property is also considered.	Unknown costs may materialise that exceed budget forecasts.
CIS2	Financial risks where income streams associated with an asset are overstated and/or void periods are understated.	M	M	Individual decisions are informed by a detailed financial assessment which includes a review of income projections based on current contractual terms. The length of contracts is also considered, and a judgement is made as to a reasonable void period which is flexed depending on the number and type of rental agreements in place. The strength of the market demand for the property is also considered, as is the credit rating status of sitting tenants. The assessment of decisions includes consideration of the Council's exit strategy.	There are no guarantees that tenants will remain solvent and/or fulfil their agreements. The market may change (potentially as a result of wider economic issues) which may impact on market rental values. The life of the asset and the period of the financial model typically extends beyond any leases that are in place and there is no guarantee that premises will remain let over the period of the financial model/borrowing.
CIS3	Financial risks where the (resale) value of the asset is overstated and/or reduces. Or the life of the asset is overstated.	M	M	An independent valuation of the property is commissioned as part of the decision-making process. The Council also receives advice and market intelligence from its property advisors. The financial assessment includes both interest and repayment of borrowing.	Resale valuations cannot be guaranteed to increase/remain static. While the cost of loan repayment is modelled within the financial assessment, any desire to sell the asset within the payback period could result in a capital shortfall should the market valuation decline.

Ref	Risk	Impact	Likelihood	Mitigation	Residual Risk
CIS4	Strategic risks where the benefits, improvements and development potential of an asset are overstated	M	M	Individual acquisition decisions consider the benefit, improvement and development of the area as well as income generation for the authority.	The actual long-term economic impact of acquisitions may be less than anticipated.
CIS5	Reputational risks related to dealings and interests, and the impact of adverse outcomes on the Council's reputation and public perception.	H	L	Individual acquisition decisions consider the benefit, improvement and development of the area and contribution to agreed corporate objectives that were subject to stakeholder consultation.	The acquisition and development of individual assets may result in negative opinion.
CIS6	Environmental sustainability risks related to delivery of the Strategy	M	L	Individual acquisition decisions consider the benefit, improvement and development of the area and contribution to agreed corporate objectives that were subject to stakeholder consultation. Environmental sustainability considerations are taken into account when making individual investment decisions.	The acquisition and development of individual assets may result in negative opinion.
CIS7	Risks relating to the profile of the Council's asset base - and how effectively risk is spread across different asset types and sectors	H	L	Individual acquisition decisions consider the asset class and the extent to which it will help ensure a balanced portfolio.	The risk associated with individual asset classes will be influenced by a range of factors that may change over time.
CIS8	Risks relating to the COVID-19 pandemic and economic pressures	H	M	<p>Deliverability of approved schemes and funding forecasts will be subject to review as the medium/long term impacts are confirmed.</p> <p>Income from commercial rents is likely to be at higher risk of non-payment due to a downturn in the economy and changes in how tenants operate resulting in reduced demand for office space.</p>	<p>It may be necessary to re-assess deliverability and/or affordability of some schemes and update capital investment plans in response.</p> <p>Discussions with tenants have taken place since the start of the pandemic to assess their ability to pay and future requirements.</p>



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

**Key:**

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

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<b>Signed off by</b>	Head of Corporate Policy, Projects and Performance
<b>Author</b>	Tom Borer, Senior Policy Officer
<b>Telephone</b>	Tel: 01737 276717
<b>Email</b>	tom.borer@reigate-banstead.gov.uk
<b>To</b>	Overview and Scrutiny Committee Executive
<b>Date</b>	Thursday, 6 July 2023 Thursday, 13 July 2023
<b>Executive Member</b>	Portfolio Holder for Corporate Policy and Resources

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

<b>Subject</b>	Reigate & Banstead 2025 Annual Report 2022/23
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<b>Recommendations</b>
<p><b>That the Overview and Scrutiny Committee:</b></p> <ul style="list-style-type: none"> <li>(i) <b>Notes the Reigate &amp; Banstead 2025 Annual Report for 2022/23, and makes any observations for consideration by the Executive.</b></li> <li>(ii) <b>Notes the Equality Objectives Progress Report for 2022/23, and makes any observations for consideration by the Executive.</b></li> </ul> <p><b>That the Executive:</b></p> <ul style="list-style-type: none"> <li>(i) <b>Agrees the Reigate &amp; Banstead 2025 Annual Report for 2022/23 for publication.</b></li> <li>(ii) <b>Agrees the Equality Objectives Progress Report for 2022/23 for publication.</b></li> <li>(iii) <b>Agrees the continuation of the Council's current Equality Objectives to 2025.</b></li> </ul>
<b>Reasons for Recommendations</b>

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The Reigate & Banstead 2025 Annual Report and the Equality Objectives Progress Report are key tools for the assessment of the Council's progress towards its corporate plan and equalities objectives.

Consideration and noting of these reports, and consideration by the Executive of any observations by the Overview & Scrutiny Committee, will support effective awareness of the work of the Council, its challenges and successes, and thereby help inform and steer the Council's future actions in delivering corporate objectives and supporting the borough and its residents.

## **Executive Summary**

The Council's corporate plan, [Reigate & Banstead 2025](#), was adopted by the Council on 16 January 2020 and covers the period 2020-2025. 2022/23 was the third year of implementation of the plan.

The third annual progress report on the plan is set out at Annex 1. It sets out the Council's progress against the success measures set out in Reigate & Banstead 2025 for each priority and objective, and also includes a range of contextual indicators which provide information on wider local circumstances.

As set out in this report, the borough and the Council faced challenges in 2022/23 relating to factors such food and energy costs for residents, constrained local government funding, and responding to increased staff turnover in the sector. Despite these, the Council was able to deliver positive achievements within the year, including securing financial efficiency whilst maintain services, delivering key affordable and temporary housing, and a range of initiatives to improve and expand the Council's offer to residents and communities, and build the foundation for future service delivery.

The Council agreed [Equality Objectives](#) for the period 2020 to 2024 in December 2019. 2022/23 was the third year of implementation of these objectives.

The progress report on the Council's equality objectives for 2022/23 is set out at Annex 2. The report provides an update on work towards the Council's four equality objectives within the period and a summary of areas of future focus for the objectives.

Overview and Scrutiny Committee Members are asked to review and note the reports provided. As part of this process, the Committee is invited to make any observations on the Council's progress towards its corporate plan and/or equalities objectives in 2022/23, which will then be considered by the Executive and inform future decision making.

Following agreement by the Executive, the reports will be finalised for publication with supporting images, made available on the Council's website and promoted via our communications channels.

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

## **Statutory Powers**

1. There is no statutory requirement for the Council to produce a corporate plan. The adoption of a five year plan to set out priorities and objectives is consistent with best practice adopted by many organisations, in both the public and private sector.

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2. The Council has a Public Sector Equality Duty under the Equality Act (2010). More information on this duty is provided in the Equalities Implications section of this report.

## Background

3. In January 2020, the Council adopted Reigate & Banstead 2025 as its corporate plan for the period of 2020-25.
4. The plan was developed looking at local evidence, resident consultation and feedback, and considering both changes and lessons learned from the previous five years, along with how the borough might change in the future.
5. Reigate & Banstead 2025 can be found in full on the Council's website, along with additional information on the borough and the development of the plan at: [www.reigate-banstead.gov.uk/rbbc2025](http://www.reigate-banstead.gov.uk/rbbc2025).
6. In December 2019, the Council approved a new set of Equality Objectives for 2020 to 2024, committing to using data and local intelligence better, supporting good community relations, providing accessible information and services, and equality of opportunity for those working for the Council.
7. The Council's full Equality Objectives, along with additional information on equalities, can be found on the Council's website at: <https://www.reigate-banstead.gov.uk/equality>.

## Key Information

### Reigate & Banstead 2025

8. Reigate & Banstead 2025 sets out the Council's priorities for 2020-2025, and identifies its objectives for delivering services to those living, working and spending time in the borough.
9. The plan sets out the Council's vision to be recognised by our residents, businesses and partners as a great Council, and its commitments to the borough and its residents. Within the plan can also be found information on the role of the Council, the context in which it operates, and the partner organisations with whom we work.
10. The plan's priorities and objectives are divided into three themes, which reflect the structure of the organisation.
11. The annual report, attached at Annex 1, identifies the Council's work and progress towards the plan's objectives in the last year, across these three themes. It is based around the success measures set out within the plan.
12. A number of the plan's success measures relate to resident sentiment, and were originally envisaged to draw upon the findings of a residents' survey. As it has not been possible to complete such a survey this year, the report covers these points by drawing on data, knowledge and experience from across relevant services, portfolio areas and third parties where appropriate.
13. As set out in the Executive Summary of this report, the Council has delivered successes within the last year, but also faced challenges. More information on these is contained within Annex 1, but both challenges and successes have been significantly influenced by the financial pressures faced by residents and local

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government, and reflect the necessity of work done to overcome these pressures and respond to the demands they create.

14. The annual report contains information on work towards plan objectives across a broad range of areas, including shaping the borough's places, working towards environmental sustainability, and maintaining the organisation's key assets and capacities. Throughout, consideration is given to the cross-cutting commitments of the plan and their contribution towards the plan.
15. Accompanying the information on the Council's progress are a range of contextual indicators, as agreed at the establishment of the plan. These contextual indicators generally reflect matters outside of the control of the Council, but are provided to support effective understanding of the context in which we operate and to assist in targeting our future activities. Due to the nature of the data involved, the latest figures available may be for earlier than 2022/23. Nonetheless, these measures provide an indication of the wider trends which the borough is experiencing and may be useful in considering the other elements of the report.
16. Following agreement by the Executive, the reports will be finalised for publication with supporting images, made available on the Council's website and promoted via our communications channels.

## **Equality Objectives**

17. The Council's four key equality objectives for 2020 to 2024 are:
  - a. Using data and local intelligence better
  - b. Supporting good community relations
  - c. Accessible information and services
  - d. Working for the Council
18. Details about the work that we have done that relates to these objectives are set out in the report at Annex 2. For each objective, information is provided about a number of areas of supporting activity and the future focus for the objective.
19. Work towards all objectives has been maintained during 2022/23. The Council's use of data to provide and steer services has attained greater maturity, and is becoming more integrated into service planning, whilst efforts towards accessible services and information are being strengthened by the development of a new customer contact strategy. Work towards community relations has taken particular account of wider vulnerabilities and risk factors for those with protected characteristics during recent economic pressures, with similar factors considered for those working for the Council.
20. The Council's equality objectives cover the four year period through to 2024. This report recommends that the current objectives are continued to 2025. This recommendation is made to allow for the review of the objectives to align with the review and development of the Council's corporate plan for 2025 to 2030. This alignment is intended to ensure that the objectives for both equality and the corporate plan can be developed in tandem to be cohesive and mutually supporting.
21. The current equality objectives are considered to remain apt and to well support the Council's public sector equality duty during the current period. If the continuation is

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agreed, work towards the established objectives will continue during the extended period.

## Options

22. For the Executive, the following options are available:
23. Recommendation 1: To agree the Reigate & Banstead 2025 Annual Report for 2022/23 for publication.
  - e. Option 1: Agree the Reigate & Banstead 2025 Annual Report for 2022/23 for publication. This is the recommended option as it will support the effective awareness of the Council's progress towards its corporate plan objectives and the future activity of the Council.
  - f. Option 2: Do not agree the Reigate & Banstead 2025 Annual Report for 2022/23 for publication. This is not the recommended option as it will delay the effective awareness of the Council's progress towards its corporate plan objectives and the future activity of the Council.
24. Recommendation 2: To agree the Equality Objectives Progress Report for 2022/23 for publication.
  - g. Option 1: Agree the Equality Objectives Progress Report for 2022/23 for publication. This is the recommended option as it will support the effective awareness of the Council's progress towards its equality objectives and the future work of the Council towards meeting its equality obligations.
  - h. Option 2: Do not agree the Equality Objectives Progress Report for 2022/23 for publication. This is not the recommended option as it will delay the effective awareness of the Council's progress towards its equality objectives and the future work of the Council towards meeting its equality obligations.
25. Recommendation 3: To agree the continuation of the Council's current Equality Objectives to 2025.
  - i. Option 1: Agree the continuation of the current Equality Objectives to 2025. This is the recommended option as it will support the cohesive development of mutually supporting equality objectives and future corporate plan.
  - j. Option 2: Do not agree the continuation of the current Equality Objectives to 2025. This is not the recommended option as it may disrupt the cohesive development of mutually supporting equality objectives and future corporate plan.

## Legal Implications

26. No direct legal implications have been identified regarding this report.

## Financial Implications

27. No direct financial implications have been identified regarding this report.

## Equalities Implications

# Agenda Item 6

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;
  - 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. The development of Reigate and Banstead 2025 was supported by an Equality Impact Assessment, to assess its implications with regard to these duties. An awareness of the Council's obligations with respect to these duties should form part of the consideration of this report.
31. The Council's Equality Objectives, and the Equality Objectives Progress Report accompanying this report, seek to support these obligations. As identified in the objectives and the report, these obligations apply across the Council and its services, and should be reflected in all of the Council's activities.

## **Communication Implications**

32. No direct communication implications have been identified regarding this report.
33. In line with the Council's equality objectives, our communication activities include consideration of the accessibility needs of our residents and those within the borough.
34. Following consideration by the Executive, information within both reports will be made available on the Council website and promoted via the Council's established communications channels.

## **Environmental Sustainability Implications**

35. No direct environmental sustainability implications have been identified regarding this report.
36. Environmental responsibility is one of the commitments of the corporate plan, and the plan contains an objectives to reduce the Council's environmental impact and support local residents and businesses to do the same. This commitment and objectives should be reflected across the work of the organisation.

## **Risk Management Considerations**

37. In support of its corporate plan and service delivery, the Council has a robust risk management system in place with regular reports to Executive, Audit Committee, and Management Team. No direct risk management considerations have been identified in relation to the recommendations within this report.



## **Policy Framework**

38. The recommendations of this report are consistent with the Council's Policy Framework.
39. The Council's corporate plan forms part of the Council's Policy Framework and awareness of its objectives and the work towards them should inform decision-making across the work of the Council.
40. As identified in the Equalities Implications section of this report, consideration of the Council's Public Sector Equality Duty and Equality Objectives should inform decision-making across the work of the Council.

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# Reigate & Banstead 2025: Annual Report 2022/23

July 2023

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## Executive Summary

This year's report on the Council's Corporate Plan, Reigate and Banstead 2025, primarily covers the financial year from April 2022 to March 2023. It also takes account of those events leading into the year, and looks ahead to the forthcoming work of the Council and context in which we continue to operate.

During this time, there have been achievements to recognise but also obstacles to overcome. Reigate and Banstead borough remains a prosperous place, but economic pressures have influenced the lives of many of its residents and raised needs for the Council to address. Through 2022/23, Council Members and officers have worked to meet these needs and deliver the objectives and commitments of the Council's Corporate Plan.

Looking at the challenges faced, these are in many cases shared with communities and local authorities across the country. Within the borough it is the Council's duty to respond to these challenges, but this shared experience also demonstrates the importance of working with others, be those public sector partners, businesses and charities, or communities and their residents.

A few of the prominent achievements this year have been:

- Delivery of new, genuinely affordable homes in the borough. Including a combination of homes available as social housing, temporary housing for homeless individuals and families, and accommodation for those displaced by conflicts in Ukraine and elsewhere, alongside wider affordable housing delivery, our activity in this area represents a significant contribution to helping local people and those most in housing need within the borough. Reflecting the Housing and Place Delivery team's commitment to high standards, Wheatley Court in Redhill, where the Council built and retained 32 new affordable rental homes received the Local Authority Building Control Award for best large south-eastern affordable housing development.
- The work of teams across the Council to deliver a balanced budget whilst maintaining services. Through a combination of efficiencies, income generation, and savings, service reductions in the agreed budget for 2023/24 were limited to £39,000, across a budget of over £23 million, representing 0.2% of the total, whilst the Council has been able to improve and strengthen its support in other areas. Pressures on local government funding are likely to remain for some years, but the Council continues to have among the strongest financial positions in the country whilst maintaining the quality of services to residents.
- Building on a range of initiatives to update, improve and expand the Council's offer to residents and communities. 2022/23 has seen coordinated efforts to both provide more for residents and set the foundations for the future. This has included: steps towards supporting communities and wellbeing such as strengthening ties with health

sector partners, a public health approach to crime prevention and the agreement of a new Leisure & Culture strategy; physical improvements to the borough such as the soon to open The Rise, town centre public realm improvements in Horley and elsewhere, and a new Strategic Infrastructure Programme for the spending of developer contributions; and organisational improvements to underpin service delivery, including a developed data and insight capacity and maximising the use of existing Council assets to support financial sustainability.

These achievements represent both the continuation of existing work, which has been maintained at a high standard through effective and efficient delivery, and newly delivered projects or initiatives which serve to bring forward the Council's Corporate Plan and its objectives.

Among the challenges encountered this last year have been:

- The need to support residents through ongoing financial pressures, as the costs of food, energy and other essentials have continued to increase. Whilst Reigate and Banstead is a relatively affluent borough, it also contains individuals and communities facing higher levels of deprivation who are likely to be particularly impacted by the reduced affordability of these necessities. Responding to this need has placed an increased demand on many Council services (Community Partnerships, Housing, Leisure and Intervention, and others), and these pressures can be expected to continue into the year ahead.
- Funding for local government itself continues to be constrained. Our ability to increase Council Tax is limited to a level significantly below current inflation, and without other core funding being provided by central government, this means that the Council continues to need to do more with less. The Council's Financial Sustainability Programme has been operating alongside our annual service and financial planning to address this challenge, but it remains a pressure - on both Reigate and Banstead, and on other local councils across the country.
- Organisationally, 2022/23 has seen an elevated level of staff turnover, leading to higher demands on recruitment and greater pressures on staff resources across the Council. This trend is common across many sectors and follows the unusual circumstances of recent years. Whilst new members of staff bring with them excellent skills and experience, the process of change itself requires additional work to manage and coordinate. The Council will continue to monitor this important performance indicator.

To meet the needs of the borough and its residents, the Council will need to continue to both address the identified challenges, and build upon its successes. As this report sets out, this work is no simple thing, but good progress towards the Council's its Corporate Plan's objectives were made in 2022/23, and the organisation is well positioned for the future.

## Introduction

### Reigate & Banstead 2025

Reigate & Banstead 2025 is the Council's corporate plan for the current five-year period. It sets out the Council's priorities for 2020-2025 and identifies its objectives for delivering services to those living, working and spending time in the borough.

The plan was developed looking at local evidence, resident consultation and feedback, and considering both changes and lessons learned from the previous five years, along with how the borough might change in the future.

Reigate & Banstead 2025 can be found in full on the Council's website, along with additional information on the borough and the development of the plan at: [www.reigate-banstead.gov.uk/rbbc2025](http://www.reigate-banstead.gov.uk/rbbc2025).

### Objectives and Success Measures

As part of the adoption of the plan, the Council made a commitment to report on its progress towards its goals each year. The corporate plan is divided into three themes: People, Place and Organisation, which reflect where the Council is seeking to focus its activities and investment until 2025.

Within each theme, there are a number of success measures to report against, each reflecting an important element of the plan. These measures and objectives are distributed across the Council's services and Executive portfolios, providing an overarching perspective on our work. For each of the objectives and success measures, this report provides information on activity undertaken in the past year, how this has helped to meet the corporate plan goals, and how they influence the borough.

The corporate plan also includes a number of overarching commitments, which reach across all of our objectives. Information on these commitments is reflected throughout the report, with their influence highlighted in a number of areas. While it has not been possible to conduct a residents' survey in the most recent years, and there is thus only limited information available on the regular success measures set out for these commitments, they continue to form an essential part of the Council's approach as illustrated throughout the narrative of this report.

Information on the Contextual Indicators, in the Appendix, provides additional background information and analysis of the wider context in which the Council operates. Many of these factors are significantly outside of the Council's control, but influence the borough and the lives of our residents.

## Objectives - People

### Objective: Housing: Secure the delivery of homes that can be afforded by local people

#### What does success look like?

Evidence that affordable, discounted or lower-cost homes are delivered by the Council or the Council working in partnership.

#### Progress on delivering this objective:

New affordable homes have been delivered by the Council in Redhill and Horley, building on progress made last year.

At Wheatley Court in Redhill, we built and retained 32 new homes, which are now providing affordable rental homes for those on the Council's Housing Register (social housing waiting list), with the homes managed by Mount Green Housing Association. This scheme received the Local Authority Building Control award for best large South Eastern affordable housing development.

At Octavia Cottages in Horley we built 4 new affordable homes, providing temporary accommodation managed by the Council for homeless single people.

We're also supporting Transform Housing and Support to provide additional properties, including 4 self-contained units being built as temporary housing for young parents, 4 self-contained units for young people that require support, and 2 additional properties for single rough sleepers requiring support.

In October 2022 the Executive approved an additional £4million to purchase and refurbish self-contained temporary accommodation for families and a shared house to be used as emergency accommodation for homeless single people. These properties will be retained and managed by the Council to both allow local homeless households to stay near to their support networks and avoid relying on expensive out-of-borough accommodation.

In addition, grant funding was secured to purchase up to 10 temporary homes and 2 permanent properties for Ukrainian and Afghan refugee families, in partnership with Mount Green Housing Association and Raven Housing Trust.

Together, these schemes help to meet the need for affordable and temporary accommodation in the borough. Council owned temporary accommodation allows us to both provide a better standard of support, keep households local, and is more cost effective than relying on external providers, enabling us to do more with our resources. These steps are important as the demand for housing support has continued to grow over recent years,



representing additional demand on the Housing service and the Council to address. This has been influenced by recent economic pressures, and an increase in the levels of applicants needing additional support, leading to applications potentially both taking longer to process and having greater urgency.

Funding for the above housing schemes was provided both through use of Council reserves, funding secured from Homes England, and funding provided by partners, including Mount Green, Raven and Surrey County Council. Our relationships with partners, particularly local housing associations, continue to be a key part of our delivery of affordable homes.

In terms of overall affordable housing delivery in the borough, levels continue to be above the Local Plan Core Strategy target for 1500 between 2012 and 2027, with 1129 affordable units delivered against the target of 1100 in the 15 year plan. Whilst most development is undertaken by third party developers and is therefore not within the Council's direct control, we continue to work to apply housing standards requiring affordable housing to be provided as part of local development.

## **Objective: Communities and Community Safety: Work with partners to create strong, safe and welcoming communities**

### **What does success look like?**

Evidence that the Council is working with partners to deliver positive outcomes in the borough's communities.

Evidence that our community facilities and activities are well used by communities and residents.

### **Progress on delivering this objective:**

Partnership is at the heart of the Council's approach to service delivery. Our Community Partnerships service actively works with well over a hundred local organisations, enabling an effective and collaborative approach to responding to community needs. Most recently, we've been working with these partners to address and support residents with rising costs of living.

The Council currently leads the East Surrey Place Prevention and Communities Board, the Reigate and Banstead Community Safety Partnership, and partner networks in each of the borough's five community development areas (Horley, Merstham, Preston, Redhill, and Woodhatch and Whitebushes). We also lead thematic work with local partners, including the Older People's Service Providers Forum and Steering Group, and an Employment and Skills Group.

Together, these groups help to make sure that the Council and its partners work cohesively together and that the support made available to residents is joined-up and easy to engage

with. Our work over the last year has continued to build upon both our regular practices and the strengthened connections we developed while responding to the COVID-19 (Coronavirus) pandemic.

Our continued close working with the NHS and health sector, including East Surrey Place and Surrey Downs Health and Care, includes work to support our most vulnerable residents and to support community safety which are covered elsewhere in this report, but also covers wider efforts within a health-based approach to improving outcomes for everyone. This joint working includes the Wellbeing Prescription service in the Redhill, Reigate and Horley areas, and the Social Prescribing service in the Banstead area, together with respective NHS partners for each area. The Council is also working with these partners to broaden this offer to include green social prescribing; this programme helps to connect people to the natural environment and its benefits for physical and mental health, and aligns with the Council's environmental sustainability efforts.

Our community centres form a key part of our offer to residents, with visitor numbers at the three centres in Banstead, Horley and Woodhatch increasing this year. Following transformation work by the Community Partnerships team and others, the centres have expanded and updated their offer to the community, providing more options for a wider range of age groups and interests, studying and responding to local needs, and using new branding and messaging to help them reach out more effectively. More residents have been returning or visiting our centres for the first time, with a growing range of activities and services to support all parts of the local community now available. Options include computer classes, sessions for children, parents and grandparents, exercise classes and clubs and support groups for bereavement and dementia. With the transformation work completing in 2022, the centres are now working towards making sure that the available options and support respond to ever developing resident interests and needs.

The Council's Community Development team have also supported local residents to set up new groups at our Community Centres, including a support group for the parents of Special Educational Needs and Disabilities (SEND) children in Woodhatch and the Africa Community in Surrey and Sussex (ACISS) group at the centre in Horley.

More information about the work of the Council's Family, Housing and Money Support Teams is provided in later sections of this report. However when it comes to partnership working, the Council's Family Support team works with a range of organisations and agencies to help provide the resources and specialist guidance to address families' specific needs and situations. These partners will continue to work with the team and families until support plans have been completed.

The Housing and Money Support teams operate in partnership with housing associations and Community Debt Advice to engage with those facing financial difficulties or at risk of eviction to prevent homelessness or additional debt. This proactive approach both works to minimise

the challenges and disruption faced by residents whether those be caused by economic conditions or personal circumstances, and such a preventative approach generally allows for more efficient use of resources than responding after problems have further developed.

To complement the work of our own teams, we also provide grant funding for 9 local Voluntary and Community Sector (VCS) organisations and provide Rental Grant Subsidy to eligible charitable organisations which occupy Council premises. The challenging financial landscape for local government continues to apply pressure to the level of funding we can provide, but the grants and support for these groups help enable them to operate and to leverage the skills, compassion and experience of local communities and volunteers.

### **What does success look like?**

Residents feel that the local area is safe

Residents agree that the local community is a place where people of different backgrounds get along

#### **Progress on delivering this objective:**

The Reigate and Banstead Community Safety Partnership combines our resources and efforts with those of local partners, including Surrey Police, the NHS, Surrey Fire and Rescue, Surrey County Council, and charities and organisations with specialist expertise such as housing associations and the Probation Service.

The partnership's priorities for 2022 to 2023 remained constant as:

- empowering communities to feel safe,
- protecting the most vulnerable from harm,
- responding to domestic abuse; and,
- tackling anti-social behaviour

The partnership meets regularly, helping us and our partners to share intelligence, ideas and information.

The Council has been developing and implementing a public health approach to crime prevention as part of place-based working. Within this, we have supported activities including youth mentoring in schools, a local football programme, and raising awareness of the risks of drugs and alcohol with young people and parents. By providing communities and families with support and guidance, we help prevent the factors of deprivation and isolation which can otherwise lead to anti-social behaviour and crime.

Where incidents or patterns of incidents sadly arise, we work together with our partners to learn from them and improve. An example of this was a successful learning event to share

the recommendations and insight from a local domestic homicide review, delivered to over 200 people. Our teams across Community Partnerships, Community Safety and our Joint Enforcement Team will continue to work together to monitor and respond to resident concerns, community needs and local context.

## **Objective: Vulnerable Residents: Provide targeted and proactive support for our most vulnerable residents**

### **What does success look like?**

Evidence that the Council is working with partners to deliver positive outcomes for vulnerable residents.

Evidence that more residents are benefitting from our early help activities

### **Progress on delivering this objective:**

The most vulnerable in society are often those whom we can help the most, and this remains a key component of Council activities. There are well known challenges evident across the country at the moment, including around the costs of food and energy, and access to resources to support health and wellbeing. We have been active in all of these spheres, helping to provide residents with what they need to get on with their lives.

Working together with and through our partners this year, we have supported the operation of five food clubs, which provide low cost food for local people and reduce waste. 310 people are registered with our 5 clubs and we have saved over 58,000kg of food from being wasted. Our 3 community centres also provide familiar venues at which local people can access a hot meal, attend activities to promote wellbeing and reduce social isolation, have a chiropody or audiology appointment, and much more. To help make sure everyone can reach and access the facilities we need, we also provide a taxi voucher scheme for older isolated residents on low income, which in 2022/23 supported 87 individuals.

Building on our partnership work with the health sector, new work was begun this year by the Welfare and Discharge Team to reduce pressure on hospitals and other health services through community support. The service aims to improve the physical and mental wellbeing of residents across East Surrey, and to assist with enabling timely discharges of patients from hospitals, freeing up resources whilst ensuring they receive the support they need.

The Family Support Team has been busy delivering their part of the local early help offer to support families with multiple and complex needs, assisting 127 families in 2022/23. Feedback from the support we provided between April 2022 and April 2023 indicates that it was most effective in supporting adults wellbeing and mental health, and ensuring school attendance. There was a high percentage of participants maintaining employment whilst

engaged with the team. Children and young people reported the biggest improvements in feelings and behaviour, and in confidence and self-esteem.

Our Money Support Team also has a role in engaging with vulnerable residents, particularly those facing financial hardship. The team is able to provide advice and guidance, including around budgeting and accessing debt support services. During 2022/23, the team worked with 220 clients and received positive feedback on outcomes for those supported. Between the Family Support and Money Support teams, 94% of families assisted reported experiencing an improvement in circumstances since making contact.

The Council also provides assistance to those forced to flee from conflict. Our teams have continued to support families from Syria, and welcomed those from Afghanistan and Ukraine. We have been working with displaced families to help them improve their English skills, access employment opportunities, and engage with their local communities. Following the invasion of Ukraine, the Council has supported over 300 Ukrainian individuals, as well as residents who have become sponsors offering accommodation under the national Homes for Ukraine scheme. Weekly support sessions have been offered across the borough to support Ukrainian guests and their sponsors, helping them to manage their transition to the UK. As noted earlier in this report, the Council is now working to secure additional housing to provide ongoing support for some of these families.

Part of our work is also accessing and providing funding to others already doing good work in the borough, or to schemes which can help do more. This year, this has included:

- Administering Creating Healthy Communities grants, funded by East Surrey Place, which has provided £134,000 of grants for 25 different organisations, including causes such as befriending services for older people and those in need, eye clinics, accessible arts programmes, and support groups and counselling; and,
- Managing the distribution of Household Support Fund rounds 2 and 3, ensuring these government funds reached those most in need, through the issuing of vouchers, as well as distributing funds via trusted local VCS partners and distributing support via food banks and food clubs.
- Grant funding to 9 voluntary and community sector organisations and rental grant subsidies for eligible charitable organisations occupying Council buildings.

Where services and support are available, it's important to make sure those in need know where and how to access them. We maintain information on available resources on our website and publicise them through paper magazines and leaflets, as well running communication campaigns through a wide range of channels. On the ground, our Community Development Team use their informal links in the community to make referrals and signpost many vulnerable residents to money support services, health services, and help with claiming benefits and obtaining employment. Last year our Revenues, Benefits and Fraud team also

helped to provide support through administering energy support payments to over 30,000 households in the borough.

## Our Commitment – Clear and Effective Communication

The Council has a commitment to inform, engage and interact with residents and businesses and communities. The Council utilises a wide variety of communication channels to meet different needs and preferences of residents, including print and broadcast media, email, a range of social media, and our website. This commitment is a responsibility shared across the organisation and we are particularly mindful of the needs of the vulnerable within our communities.

Communication is not just one way, and we work to make sure that residents and communities are able to easily get in touch with the Council with questions, concerns and feedback. This is often particularly relevant to our work to support communities and community safety, but is also a responsibility for all parts of the organisation.

We work with many local communities and partner organisations to help us understand the needs and wishes of all those living and working in the borough – particularly those who may be more vulnerable or seldom heard through more mainstream communication, or who are at risk of digital exclusion.

An example of that work this year was the creation and targeted distribution of a wellbeing magazine, to 12,000 households identified as those whose wellbeing could be under pressure – be that due to isolation, the not being online, or facing some of the challenges of getting older. Helping the right information to reach the right residents in this way is part of a cost-effective approach to effective engagement and communication.

Over the last year we have been continuing to map our customer contact volumes and contact preferences to identify trends in user activity and needs. Emerging from this mapping process will be a fresh look at our customer contact approach, which will work to ensure that our services remain accessible to everyone and that all those in need can discover and benefit from our support. More information on the Council's work around equality and accessibility can be found in the [annual report on the Council's Equality Objectives](#).

Good communication is a responsibility shared by all services across the organisation, and covers work across all of the Council's services. This includes components such as this report and other annual published annual updates, including on topics such as [Environmental Sustainability](#), [Investment and Commercial Activities](#), and the [Council's Annual Budget](#). As with our projects, key policy plans and proposals are supported by consultation; you can view a list of current and recently completed consultations on the Council's [consultation webpages](#).

## **Objective: Leisure and Wellbeing: Provide leisure, cultural and wellbeing services that are accessible to, and meet the needs of, communities and visitors**

### **What does success look like?**

Residents agree that the leisure, cultural and wellbeing services provided by the Council meet their needs.

Evidence that our leisure, cultural and wellbeing facilities and activities are well used by residents.

### **Progress on delivering this objective:**

The Council has recently agreed Part 1 of a new Leisure and Culture Strategy that will provide direction for our work in the coming years.

The new strategy includes a vision for a borough with an inclusive and vibrant leisure and culture offering that is accessible to all, where everyone can participate in meaningful activities that enrich their lives, promote wellbeing and foster a sense of belonging. It sets out objectives to:

- Inspire and encourage residents to lead healthy and active lives
- Provide sustainable services that are accessible to, and meet the needs of, our communities and visitors
- Act as a leisure and cultural facilitator and convenor, drawing together and promoting the borough's rich array of activity and helping it to thrive
- Achieve a financially sustainable leisure and culture service

The strategy encompasses commitments across the Council's leisure offer, including our three leisure centres (in Horley, Redhill and Tadworth), the Harlequin Theatre and Cinema, Community Centres, parks and greenspaces, sports pitches, allotments, events, and work with partners, as well as cultural aspects around sites such as the historically significant Banstead Commons and Reigate Caves. It also recognises the role of private and not-for-profit organisations in meeting residents' leisure and culture needs. As the strategy develops and is delivered, annual reports will be provided on its performance and progress.

The range of services leisure and cultural services provided by the Council (including over 1200 allotments, more than 70 parks and playgrounds, and over 40 outdoor activity areas) remained popular in 2022/23, During 2022, our three leisure centres received over 1 million visits.

Leisure and culture facilities serve a valuable role in maintaining the health and wellbeing of those living within the borough. As well as partnership projects such as our ties to the health

sector and the delivery of two Wellbeing Prescription services in the borough, the Council's leisure team also work to ensure that there are a wide range of activities available for young people, including the R&BE Active holiday programme, Surrey Youth Games and Star for a Night. Cultural events in future will also be further supported by the Council's new Arts Development Officer, with funding support from East Surrey Place.

Tied in to their other roles, our 3 community centres offer a wide range of activities for all ages, from short mat bowls and tea dances, to art classes, to stay and play for under 5s, and through to yoga and pilates.

Within communities, our Community Development team works with local residents to run events and activities such as an art club, young people's sports and leisure projects, and regular litter picks. The team are working ever more closely with local GPs and other health professionals to develop community-based initiatives to support health and wellbeing, such as a wellbeing group for South Asian Women in Redhill.

Our community development work in Preston has been particularly effective recently, with the local community development worker able to obtain over £10,000 in additional funding and in-kind support to help allow young people with limited resources to access the local leisure centre as part of the Monday Night Multi-Sports programme. Engagement with young people in the area also identified demand for an upgraded skate park, and a major refurbishment of the facilities in Preston Park is now taking place, reflecting the needs and aspirations of potential users.

Part of the Council's planning work includes identifying the need for new or improved local facilities for sports and physical activity in the borough. To help inform this, we've recently completed a Playing Pitch and Indoor Sports Facilities study to examine local needs and project future requirements. This will inform both the Council's and other organisations' work around future leisure provision in the area. Completed in December 2022, more information can be found via the Council's website on the [Playing Pitches and Sports Facilities Study page](#).

An example of work towards new and improved leisure provision in the borough is the development of the refurbished Merstham Recreation Ground. The planning application for this project was submitted following detailed design work and consultation in previous years, and was approved on 30 May 2023. Funding towards the site, including elements around flood management has been secured from Surrey County Council, and a bid for additional funding has been submitted to the National Lottery.



## Our Commitment – Putting Residents and Customers at the heart of what we do

Ultimately, the purpose of the Council is to respond to the needs of users of its services, including residents, businesses and visitors. This means not just delivering services, but listening to, understanding and taking account of our residents and customers. In 2022/23, examples included a listening event at Nailsworth in Merstham, work with young people in Horley through the YMCA youth centre and at local parks, and the Riverfest event at the Rivers estate in Redhill.

Working together with residents and communities allows them to use their strengths, supported by the Council and other partners, to help themselves and others in a way that more prescribed top-down approach would be unlikely to achieve. 2022/23 again included no shortage of examples, such as the Kiln Community Garden at Whitebushes, community litter picks in Redhill and Whitebushes, and plans for a new community garden at St Mark's in Preston.

Similarly, our work supporting households at risk of or facing homelessness through the offer of advice, assistance, proactive casework, financial help and provision of accommodation, continues to underpin the many positive outcomes achieved for these vulnerable households. This means taking an individual response to individual needs – sometimes well timed advice can enable someone to find their own way through difficulties, without need for further assistance. This is evidenced in our homelessness outcomes, where we can see the impact of early assistance in preventing the need for more significant help later.

In addition, we regularly conduct surveys, consultation and research around a range of key policies and services (including, in 2022/3, Community Centres, Harlequin Theatre customers, Horley town centre, and parks, playgrounds and greenspaces. These feedback mechanisms all help the Council to hear residents' views more clearly.

For those who do need further support, it is important that this is not only what is convenient for us to deliver, but what they need to allow them and their families to continue to progress with their lives and contribute to their communities and the borough.

More generally, we are continually working to understand the needs of our residents. This is reflected through the work of multiple teams, including the Data and Insight team who utilise our information and customer insights to help drive service improvement and development, and to identify trends and predict future demands. It also helps identify effective routes for engagement for different Council audiences. In 2022/23, this included geographic analysis to help target support for residents at risk of social isolation and loneliness and analysis and examination of customer trends and barriers to access at community centres.

## Objectives - Place

**Objective: Towns and Villages: Invest in our town and village centres, so they continue to be places where people choose to live, work and visit**

### What does success look like?

Residents' feedback on local town and village centres.

Evidence that new floorspace or alternative uses are being delivered in town and village centres by the Council or the Council working in partnership.

### Progress on delivering this objective:

The borough's town centres of Banstead, Horley, Redhill and Reigate are a key component of the prosperity of the local area, and we continue to support them as both attractive locations to do business and as part of ensuring essential facilities remain accessible to local residents.

Following the launch of our four town centre promotional videos in April 2022, we ran a social media campaign which generated positive feedback and support for our high streets and from local retailers.

We have continued to share the 'shop local' message through regular promotions on social media throughout the year

The Town Centre Visitor Analysis Project, funded through our Welcome Back Fund allocation, has continued to provide us with valuable insights into town centre visitor activity. Improved understanding of visitor patterns is helping both the Council and our partners to inform future investments and improvements in our high streets, enabling more efficient use of resources. For instance, the data shows that all four high streets had a very strong December driven, in large part, by the towns' Christmas activities. Since December, we have started to see reductions in footfall which are likely to be a result of by challenges in the wider economy and cost of living crisis.

With colleagues from the Cleansing Team, the Council's Economic Prosperity Team have been completing audits of our four town centres to identify opportunities for upgrades around maintenance and cleaning. We also monitor shop vacancy rates in town centres to help us understand and respond to any changes in local context.

We have also been working to make best use of local spaces, and we've been working with partners around options to secure the delivery of a new community workspace in Redhill town centre. When open, the space is intended to enable the provision of services to children and young people as well as health and wellbeing services to the community. In addition, we

have begun marketing two new retail premises that were built as part of the Cromwell Road housing development, which will add to the local retail offer.

The opening of the new cinema, restaurants and leisure options at The Rise, will draw business and visitors to Redhill and the surrounding area. Now almost complete, the development of The Rise represents a major investment in the town centre, which will both provide more options for local residents and boost the local economy, particularly during evening and weekend leisure times.

Similarly, work has continued on improvements to Horley town centre, where updates to the high street and surrounding areas have made the town and its shops more attractive to visitors. Work is progressing on improvements to the Central car park, and the subway, including consultation on options for its design and decoration. Work to improve the parking offer is also underway in Preston, following agreements with Surrey County Council and Raven Housing trust around Coxdene and Long Walk.

## **Objective: Economic Prosperity: Drive the continued economic prosperity of the borough, facilitate improved business infrastructure, and confirm the borough's reputation as a great place to do business**

### **What does success look like?**

Evidence that the Council is working with partners to drive the prosperity of the borough.

Evidence that new floorspace and business infrastructure is being delivered by the Council or the Council working in partnership.

### **Progress on delivering this objective:**

We are leading on a programme of work, with neighbouring authorities, to bring forward opportunities around a Shared East Surrey Economic Development initiative with the aim of providing a coordinated approach the economic development of the East Surrey sub-region.

The [Reigate & Banstead Works website](#) connects local people with local employment opportunities, helping residents with careers advice and support. The site continues to evolve with new blogs and new content areas being added all the time. In particular, we have developed a new 'inclusive workforce' area for employers which includes the link to an unconscious bias video which we commissioned and information on becoming a Disability Confident employer.

Working in partnership with Tandridge District Council and the Department for Work and Pensions, we ran the East Surrey Youth Hub programme which completed in December 2022. Started in March 2021 as a response to the pandemic and the rapid growth in youth unemployment, the programme helped 300 customers, with 175 customers gaining

employment and a further 9 young adults returning to education. A feedback survey was carried out which showed that 100% of customers had found the support of the Youth Hub to be helpful and 98% of customers said that it had increased their confidence in job searching.

We continue to grow our communications channels to share important information with local businesses to support their start-up and growth, and to promote the strengths of the local business community. We use our social media channels to raise the profile of the borough as a great place in which to live, work, do business and visit. We now have more than 2,000 followers across our three main business social media channels and our reach is currently 26,300, whilst our business e-newsletter is also regularly emailed to 2,000 businesses.

Connecting across the Council's goals, we also continue to support business to be more environmentally sustainable. As part of this, we have established a Sustainable Business Network with enterprises in the borough as a forum for discussing best practice ideas and collaborating on sustainability initiatives. In parallel with this, we have helped provide information and guidance, including free low carbon action plan training for small and medium enterprises funded by the UK Shared Prosperity Fund, and coordinated 'learning lunches' about becoming more sustainable as a business. To encourage local efforts and recognises success stories, the Reigate and Banstead business awards now include a category for sustainable businesses.

Most directly, we also provide targeted Business Support grants, aimed at helping prospective small businesses get started and grow in the local area. This year, we awarded a total of 51 grants, with a combined value of £51,000, to local start-up businesses, helping them to develop, grow and employ local people.

Challenging economic conditions make things difficult for both residents and local businesses. The borough's economy remains strong at present, but the Economic Prosperity team and others across the Council will continue to monitor local developments and consider options for responding if additional pressures emerge.

## Our Commitment – Partnership Working

As can be seen throughout this report, the work of the Council can only be delivered through working effectively with local and national partners. These include, but are not limited to, Surrey County Council, the NHS, Surrey Police, Voluntary Action Reigate & Banstead, and many others.

Our work on housing and health have been particular focusses in the last year. For health matters, we're now working more closely with East Surrey Place and Surrey Place within NHS Surrey Heartlands, as well as other health sector partners, as part of a growing programme of work to reflect the need to provide joined up support to residents, regardless of where they live. This has meant building on mutual understanding of each other's organisations and looking at how we can support each other through coordination of efforts and effective signposting to make accessing resources easier.

Housing needs have also been a pressing concern, with challenges around costs of accommodation and household finances driving high levels of demand for the services of our housing team and local housing associations. We continue to work with housing associations and supported housing providers, such as Raven Housing Trust, Mount Green Housing Association, Transform Housing and Support and YMCA East Surrey. Working together with these partners allows us to both make the most efficient use of available resources and to steer provision of new accommodation that meets local needs. We've also been working with central government bodies and local charities and community groups to provide support for refugees, including over 300 individuals displaced by the ongoing war in Ukraine.

### **Objective: Shaping Our Places: Ensure new development is properly planned and sustainable and benefits the borough's communities and the wider area**

#### **What does success look like?**

Evidence that the Council has an up to date Local Plan.

Evidence that 'planning gain' is being captured from new developments.

Evidence that the Council is working with partners to deliver new infrastructure and positive outcomes for the borough's places.

#### **Progress on delivering this objective:**

The Council's [Local Plan: Core Strategy](#) was reviewed and deemed to be up to date by a meeting of Full Council in July 2019 and covers the period until 2027. The Council's

[Development Management Plan](#) (DMP) was approved in September 2019 and covers the period until 2027.

Plans must be reviewed every 5 years to be considered up to date and so reviewing the current plan and/or working on a new plan post-2027 are key priorities. In October 2022, the Council [adopted a Local Development Scheme](#), setting out the schedule for the next update to the Local Plan and ensuring that we remain a plan-led authority. Having an up-to-date Local Plan in place means that the Council has a robust basis for the management of new development in the borough, which helps to ensure that new buildings and redevelopment meet the needs of the borough and local residents.

Supporting the Local Plan are other supplementary documents which provide additional, more specific, guidance to maintain local development quality and character. During 2022/23, the Council has been working on a Design Code and digital twin covering the area from Redhill to Horley, which will help direct future development proposals.

There continues to be uncertainty around future national planning policy decisions. Whilst this uncertainty does not change the Council's ability to manage ongoing planning activity, it may have implications for longer term planning activity. As information on national policy emerges, it is monitored by the Planning service and preparations are made to respond to new guidance and regulation.

As reported in the Council's annual [Infrastructure Spending Statement of December 2022](#), the Council collected almost £3 million in community infrastructure levy (CIL), between April 2021 and March 2022, from developments in the borough. Over £3.5 million was also received during the same period from Section 106 planning obligations.

Figure 1: Annual and cumulative Community Infrastructure Levy collected

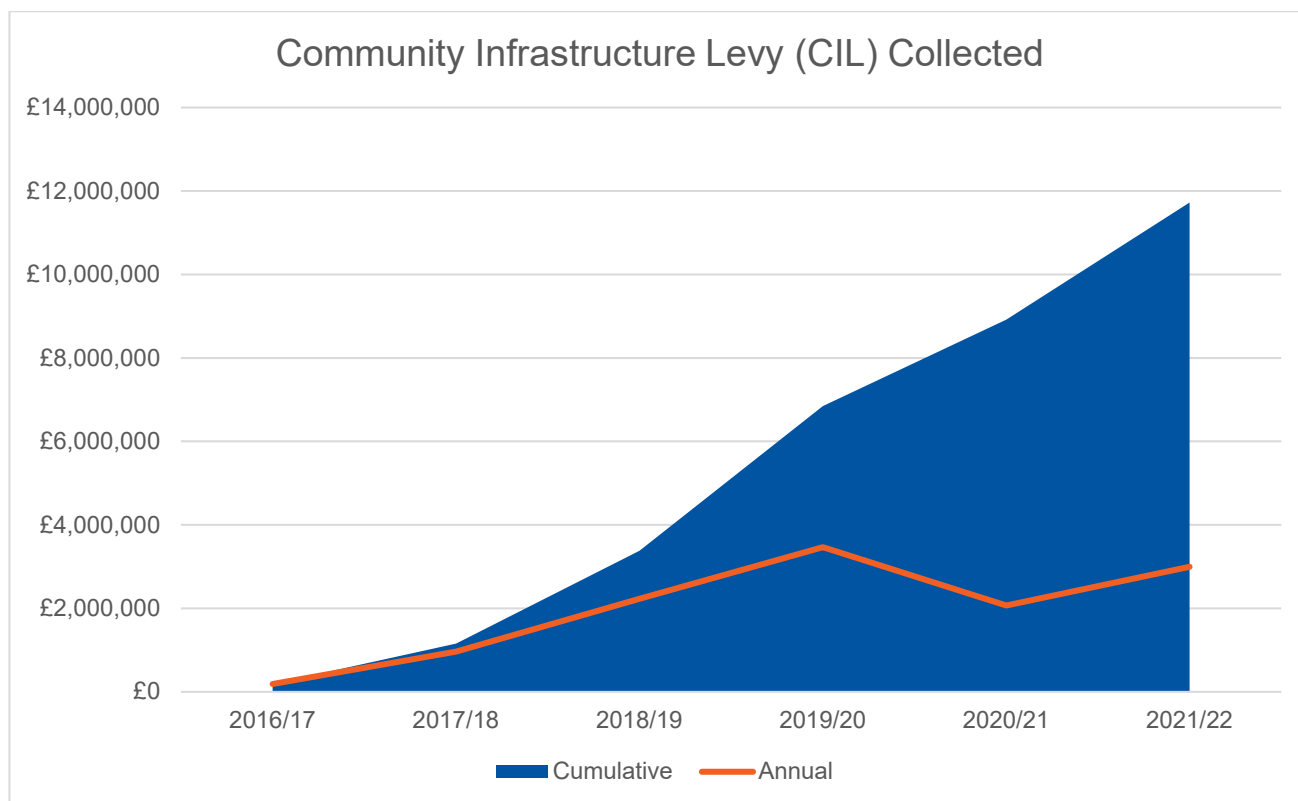


Figure 1, above, shows the annual and cumulative CIL funding collected by the Council. The level of funding collected has been growing, although with a temporary decrease in 2020/2021, likely influenced by the disruption of construction of the coronavirus pandemic. This funding helps ensure new development makes a financial contribution towards amenities and facilities in the local area, including schools, sports and community facilities.

A list of the largest CIL projects funded in the year can be seen below, in figure 2. For the last reported year, the biggest contribution was a to an emergency services hub in Banstead, including a new Ambulance Make Ready Centre. Other projects supported included public land maintenance at Banstead Commons, sports and community facilities across the borough, and improvements for Shawley Primary School and bus shelters in Banstead.

As well as the project identified below, 15% of the CIL collected within their respective areas is passed directly to Horley Town Council and Salfords and Sidlow Parish Council. Per the figures reported in December 2022, there was no CIL funding arising within Salfords and Sidlow that year, but £44,446 was transferred to Horley Town Council.

More information on how these funds are spent within their local areas can be found on the [Horley Town Council](#) and [Salfords and Sidlow Parish Council](#) websites, which can be accessed from the Council's [Annual Infrastructure Spending Statement](#) webpage.

Figure 2: Largest Community Infrastructure Levy contributions in the last reported year

Project	Community Infrastructure Levy Contribution
Contribution towards an Emergency Services hub in Banstead (part of the 2017-2022 Strategic Infrastructure Programme)	£291,084
Contribution towards a new countryside management tractor for Banstead Commons Conservators	£37,950
Renovation works to the Tattenham Way recreation ground pavilion	£30,000
Contribution towards the renovation of Redhill Football Club's community room facility	£29,966
Contribution towards replacing South Park Football Club's pitch	£25,000
Replacement of wooden bus shelters on Banstead High Street	£23,585
Re-tiling the roof of Burgh Heath War Memorial Hall	£22,596
Contribution to the refurbishment of Merstham Cricket Club practice and net area	£21,166
Contribution to Shawley Primary School safety upgrades	£20,000
Contribution to skate park replacement and pump track at Sandcross Lane, Woodhatch	£20,000

In March this year, the [Council approved the next Community Infrastructure Levy Strategic Infrastructure Programme](#), covering 2023-2027 and directing the spend of CIL money on important infrastructure projects across the borough. As well as addressing specific local concerns, the strategic infrastructure programme also contributes to larger schemes, such as planned improvements to the A23 in Earlswood, in conjunction with the County Council and other partners.



The latest strategic infrastructure programme includes a wide range of other projects, including Community Centre and Library refurbishments, public space improvements including Merstham Recreation Ground and Horley subway, footpaths, cycling and bus provision across the borough, school expansions, flood alleviation, parking and electric vehicle charging, and renewable energy and carbon reduction measures.

A location of particular local interest is Gatwick Airport, both in terms of its economic influence and the impact of flights and related activity on the local area. The Council has been engaging with and responding to Gatwick's plans for use of the northern runway, working closely with neighbouring authorities to ensure that the local environment and the Borough's residents are best served by any development proposals at the airport.

As a landowner, the Council continues to review options for the best use of our land and assets, particularly those identified in the DMP as having potential to benefit our local area and residents. These opportunities will need to be carefully considered to ensure that they both provide meaningful social benefits to the borough and are financially sustainable, but also serve to help deliver the Corporate Plan's vision for the borough.

## **Objective: Clean and Green Spaces: Provide high quality neighbourhood services to ensure that the borough continues to be clean and attractive and local people have access to the services and facilities they need**

### **What does success look like?**

Residents feel that the Council is tackling anti-social behaviour.

Residents' feedback on the neighbourhood services that we provide, including waste and recycling, street cleansing, JET, greenspaces.

### **Progress on delivering this objective:**

Teams within the Neighbourhood Operations service work hard to maintain high quality services and consistent standards, along with delivering service improvements wherever they can. Our residents have helped us to continue to achieve very high recycling rates of 54.7% in 2022/23, putting us at 29th place in the country, keeping us within the top 10% of Councils and helping to deliver on the council's Environmental Sustainability commitments.

The national strategy regarding waste and resources is anticipated to be updated in the near future, which will have implications for local waste management and recycling services. However, there is currently much uncertainty around the content of the strategy, which introduces additional challenges to future planning. As more information emerges, actions will be put in place to address local implications and ensure that our services continue to be delivered to a high standard.

Our Greenspaces team have delivered another excellent performance, receiving 9 South and South-East In Bloom awards. These awards are a reflection of the commitment and diligent work of the team towards keeping the borough looking beautiful and maintaining our open spaces to a high standard. Together with the work of other teams, such as the Cleansing team, their work delivers on our commitment to provide clean and green spaces for our residents.

As referenced elsewhere in this report, work has also been progressing towards delivery of the refurbished Merstham recreation ground and skate facilities at Preston park. There has also been work to complete new play areas and allotments around the new housing developments in Horley, with progress ongoing at Westvale Park. The new Leisure and Culture Strategy, alongside evidence such as local need for sports facilities in the Playing Pitches and Indoor Sports Facilities study will help inform future plans to continue to develop high quality open spaces and recreation opportunities in the borough.

The Council has continued to lead problem solving multi-agency meetings to tackle anti-social behaviour through the year. Much of the work of the Community Safety Partnership to prevent crime (detailed earlier in this report) also makes a contribution to this work, as both issues can be generated by deprivation and personal difficulties.

However, when anti-social behaviour does manifest, it needs to be addressed, and the Council has continued to work both directly and with local Police and other partners to resolve situations as they arise. Much of our direct intervention is through the JET team; this year the team have been working to address fly-tipping, with an increased number of culprits identified and issued fixed penalty notices.

Topics of concern are also considered at regular Safety Action Group meetings, together with other Council services, Surrey Police, Raven Housing Trust and other relevant parties as the situation demands. In the last year, work across partners has included consideration of subjects such as domestic abuse, reflecting the new public health duty to tackle serious violence, and incidences of anti-social behaviour in Redhill town centre.

Council teams also work with others as part of the public health approach to preventing anti-social behaviour from occurring and protecting communities. Meetings of the local Joint Action Group (JAG) and Community Harm and Risk Management Meetings (CHaRM) have been considering responses to anti-social behaviour, including concerns around noise, drug use, littering, and related groups. Depending on the circumstances, responses might include mediation, target hardening, community protection warnings or notices, or visits either informally or from partners such as the police. This multi-agency approach has been accompanied by promotion of the Community Trigger for responding to anti-social behaviour, enabling residents to easily raise concerns.

Proactively, we ran an anti-littering social media campaign – ‘Don’t Trash the Borough’ to help discourage mess in public spaces, as well as issuing penalties for anti-social incidents and working to swiftly clean problem areas. Mobile CCTV cameras have also been deployed to anti-social behaviour hotspots to help discourage misconduct and identify those responsible. In addition, the Council completed a number of preventative works around our parks and greenspaces to prevent unauthorised incursions, leading to fewer incidents on our open spaces than in previous years.

## **Objective: Environmental Sustainability: Reduce our own environmental impact and support local residents and businesses to do the same**

### **What does success look like?**

Evidence that the Council is reducing its own carbon footprint and resource use.

Evidence that the Council is working with partners to deliver positive environmental sustainability outcomes.

### **Progress on delivering this objective:**

The Council’s Environmental Sustainability Strategy remains the core of our work to lead the borough towards being greener, more resource efficient and more sustainable. We provide an annual report on our work towards these goals, which can be found on the Council’s [approach to sustainability webpages](#). The most recent report was in was in [October 2022](#), and we will reporting again later this year.

Our work in the last year to reduce our energy usage and carbon footprint has included:

- Commissioning energy audits on our key operational builds to help guide our maintenance schedules and look towards where we can improve energy efficiency and/or introduce renewable technologies.
- Continuing to purchase additional electric vehicles to replace petrol and diesel alternatives where suitable. Whilst there are still operational challenges for electric waste lorries, we’ve been trialling options and investigating other alternative fuels.
- Securing funding for upgrades to the energy efficiency of community facilities and the installation of solar panels to help us provide our own energy.

The Council has committed to making its operations carbon neutral by 2030, and this forms one of the organisation’s key performance measures. In terms of emissions, these have been reduced from 2070 tCO<sub>2</sub>e in 2019/20, to 1745 tCO<sub>2</sub>e as of the most recent available data in 2021/22. Including our additional interim approach of offsetting emissions from gas and electricity use, the net figure for Council emissions is further reduced, to 1001 tCO<sub>2</sub>e.

As identified above, the Council has also been able to maintain high levels of recycling locally, which helps to reduce waste and lower the carbon footprint of local consumption. The Council has also taken steps to help support local bio-diversity, through measures such as allowing some areas of grass to grow into natural wild meadows, promoting the Go Wild Reigate and Banstead campaign in 2022 (including providing tools and guidance for residents), and incorporating features such as biodiverse roofs into developments.

Equally as important as our efforts to make Council operations more sustainable is the role we can play in providing guidance and leadership for the borough, and in making it easy for residents, partners and businesses to make changes for themselves and access support and financial assistance. When there are other pressures on residents around finances, time and energy, this can understandably make it harder to think about being sustainable, so we try to make sure that we provide information which is easily accessible and that we help to identify where sustainable options can also be cheaper or easier.

As part of this leadership role, we undertook a residents' sustainability survey to help gauge understanding of sustainability and opportunities for making a difference within the borough. We've also been conducting a range of face to face engagements with resident and community groups and businesses where we can answer questions and learn about local interests and concerns. The findings from these efforts will help inform our future engagement and support, and make sure we're providing the right information and tools.

Within the last year, we've continued our support to reduce borough-level carbon emissions. We have been supporting Raven Housing Trust and Accent Housing to implement energy efficiency improvements for 78 properties (worth £.13m across Reigate & Banstead and Surrey Heath), funded through the Wave 1 Social Housing Decarbonisation Fund.

We've also worked to support residents on lower incomes to access available government grants for domestic energy efficiency. Working with Action Surrey on the Local Authority Delivery (LAD) Green Homes Grants 2 and 3 (Sustainable Warmth Grant and Home Upgrade Grant) to deliver retrofit measures such as solar PV and insulation led to 102 installations at 63 properties, the second highest in Surrey. We have also been promoting the Government's Boiler Upgrade Scheme to replace boilers with heat pumps locally, although borough level uptake figures are not currently available. By helping residents to access external funding and financial support, we can amplify our efforts and make it easier to local people to make changes which can benefit both themselves and the environment.

To build local awareness and understanding of the challenges and options available, our Sustainability Team has been meeting with a wide range of local groups, including Surrey Minority Ethnic Forum, food clubs across the borough, Tadworth and Walton Residents Association, and the Reigate and Redhill Business Guilds. The Team has also attended events such as Riverfest in Redhill and the Merstham Community Centre Christmas Fair. Presence at events such as these help to leverage the strengths of borough residents and

their communities, and provide opportunities for promoting opportunities around energy efficiency grants, water saving, climate literacy and other sustainability messages.

### **Our Commitment – Environmental Responsibility**

In addition to our objective to reduce the Council's environmental impact and support others to do the same, the Corporate Plan also has a commitment to environmental responsibility, which is recognised as essential for the future of the borough and its residents.

This means that we need to embed awareness of this responsibility throughout the organisation. Building on its Bronze Carbon Literacy accreditation, the Council has expanded training to more officers, and the first cohort of elected Members have now also completed their training. We provide regular email updates to Member Environmental Sustainability Champions, including information on the work of the Council, local partners, opportunities for action, and national policy developments.

Environmental sustainability and climate change are not things which can be quickly or easily fixed, and building understanding and awareness are a necessary part of moving towards a long term model of operation for the Council that is environmentally as well as financially sustainable. This is reflected with all committee reports which include a section for consideration of environmental sustainability factors.

As part of maintaining the Council's leadership role in supporting local environmental sustainability, we continue to provide information and support for residents and businesses, using a range of channels including printed material, social media and the Council's website. The sustainability team is also undertaking face to face engagement with residents, businesses and community groups to provide information and advice on sustainability and explain what the Council is doing.

## Objectives - Organisation

### Objective: Financial Sustainability: Be a financially self-sustaining Council

#### What does success look like?

Evidence that the Council is successfully balancing its budget and has a robust medium-term financial plan.

#### Progress on delivering this objective:

The Council approved its annual Revenue Budget for the year 2023 to 2024 and its Capital Programme for

#### What does success look like?

Evidence that the Council is being transparent in its financial decision making.

#### Progress on delivering this objective:

The Council ensures that all relevant legal and regulatory requirements are met when managing public funds. The [Revenue Budget, Capital Programme](#) and [Medium Term Financial Plan](#) are supported by publication of an annual [Treasury Management Strategy](#), a [Capital Investment Strategy](#) and a [Statement of Accounts](#).

Quarterly budget monitoring reports to the Executive track whether expenditure and income are in line with approved budgets and action is taken where new financial risks are identified. All financial strategies are subject to scrutiny before approval and are publicly available on the Council's website. The annual Statement of Accounts is also subject to review by the external auditor. The most recent Statements of Accounts have been delayed due to a combination of nationwide factors, and agreement with the Council's external auditor that the authority would carry out additional work to restructure the supporting records and systems relating to the authority's fixed assets to help ensure that the accounts are supported by comprehensive asset records going forward.

Key financial processes are also subject to regular internal audit review. Within 2022/23, we been working with our auditors to conduct reviews of income collection, council tax, and our financial sustainability programme, along with wider decision making and accountability. At the time of writing, these reviews are still concluding, but the process helps us to identify where our governance processes are working well, or where we can make improvements. The Council's internal audit information is reviewed by the [Audit Committee](#) on a quarterly basis.

## Our Commitment – Financial efficiency

The Council has a commitment to operate financially efficiently, and to make effective use of public funds. This is reflected through the objectives in Reigate & Banstead 2025 to be a financially self-sustaining Council, and to undertake commercial activities to generate additional income, in order to sustain services.

In addition to the work identified under those objectives, this obligation extends across all Council services. Portfolio Holders and Heads of Service work together to identify where resources can best be utilised, where service delivery can be made more efficient, or where additional income can be generated without unfairly affecting residents.

With the need to respond to challenging conditions for both the public and the local government sector, this commitment has been an important focus in recent years. The Council has developed a Financial Sustainability Programme, which coordinates a sustained and cohesive approach across the organisation. This year the programme has included projects to generate income and make savings, guidance for service and financial planning across services, and work to ensure that the Council's fees and charges are up to date and appropriate, consistent with the Council's adopted policy.

The Financial Sustainability Programme has been proving effective, with the programme delivering over £2 million in benefit for 2023/24 compared to 2022/23, including £0.79 million in savings and £1.23 million in income generation. As we continue to review opportunities for savings and income generation, we also make sure to consider the implications of any changes on residents. Where any proposals would leave to a reduction in service provision or an increase in cost for residents, we review the equality impacts and other factors before committing to changes. We also conduct consultations on the budget changes and other relevant elements each year to allow residents and local organisations to provide feedback.

### **Objective: Funding Our Services: Undertake commercial activities to generate additional income and build our financial resilience, in order to sustain services**

#### **What does success look like?**

Evidence that the Council is increasingly deriving income from commercial sources.

#### **Progress on delivering this objective:**

The Council has a [Commercial Strategy \(Part 1 and Part 2\)](#) in place which sets out its approach to effective use of its assets and investments, and to income generation. As a public sector body, our primary purpose in make investments is always to provide social

benefit, but we also seek to have projects be financially self-sustaining, so as to enable us to continue to drive improvements in the local area.

The most recent [Commercial Strategy progress report](#), published in December 2022, identifies progress made within the year, including a full review of the Council's property portfolio, development of new assets, including The Rise and Wheatley Court, and the purchase of additional temporary accommodation units, which will reduce costs as well as offering service improvements.

Since then, more work has been done. Of particular note have been efforts to reduce vacancy rates within Council assets, with two previously vacant office suites in Redhill and a retail property in Horley now successfully let. As of the Commercial Strategy progress update in December 2022, £1.197 million has been secured in new lettings, and £384,000 in costs have been avoided. We're continuing to market the commercial property assets we hold to make best use the Council's portfolio. Conservative projections in the Council's Medium Term Financial Plan, also as reported in the December 2022 Commercial Strategy progress update, estimate that units at The Rise will secure an income of £0.25 million in 2024/25, growing to £0.8 million by 2027/28, and potentially reaching £1.1 million when all units are full.

The Council also continues to provide a small range of commercial services to local businesses and other public sector bodies. These include trade waste collection and specialist services and support for revenues, benefits and fraud prevention. Of these, the revenues, benefits and fraud prevention advice we provide has been particularly successful in the last year, expanding to support 30 organisations and generating almost £0.5 million income.

## **Objective: Operational Assets: Ensure that our operational assets are fit for purpose**

### **What does success look like?**

Evidence the Council is investing in the upkeep of operational assets based on robust business cases.

### **Progress on delivering this objective:**

The Council has a range of important operational assets across the borough, including our buildings, vehicles and equipment.

At the beginning of 2022, we opened the re-designed and re-fitted first floor of the Council's Town Hall offices. This space now provides flexible space for collaborative and team working, which complements the individual desk space layout of the ground floor office. Combined



with the recent improvements to our remote working capacity, these facilities help ensure that our officers can work wherever they need to, to best deliver Council services.

We're also working to upgrade and improvement our Earlswood Depot site, which is the core of our Neighbourhood Operations services. These include potential updates to the on-site workshops, vehicle washes and drainage, as well as looking towards future needs around electric charging points. Maintaining our operational centre will also support the needs of our fleet and its maintenance needs.

As mentioned regarding our environmental sustainability activity, we're also reviewing options to improve the energy efficiency of refuse and other council owned vehicles when they come up for replacement, and where there may be scope to move towards alternative fuels including electric vehicles. While some of these technologies are still reaching maturity and financial viability, they offer the possibility of both being more environmentally sustainable and greater resilience in case of disruption to fuel supplies, where there have been threats of shortages in recent years.

Our information technology is also essential for the effective operation of the Council. Our IT service continually keep our systems up to date and maintain our capacity to meet new demands. Since the adoption of our new IT Strategy last year, there have been a number of improvements made, including steps towards strengthening our disaster recovery capability and resilience to cyber-crime, and updating our telephony systems. Improvements have also been agreed to the equipment in the New Council Chamber at the Town Hall, which supports our webcasting provision to make Council meetings and decision making accessible to all.

## Our Commitment – High quality core services and continued service improvement

Providing high quality core services is fundamental to the objectives of our Corporate Plan. Our annual service and financial planning process reflects this commitment throughout, and we have continued to preserve the quality and delivery of these services despite the challenges facing the sector.

As we've continued to deliver our services more efficiently, this year's budget limited service reductions to £39,000, across a budget of over £23 million, representing 0.2% of the total, whilst we continue to improve and strengthen our support in other areas.

Whilst we weren't able to complete a residents' survey to obtain comprehensive feedback this year, we will continue to monitor and respond to the feedback and concerns of residents through our other channels, such as the customer contact team, social media and online tools, and engagement with our elected Members.

Regular reporting on our service performance is conducted on a quarterly basis, with the Overview and Scrutiny Committee and the Executive receiving regular reports on Key Performance Indicators, and service level indicators reported to the Council's Corporate Governance Group. Public reports to the Overview and Scrutiny Committee are supported by internal audits and risk management reporting, overseen by the Audit Committee.

We're continuing to drive towards even better performance. Towards this end, we've produced new strategies for developing areas, including most recently our Leisure and Culture Strategy. The Council has also welcome a new Strategic Head of Organisation and Transformation, who will work with the management team to help ensure the Council's practices, skills and resources meet the needs of the borough and its residents into the future.

## Objective: Skills and Great People: Ensure that the Council has the right skills to deliver this plan

### What does success look like?

Evidence the Council is taking action to ensure that the right skills are in place.

### Progress on delivering this objective:

Underpinning all of the Council's efforts are the talented people who work to deliver our services. The Council utilises a selection of tools to help keep our staff equipped with the necessary skills and knowledge to perform. This includes participating in the shared Surrey e-Learn service, where our officers continue to have a well above average rate of engagement and course completion, with 113 courses complete during 2022/23. Services also have dedicated training budgets for staff members to pursue individual development

where opportunities and needs arise. Professional certification is also supported to ensure our staff maintain necessary qualifications and to support continued professional development.

Recruitment is another key aspect for the organisation to maintain its capacity. This continues to be an area of focus, with the supply of available professionals in some fields under pressure in recent years, with high demand for roles such as drivers for heavy vehicles and those with planning training. We're building up our Human Resources capacity to help support this demand, and continuing to develop our workplace and workforce strategies.

Effective recruitment is especially important at the moment, as the Council is currently experiencing an elevated rate of voluntary staff turnover, much like many other organisations. As of March 2023, the rate was almost 17%, above the KPI target of 12%. This general trend is present across many sectors, following the lower level during the coronavirus pandemic, and it remains to be seen if it will persist at the current level or decline to be closer to historical rates.

Whilst staff turnover remains at an elevated level, additional recruitment work will be necessary to ensure that the Council retains the skills and capacity to continue to deliver its services. In response to this, additional workforce planning is being undertaken, and a comprehensive engagement and benchmarking exercise on how the Council is viewed as an employer is being commissioned. This will be built on by an improved exit questionnaire to provide additional insights and understanding of why individuals move on from the Council.

The Council has a valuable apprenticeship programme, which both provides learning and development opportunities for those entering the workforce or a new area of work, and also attracts and builds the talents of new staff members. The Council currently has 5 new apprentices, along with 11 existing employees participating in formal qualifications as part of their work – these apprenticeships and qualifications range from level 2 (equivalent to a GCSE) to level 7 (equivalent to a master's degree), and are an important part of ensuring that Council staff have the skills they need to deliver services and progress within the organisation.

Training and development is also available for elected Members, to enable them to build on their strengths and directly support their residents. During the last year, 210 training sessions were provided for Members, covering a range of topics from the operation of Committees, to leadership and networking, to understanding environmental sustainability. Together with the skills Members bring from their own backgrounds, this learning helps the Council to effectively engage with all of the challenges we face.

## Our Commitment – Responsible use of data

The Council employs a Data Protection Officer to ensure that personal data held is kept secure, and complies with all data protection regulations and guidance, as well as the Council's Privacy Statement published on our website.

Robust data protection is supported through providing training for officers and Members, reviewing databases and removing personal data when it is no longer required, or statutory limits are met. The Council's Corporate Governance Group oversees good data governance, and is supported through the work of a dedicated Information Governance Group.

The Council's Data and Insight Team works to help the organisation make the best use of the data available to us. This includes such things as tracking and predicting trends in demand for services, providing analysis to inform decision making, and helping to ensure that our understanding of the borough and its residents remains up to date. With data released this year from the 2021 Census, we've been able to build on our understanding of the borough and its residents, which will help inform services to address local needs.

Examples of how the use of data has benefitted service delivery from the last year include helping to target wellbeing support, understanding customer needs at the Harlequin Theatre, and building a picture of resident concerns around sustainability. The Council now also has an officer data community, bringing together officers from across the organisation to review new insights, improve data analytical skills, and share best practices.

The Council's data security is also supported by the IT team, who monitor and reinforce our cyber security. The Council's IT Strategy, as approved by the Executive in March 2022, includes a commitment to further improve our cyber defences to ensure that they remain up to date and sufficient to meet the growing risk facing modern organisations.



## Appendix 1 – Contextual Indicators

### Contextual Indicators - People

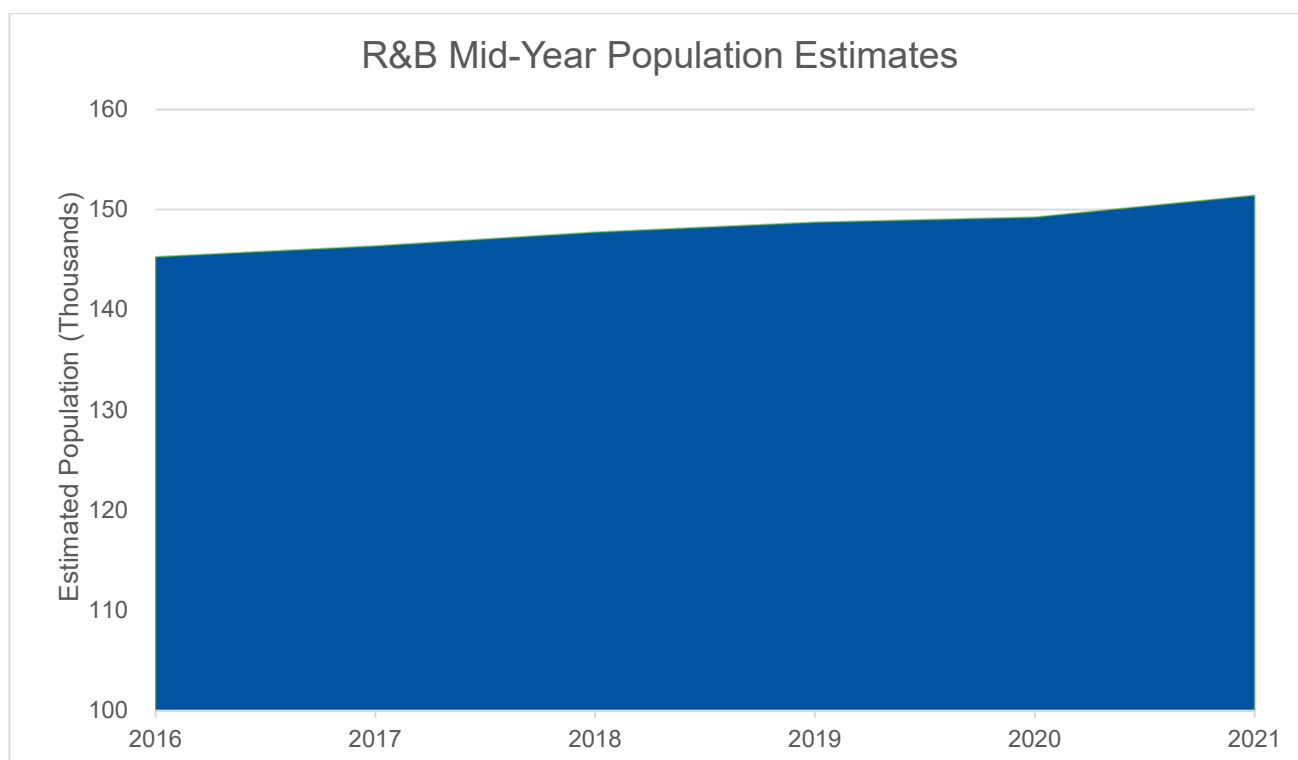
#### Borough Population

The borough’s population is increasing steadily, with the rate increasing somewhat in the last few years. According to the most recent mid-year estimates, the population is assessed by the Officer for National Statistics (ONS) to have grown by approximately 1000 people between 2020 and 2021, growing from 149,243 to 151,423. The Census figure for the borough’s population in 2021 was 150,846, very close to this estimate, indicating that the ONS estimates are likely to be a good indicator.

Current projections indicate that the 2023 population is likely to be approximately 152,789, and is likely to grow to approximately 153,611 people by 2025. In very broad terms, the population of the borough is therefore indicated to be growing by approximately 0.5% per year.

*Figure 3: Estimated Borough Population Over Time*

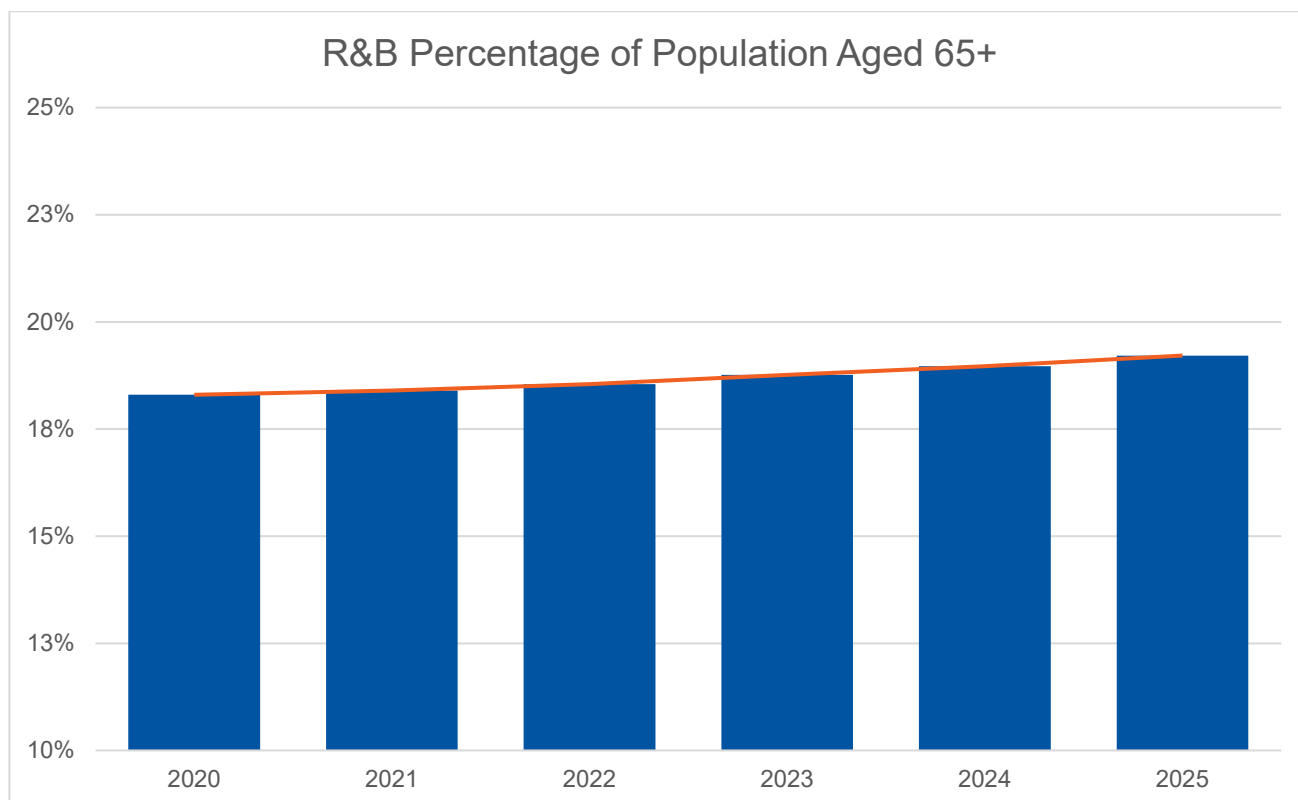
*Source: Office for National Statistics – Mid-Year Population Estimate 2021 (December 2022 Release)*



The borough population aged 65 and older is also growing, at a higher rate than the general population. As can be seen in figure 4, the percentage of the population aged 65 and above is projected to have increased from 18.3% in 2020 to 19.2% in 2025.

Figure 4: Estimated borough population aged 65+

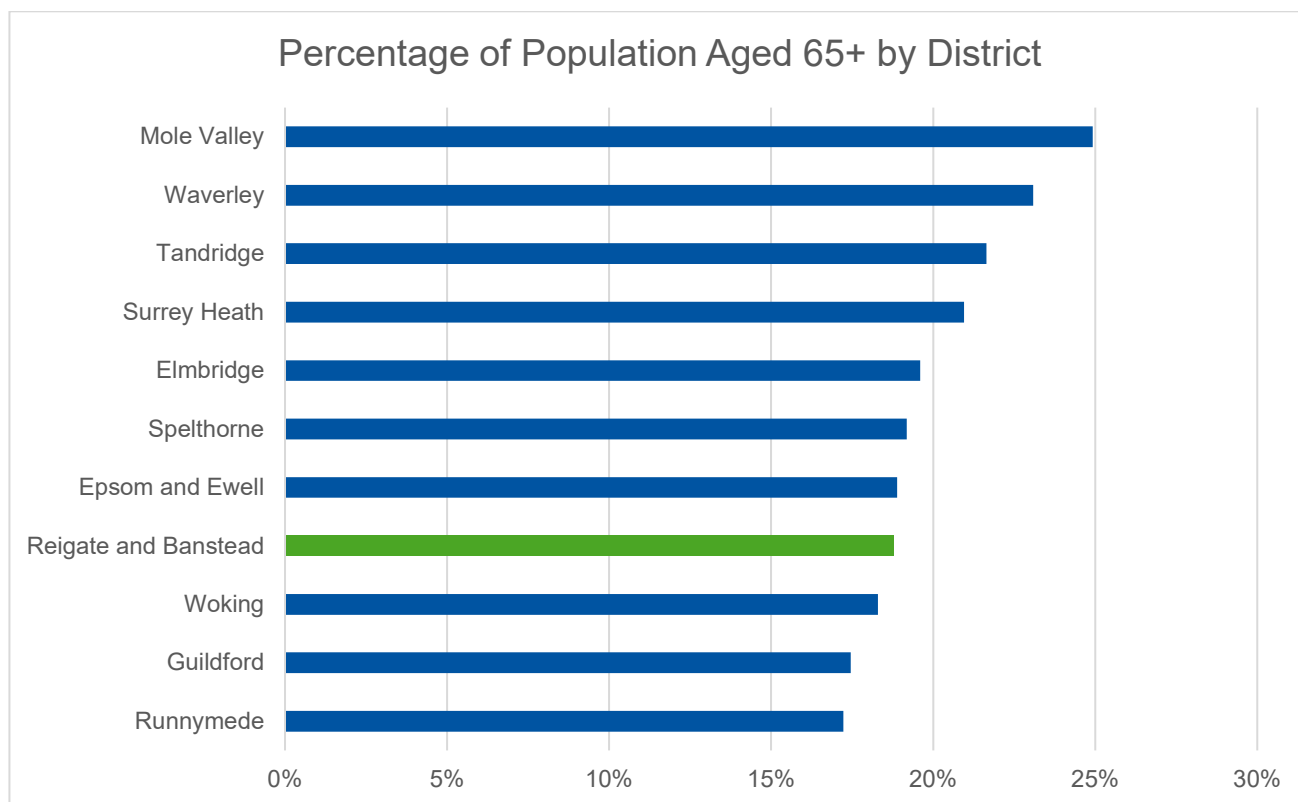
Source: Office for National Statistics – 2018 Population Projections



For 2023, the population of the borough population aged 65 and older is estimated to be approximately 18.8%, putting the borough in the middle of the range for Surrey authorities, which vary between 17.2% in Runnymede, and 24.9% in Mole Valley. The Census figure Reigate and Banstead for 2021 was 17.7%, somewhat lower than the projected 18.4%. This may be due to the influence of the coronavirus pandemic, and it may therefore be the case that percentages in the current year and forthcoming years remain somewhat lower than projections in the near future.

Figure 5: Percentage of Population Aged 65+ by Surrey District

Source: Office for National Statistics – 2018 Population Projections for 2023



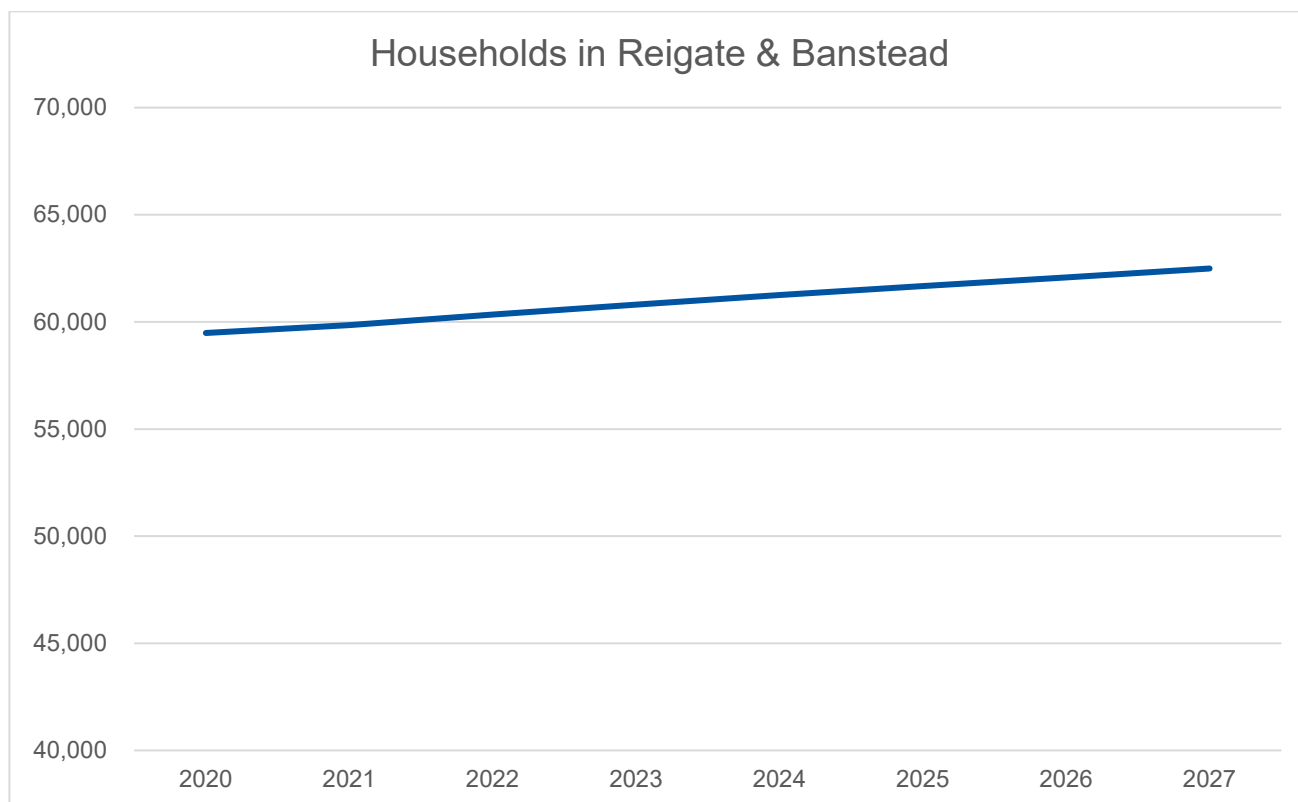
### Number of households

The total number of households in the borough is estimated to be 60,800, as of the most recent statistical release. A household is defined as one person living alone, or a group of people (not necessarily related) living at the same address who share cooking facilities and share a living room or sitting room or dining area.

The Census figure for 2021 was 59,850 households, which matches closely to the projected level for the year of 59,848, indicating that the projections are likely to be a good indicator of household levels.

Figure 6: Households in Reigate & Banstead

Source: Office for National Statistics – 2018 Household projections for England by local authority



### Households on housing waiting list

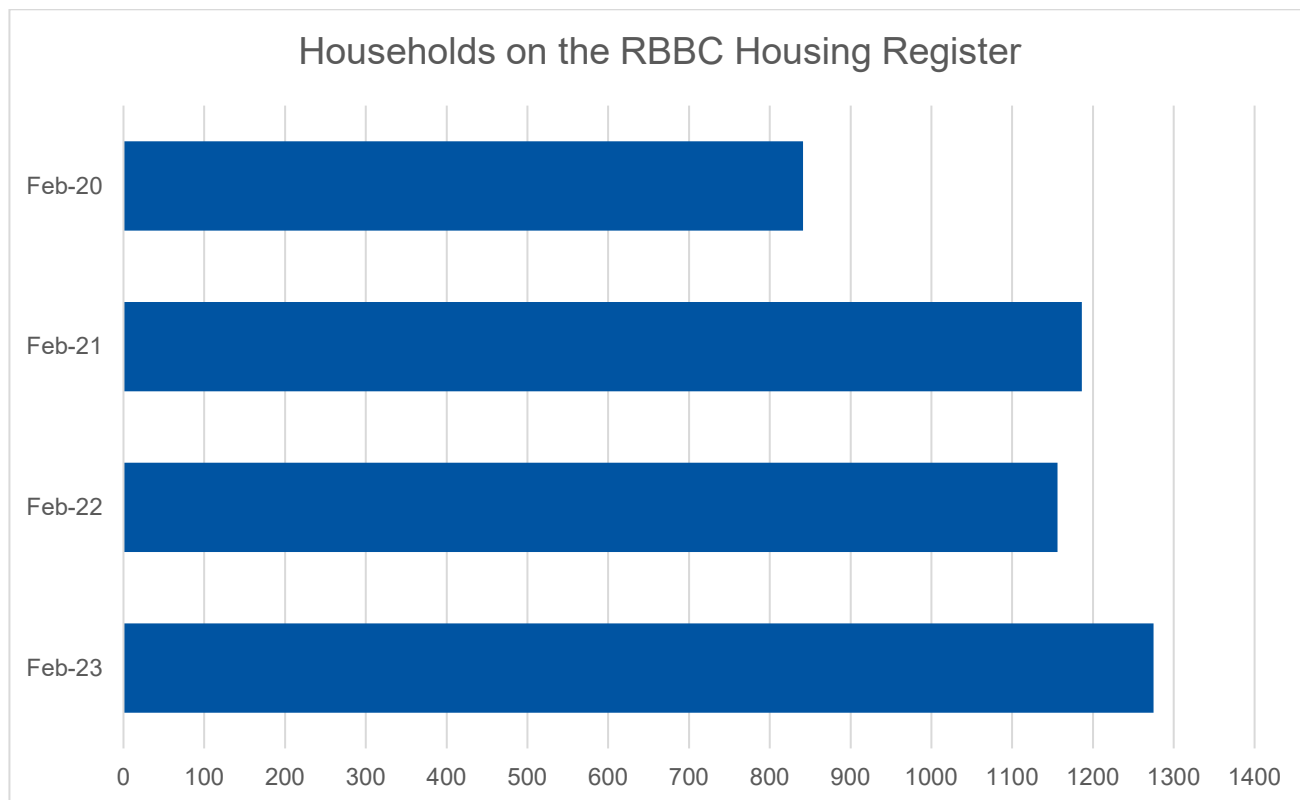
The demand for social housing has increased in the last year, to a new high of 1275 households on the housing register in February 2023. The sector continues to experience significant pressure due to poor affordability of housing and a historic undersupply of social housing, both exacerbated by current wider pressures on the cost of living. The supply of social housing available continues to be primarily composed of smaller properties, with only a limited quantity of larger homes.

Based on the available figures for total households in the borough, the February 2023 housing register would indicate that a number of households equivalent to 2% of those in the borough are currently seeking homelessness support, a level which has remained relatively constant in recent years.



Figure 7: Households on the Reigate & Banstead Housing Register

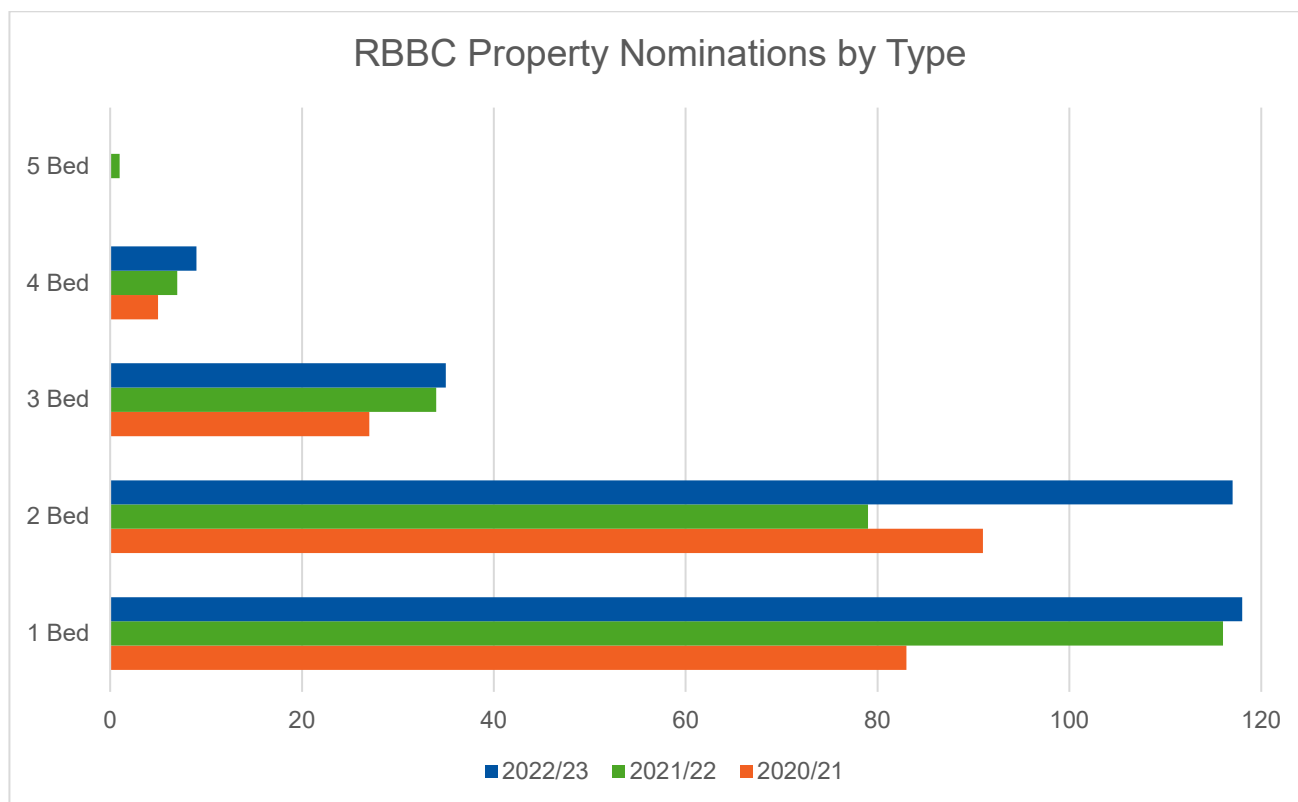
Source: Reigate & Banstead Borough Council Housing Register



The Council has been working to expand the supply of available housing, both directly and together with local partners. As can be seen in figure 8, the level of properties to which the Council’s housing team can make nominations has increased, although there remains a very limited supply of larger properties.

Figure 8: Number of social housing property nominations available to the Council

Source: Reigate & Banstead Borough Council Housing Service



## Unemployment Levels

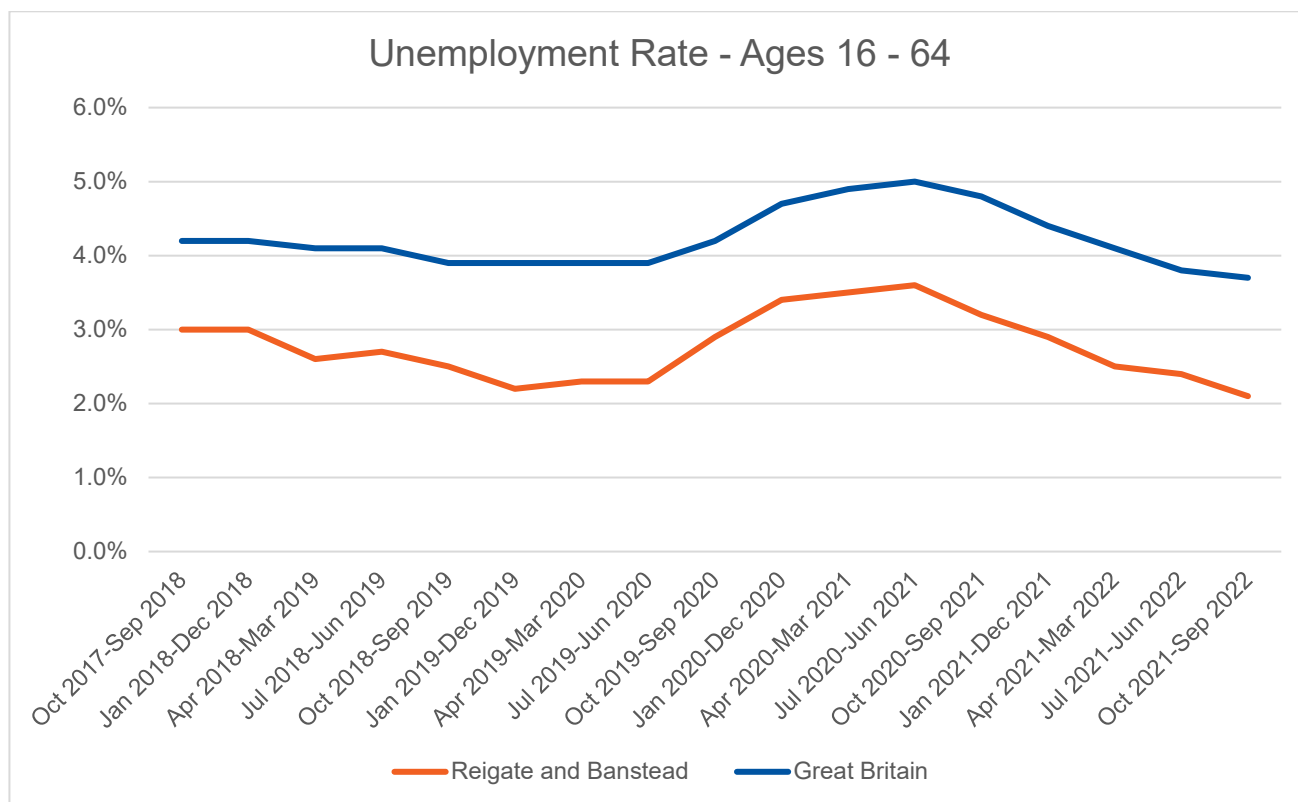
Unemployment levels are used as a key indicator of the out of work population, reflecting their use at a national level.

Unemployment levels had generally trended downwards since the economic crash of 2008, reflecting the strengthening labour market. Unemployment increased during the Covid-19 pandemic, but has now decreased again and reached a new minimum level of 2.1% in the most recent figures.

There are indications that the current very low levels may be influenced by additional factors, including those leaving the workforce following the coronavirus pandemic, and elevated levels of long-term sickness. However, it is likely that, even allowing for these figures, the current reported levels are indicative of a high rate of employment in the borough.

Figure 9: Unemployment Rate - Ages 16-64

Source: Office for National Statistics – Annual Population Survey



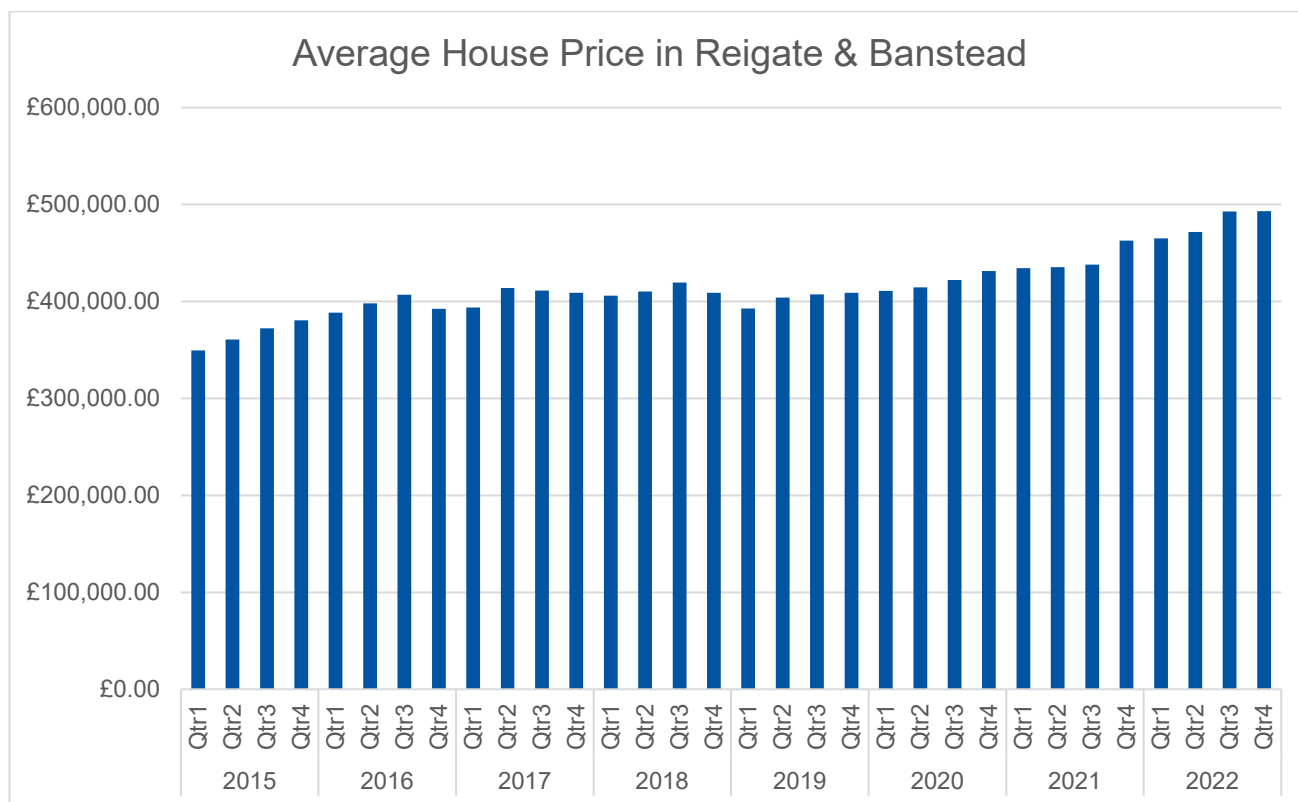
### Average House Price

Recent years have seen a sustained increase in average house prices in the borough. At the end of 2022 the average house price was £493k, compared to £350k at the start of 2015. The data used to inform these figures has been updated to better adjust for outliers, meaning that these average figures are lower than in the previous annual report.

The most recent Office for National Statistics data puts the Affordability Ratio for the borough (median house price to median resident earnings) at 11.82 in 2022. This ratio has been increasing over time; from 7.87 in 2010 to its current level, meaning that housing has become less affordable for local people. It has however reduced slightly from its peak of 12.08 in 2021. Recent moves by the Bank of England to raise interest rates may apply downward pressure on prices as mortgages become more expensive, but the underlying supply factors and other cost pressures on households mean that housing is unlikely to become significantly more affordable in practice in the short term.

Figure 9: Average House Price in Reigate & Banstead

Source: Land Registry UK House Price Data



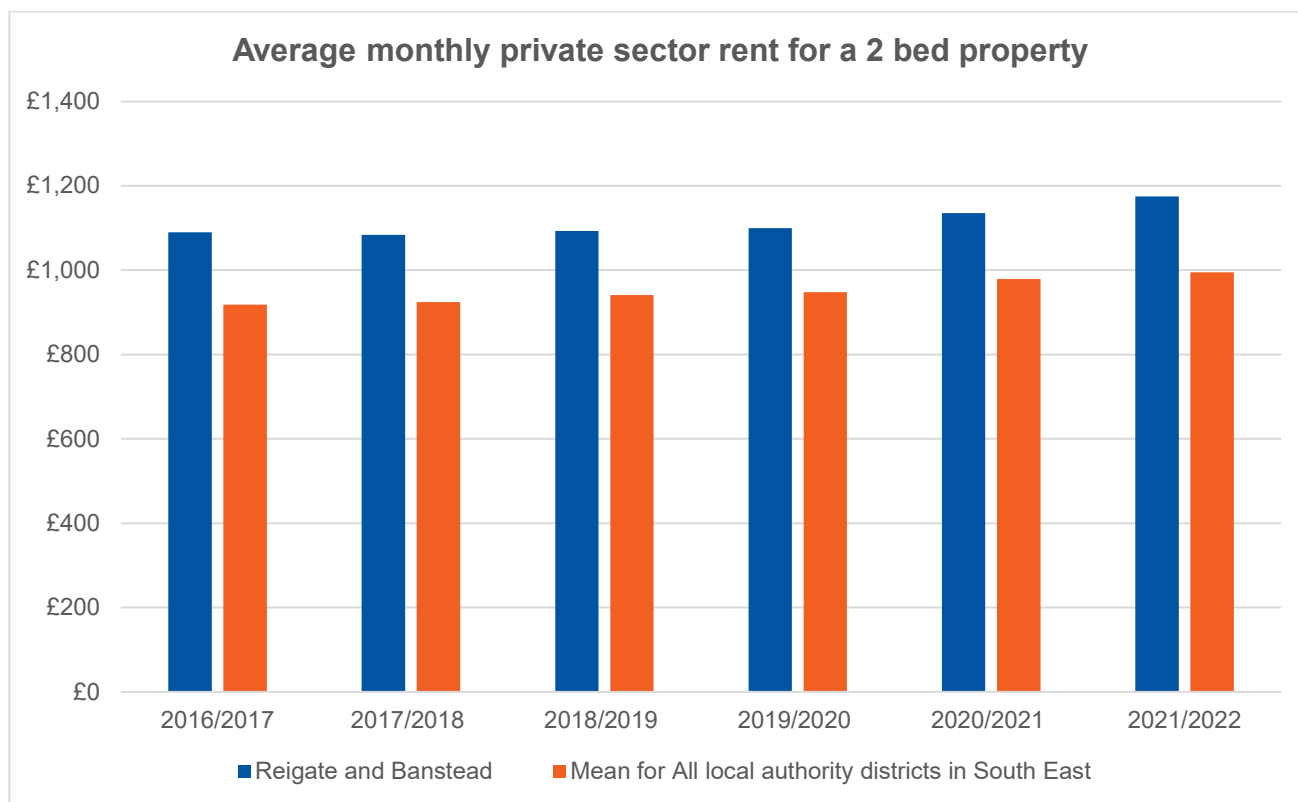
### Mean Monthly Rent (two bedroom flat)

The mean monthly rent for a 2-bedroom property in the borough has been increasing slightly over time; seeing an increase of £81 per month since 2017. Once adjusted for inflation, rental rates have therefore effectively remained constant in real terms.

Rates in the borough have remained higher than those in the wider South East and England as a whole. Whilst rates remain high relative to wages, the level of affordability for residents has not changed significantly in recent years. With inflation increasing more significantly during the year 2021/22, rental rates also increased at a higher rate, although by less than the headline measure of inflation.

Figure 10: Average monthly rent for a 2-bed property

Source: National Valuation Office Agency



## Borough Crime Rate

The recorded crime rate (excluding fraud) in Reigate & Banstead has been trending downward over recent years, with 58 such recorded offences by 1,000 population in 2021/22. This compares to a national rate of such recorded crimes for England and Wales of approximately 92 per 1000 population.

This represents a slightly increase from the level of 53 offences per 1000 population in 2020/21, which was anticipated due to the suppressive effect of the coronavirus pandemic.

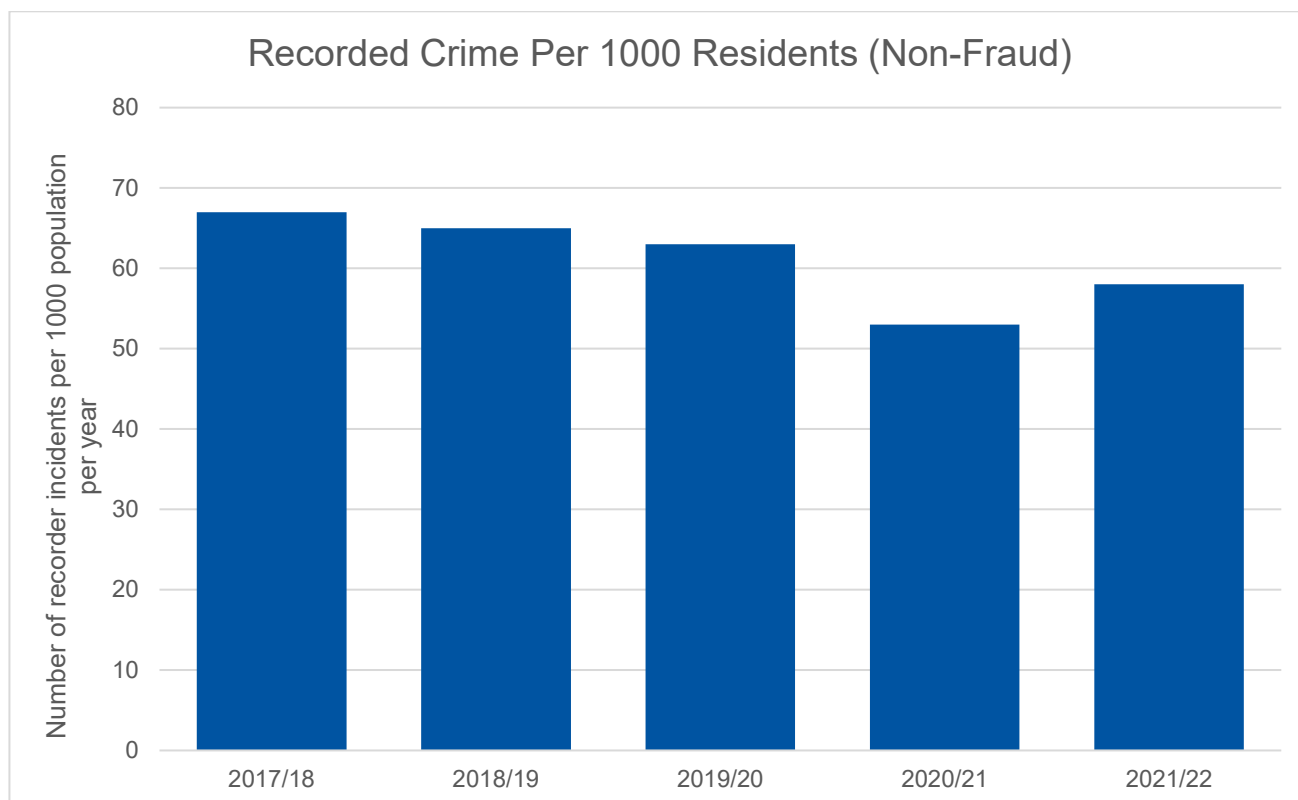
Due to the way the data is collected, these figures exclude fraud offences. Information from the ONS indicates that fraud levels increases during 2020/21 and the coronavirus pandemic, but have since returned to trend levels. Nationally, fraud and related offences are estimated to constitute approximately half of recorded crimes.

The ONS cautions that police recorded crimes are unlikely to be fully representative of the true experience of crime, due to the influence of patterns in reporting, and these figures are supported nationally by the Crime Survey for England and Wales. However, figures for this

survey are not available by Community Safety Partnership area, and police reported figures are therefore utilised to provide a local measure. Police figures are likely to be most effective for more severe crimes where the likelihood of reporting is higher.

Figure 11: Recorded Crime Per 1000 Residents (Excluding Fraud Offences)

Source: Office for National Statistics – Recorded Crime Data by Community Safety Partnership Area



Of the crime recorded in the borough, the largest category of offences recorded locally is violence against the person, consistent with recent years. This represents a higher proportion of crimes recorded locally than the national average, but this is largely due to a significantly lower local rate of other offences, particularly theft, rather than any increase in violent offences, and rates remain significantly below the national averages.

Figure 12: Criminal Offences by Category in Reigate & Banstead

Source: Office for National Statistics – Recorded Crime Data by Community Safety Partnership Area



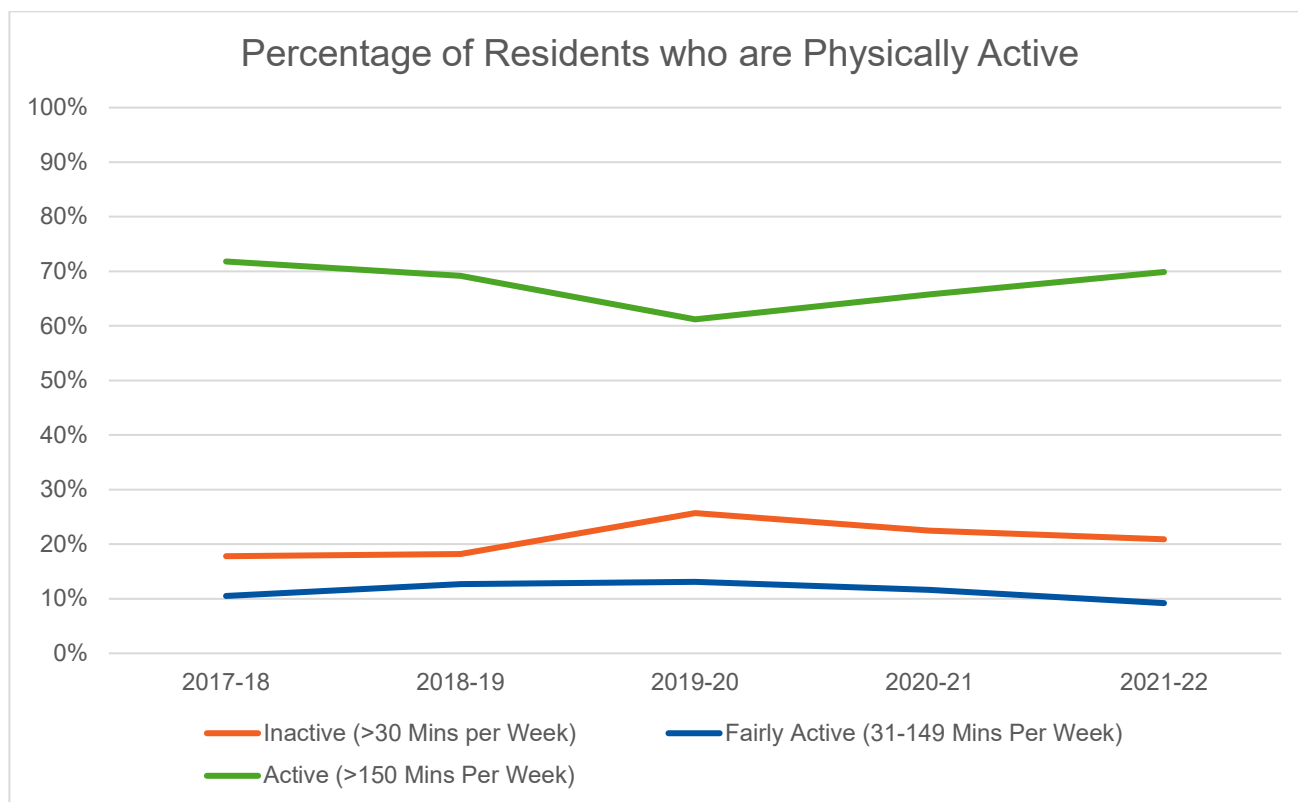
### Percentage of residents who are physically active

The most recent information on physical activity shows that 69.9% of residents reported that they were physically active in 2021/22. This is defined as undertaking at least 150 minutes of moderate intensity activity per week.

This represented an increase from levels in 2019/20 and 2020/21. This is consistent with national trends, where the coronavirus pandemic and related restrictions led to a decrease in levels of physical activity. Levels are now at close to those reported pre-pandemic.

Figure 13: Percentage of residents who are physically active

Source: Sports England Active Lives Survey



### Percentage of residents who are overweight or obese

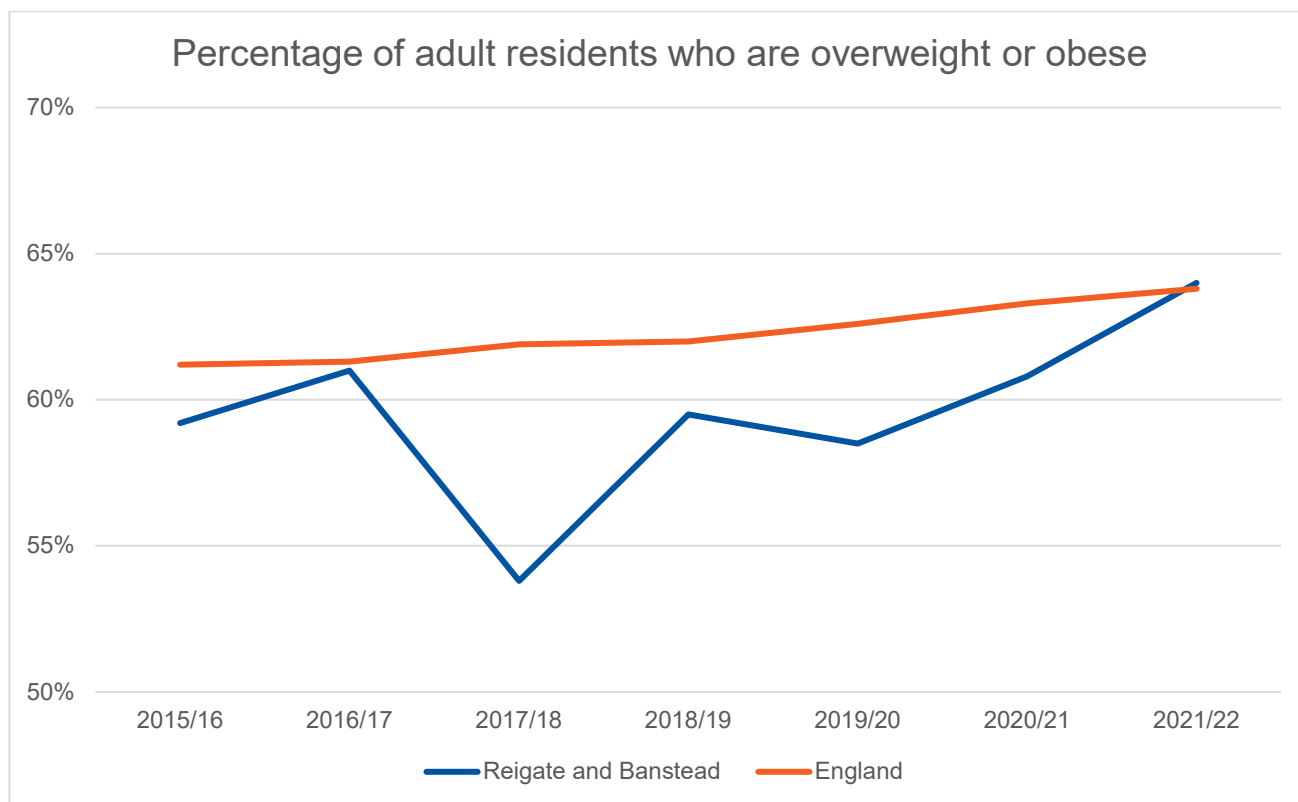
The most recently published data indicates that a majority of adult residents of the borough are overweight or obese – 64% as of 2019/20. This has increased over recent years, and has now reached levels equivalent to the average for England of 63.8%. There is a degree of uncertainty in local data due to the smaller sample sizes, and recent levels may have been influenced by the coronavirus pandemic, but if this trend is representative, this may have implications for the future needs for the borough and its residents.

High levels of obesity present public health challenges due to increased risk of number of health issues, including type 2 diabetes, heart disease, some varieties of cancer, and strokes. Although the Council does not have a direct responsibility for healthcare, the health of residents has a range of indirect implications for Council services and local needs.



Figure 14: Percentage of adult residents who are overweight or obese

Source: Public Health England – Public Health Outcomes Framework



## Contextual Indicators – Place

### Town centre vacancy rates

RBBC’s [Town Centre Monitor](#) covers the period from April 2022 to May 2023 with survey work undertaken in May 2023.

During 2021/22, vacancy rates in borough town centres decreased; however they have increased again in 2022/23. Levels in Banstead and Reigate centres have remained below or close to the target level of 5%, at 3.4% and 5.6% respectively. Horley is above the target level at 7.8%, but this is a decrease from the previous year’s level of 9.8%. The most significant change is in Redhill, where the vacancy rate has increased from 8.2% to 16.7%. Measures for vacant frontage, indicative of the size of vacant premises follow broadly similar trends for those for units.

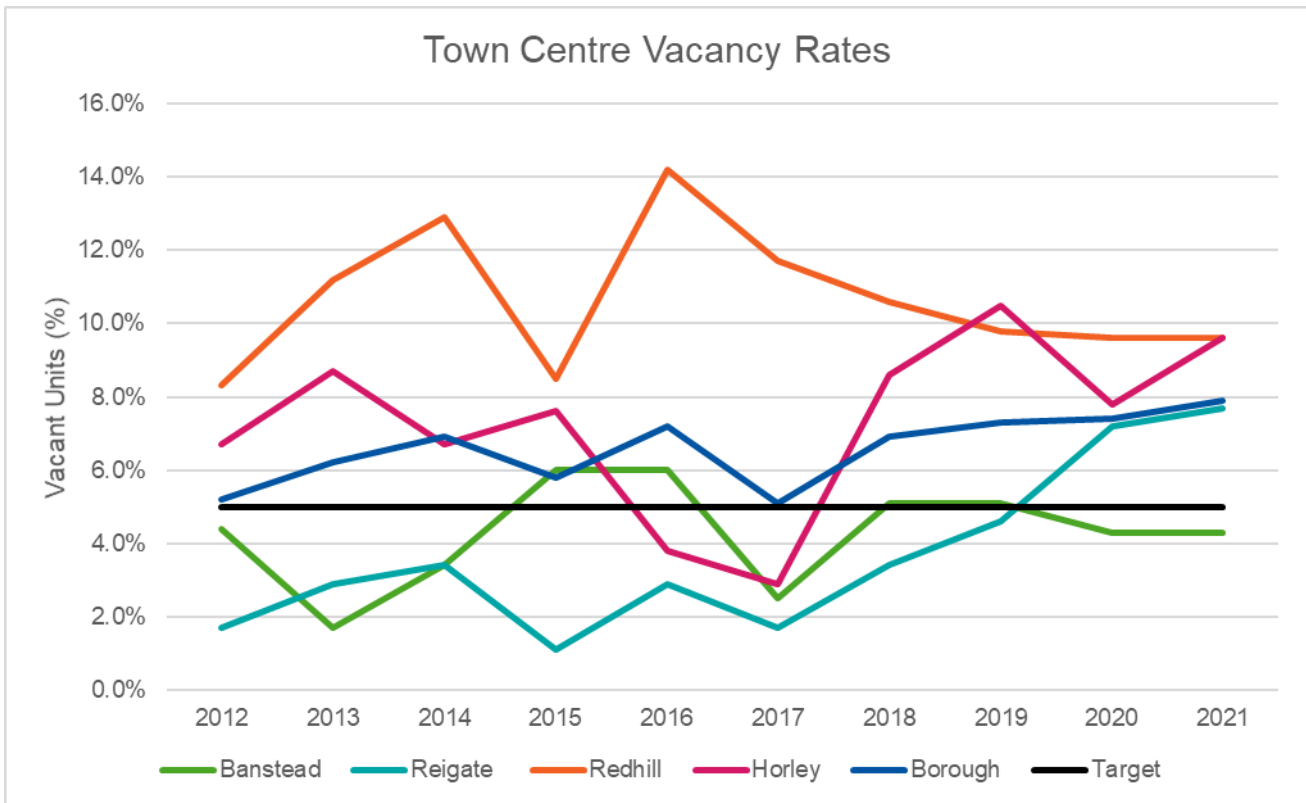
An increase in vacancy rates is not unanticipated, as recent pressures on energy costs and consumer spending will have presented challenges for some sectors and businesses. The

increase in rate in Redhill is particularly marked; if the recorded level were to continue this would represent a concern, and options to address the situation would need to be considered. However, it is possible that the sample captured by the survey is higher than trend, or represents a temporary transitional period – with new units being built at locations such as The Rise, it is possible that this has led to an increase in vacancy rates whilst new sites are filled, rather than representing a change in existing businesses.

Footfall figures for the town centres are more positive, with April 2023 levels generally representing a significant increase on April 2022 levels, including a 12% increase in Redhill. Horley is the only town centre which has experienced a decrease in footfall levels of approximately 5%. Footfall levels across the borough have largely returned to levels comparable to those pre-pandemic, with the exception of Horley which remains at only approximately 80% of those. As work continues to support the borough’s town centres, vacancy levels and footfall will continue to be monitored.

Figure 15: Town centre vacancy rates

Source: Reigate & Banstead Town Centre Monitor 2023



## Total employee jobs in the borough

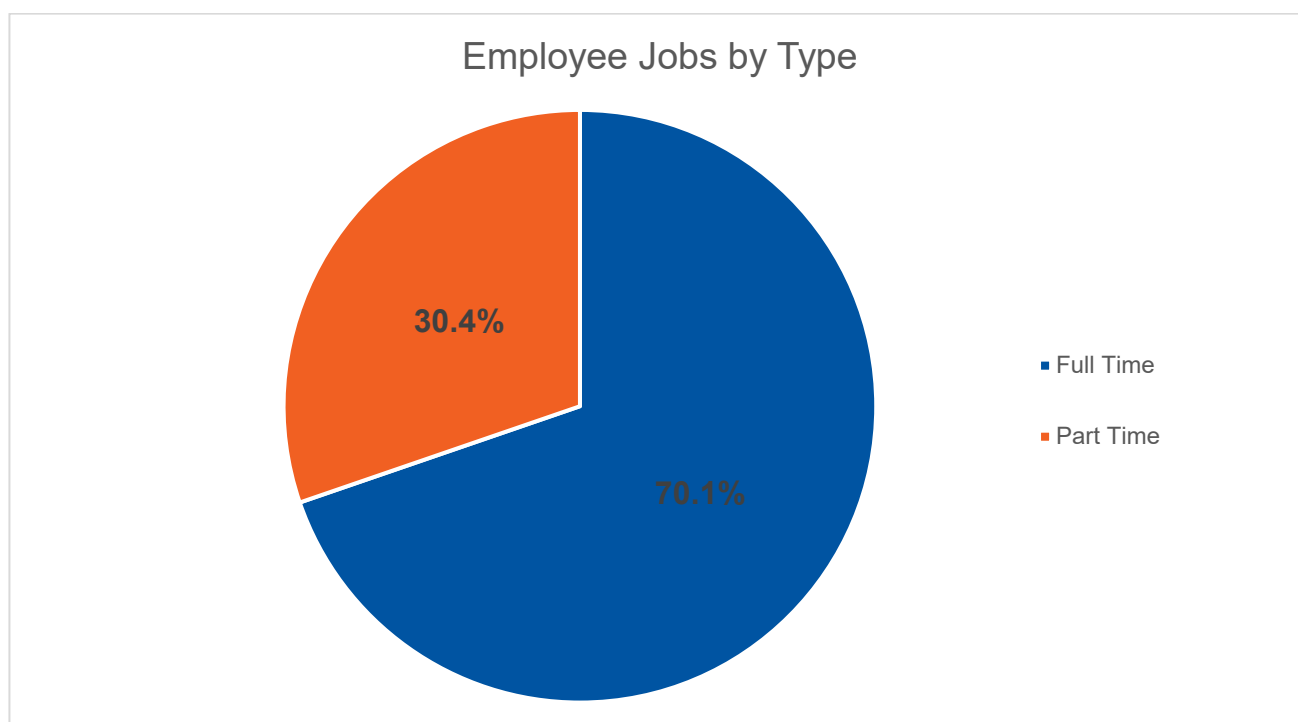
As of 2020, the borough is home to 67,400 employee jobs, including 47,000 full-time and 20,400 part-time jobs. The ONS Business Register and Employment Survey records a job at the location of an employee’s workplace.

This represents an increase of 400 local jobs from 2020, with full-time roles constituting the increase. This level is 1600 lower than in 2019, possibly due to the impacts of the coronavirus pandemic, but is higher than in 2017 and 2018, indicating that employment levels may be returning to trend.

Whilst the majority of employee jobs continue to be full time, part-time jobs make up over 30% of local roles, and therefore form a significant part of the local employment landscape. This proportion is consistent with recent years.

Figure 16: Employee jobs by type

Source: ONS Employment Survey 2021



## Total enterprises in the borough

There are a recorded 7,055 businesses in the borough, as of the most recent ONS Business Register and Employment Survey, covering 2021 and released in October 2022. Of these, the vast majority are micro and small enterprises, employing relatively few people each (0 to

9 and 10 to 49 respectively). There are fewer medium and large enterprises, but as these each employ considerably more people (50 to 249 and 250 or more respectively), they account for a significant proportion of the total employees in the borough.

The Council's economic prosperity support measures, including business grants and entrepreneur support, are particularly targeted at small and micro enterprises, but larger enterprises also benefit from the systematic effects of a prosperous local economy.

Between 2020 and 2021, the number of businesses in the borough reduced by 75 (1.05%). The majority of this reduction was composed of micro-businesses, which was likely influenced by the continued disruption of the coronavirus pandemic. The number of medium enterprises also reduced by 5 – whilst this is a small decrease in businesses, and not unanticipated given the economic conditions, it is an area of potential concern due to the larger numbers employed by these medium size businesses. The trend in future years will be monitored to identify emerging concerns; it is hoped that as the disruption of the pandemic recedes, business numbers will recover, although subsequent pressures on energy prices and other costs may also lead to more difficult conditions for some sectors.

*Figure 16: Enterprises in the borough by size (persons employed)*

*Source: Office for National Statistics – Interdepartmental Business Register*

<b>Enterprise Size (Number of Employees)</b>	<b>Number of Enterprises (2020)</b>	<b>Number of Enterprises (2021)</b>
<b>Micro (0 to 9)</b>	6505	6440
<b>Small (10 to 49)</b>	515	510
<b>Medium (50 to 249)</b>	75	70
<b>Large (250 or more)</b>	35	35
<b>Total (Rounded)</b>	7130	7055

## Business five year survival rate

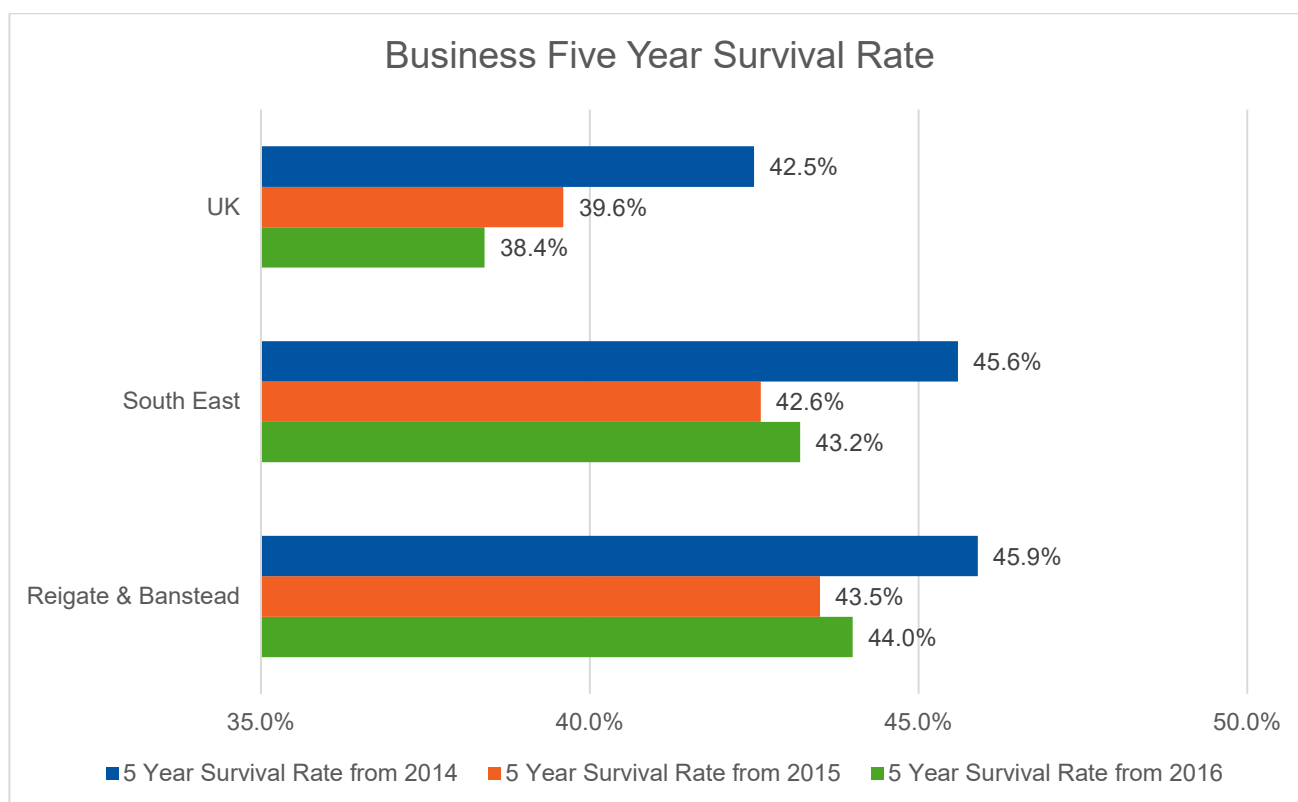
Reigate and Banstead has consistently had a business survival rate above both national and regional averages. This survival rate represents the number of businesses started that are still in existence after a five year period. The most recent available figures cover the period through to 2021.

This survival rate increased slightly to 44% for the 5 years from 2016 to 2021, recovering from a pandemic influenced low of 43.5% in 2020, but still lower than the 2014-2019 rate of 45.9%. By comparison, the survival rate for the Southeast also increased, but the rate for the UK as a whole continued to decline.

The recorded shifts are relatively slight, but indicate that new businesses in Reigate and Banstead are faring better than elsewhere in the country. The increase in 5 year survival rate is positive, but if disruption continues to affect the rest of the country, this may have a future negative effect upon the borough.

Figure 17: Business five year survival rate

Source: Office for National Statistics – Business Geography



## Value of the local economy

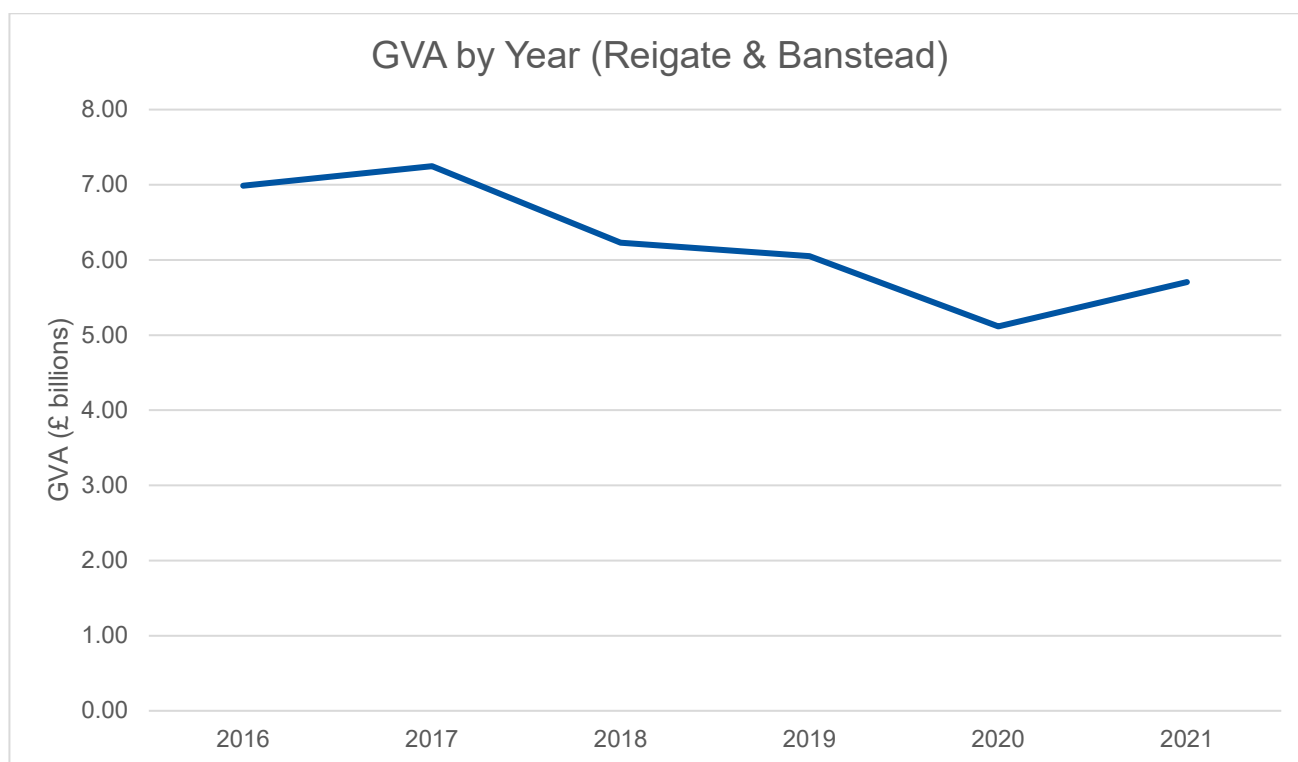
Reigate and Banstead’s local economy was most recently assessed to be worth £5.7 billion in terms of gross value added (GVA) in 2021. This represents an increase from 2020, but a reduction from previous levels. The coronavirus pandemic may have influenced the decrease in 2020, but the previous decline will not have been impacted by this factor.

As reported previously, most significant reductions in local GVA have been the financial & insurance sector and the wholesale & retail trade sector, which have also historically been the largest components of the local economy. However, the timing of these decreases did not closely correspond to changes in other measures of local economic prosperity, such as average earnings. As GVA reporting is dependent on where companies are listed as being based, it is therefore possible that this variation is due to changes in such listings, rather than necessarily reflecting the reality of local circumstances. Due to the complexity of its modelling, reported GVA values may also change from year to year, even for prior years.

Due to the complexity of the GVA measure and its practical relationship to local people and businesses being indirect, the GVA changes are monitored for information, but are not considered to be a high priority concern.

Figure 18: Gross Value Added by Year

Source: Office for National Statistics – Gross Value Added



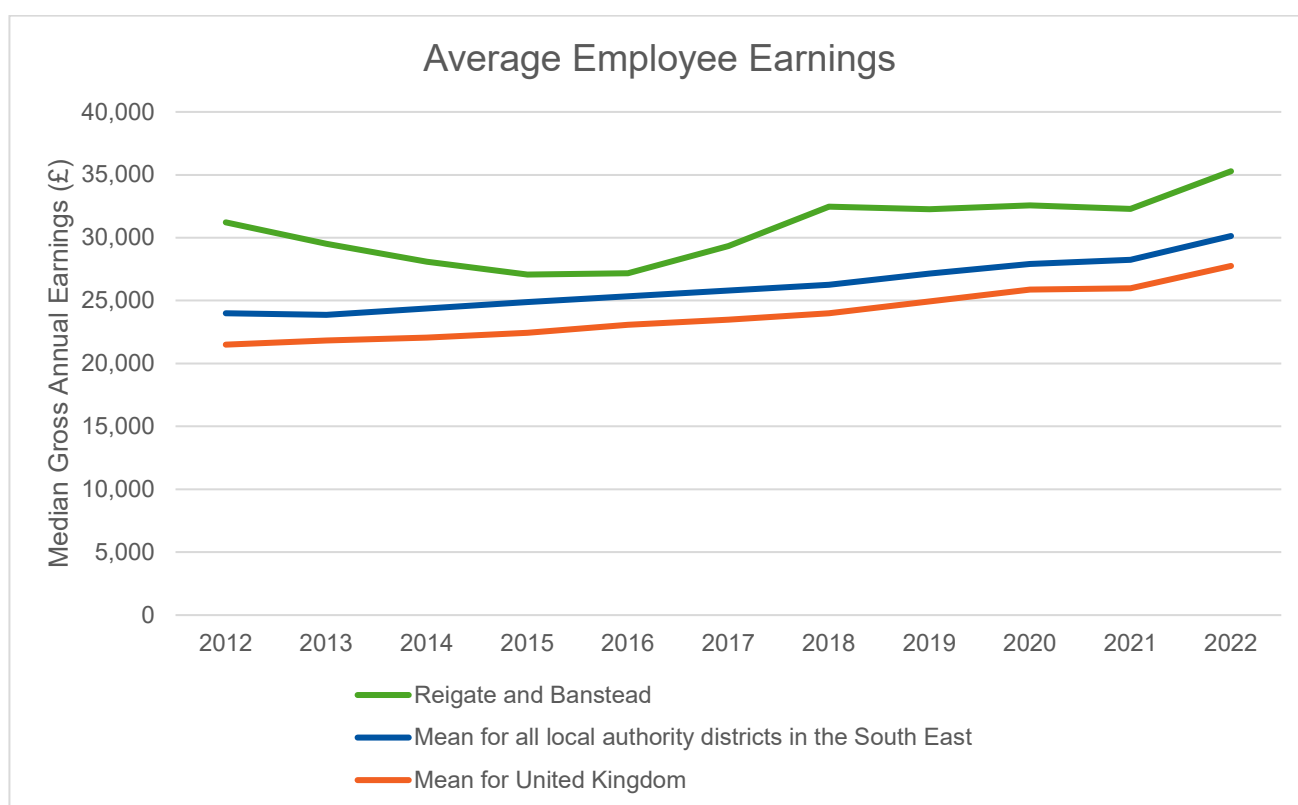
## Average resident income

As of 2022, the average annual pay for residents of the borough is £35,282. The average pay for full-time employees in the borough is £39,778. These both compare favourably to the national and regional averages, and have improved in recent years, although with a static period between 2018 and 2020.

However, as there has also been significant inflation during 2021/22, these pay levels should be considered within that context. The increase between 2021 and 2022 rates of pay was just over 9%, whilst the inflation rate was approximately 11%, meaning that real-terms pay actually declined. As inflation rates were higher on essential goods such as food and energy, this decline will have been felt most sharply by the least wealthy, for whom these goods make up the greatest proportion of their spending.

Figure 19: Average employee earnings

Source: Office for National Statistics – Annual Survey of Hours and Earnings



## Total number of homes in the borough

The Office for National Statistics defines a dwelling in terms of self-contained household spaces in permanent buildings. Whilst this may not match exactly to all households in the borough, it provides a good measure of general levels and trends over time.

As per the latest data release in March 2023, there were 62,233 dwellings in the borough in 2021. With the Census identifying a borough population for that period of 150,846, this represents about 2.5 people per dwelling.

The number of dwellings in the borough has consistently increased over time, by approximately 500 dwellings per year in the last several years, and a slightly larger increase between 2020 and 2021. This is broadly consistent with local measures of housing completions.

*Figure 20: Number of dwellings in the borough*

*Source: Office for National Statistics – Data tables on dwelling stock*

Year	Number of dwellings in the borough
2016	59368
2017	59885
2018	60438
2019	60973
2020	61432
2021	62233



## New Homes Delivered

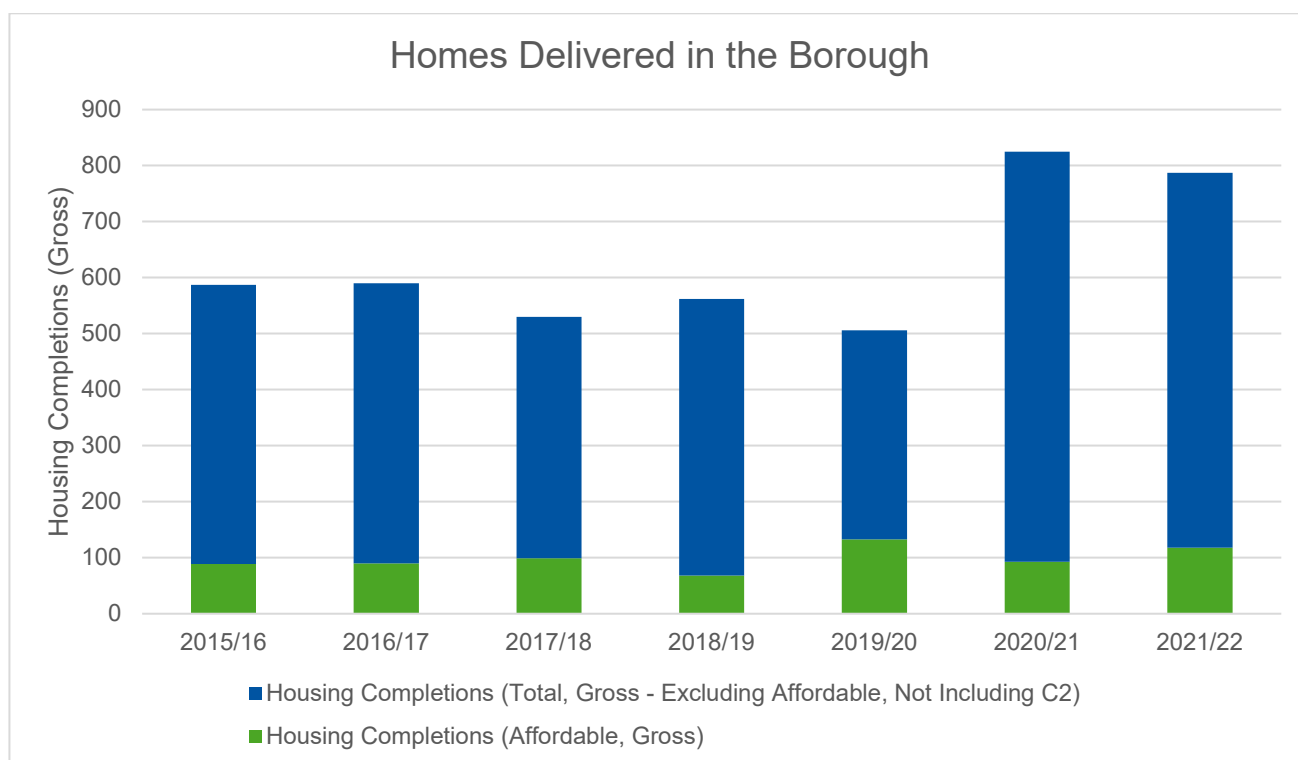
The Council records and publishes the number of new homes completed each year in its annual [Housing Delivery Monitor](#). These figures generally record gross completions, and the net number of homes may therefore be slightly lower where properties are removed from use. Use class 'C2' properties (including older persons' care and nursing homes) are not included, as they are not subject to the same assessment of affordability.

The Council's Local Plan sets out minimum targets for both general and affordable housing completions; these are 460 homes annually overall, and 1500 total affordable homes between 2012 and 2027. Housing completions in the borough have consistently met these targets for the overall period of the plan.

Due to the reporting periods covered, this section utilises information from the annual housing monitor. The figures provided may therefore be slightly different from those reported in the Council's quarterly performance indicators.

Figure 21: Homes delivered in the borough

Source: Reigate & Banstead Borough Council Housing Delivery Monitor



The borough's Development Management Plan sets a target of 30% affordable housing for medium and larger sites. As not all affordable homes built are part of such developments, and some developers may be able to secure exceptions, the total proportion of affordable

homes delivered will generally be lower than this target. However, our Council led projects will meet or exceed plan thresholds, and we will continue to work to ensure all developers act in accordance with local and national planning policy.

### Borough carbon emissions

The total CO<sub>2</sub> emissions for the borough have been declining over time. The most recent figures released for the borough record a total of 631.7 kilotonnes of CO<sub>2</sub> equivalent emissions in 2020, down from 850 in 2014. Borough level figures are only available with some delay, and we therefore do not yet have information for the latest years, however we will continue to report the latest available information in our stand-alone Environmental Sustainability annual report.

On a per capita basis, Reigate & Banstead has slightly lower annual emissions (4.2 tCO<sub>2</sub> equivalent) than the national (4.6 tCO<sub>2</sub> equivalent) average, and is approximately equal to the average for Surrey. Local emissions are significantly skewed towards transport and domestic sources due to the lack of major local industry. Gatwick Airport emissions are not included in local figures, although the presence of the airport will also generate additional local road traffic.

Figure 1: Reigate & Banstead CO<sub>2</sub> emissions by sector

Source: Department for Business, Energy, Industry and Skills emissions data

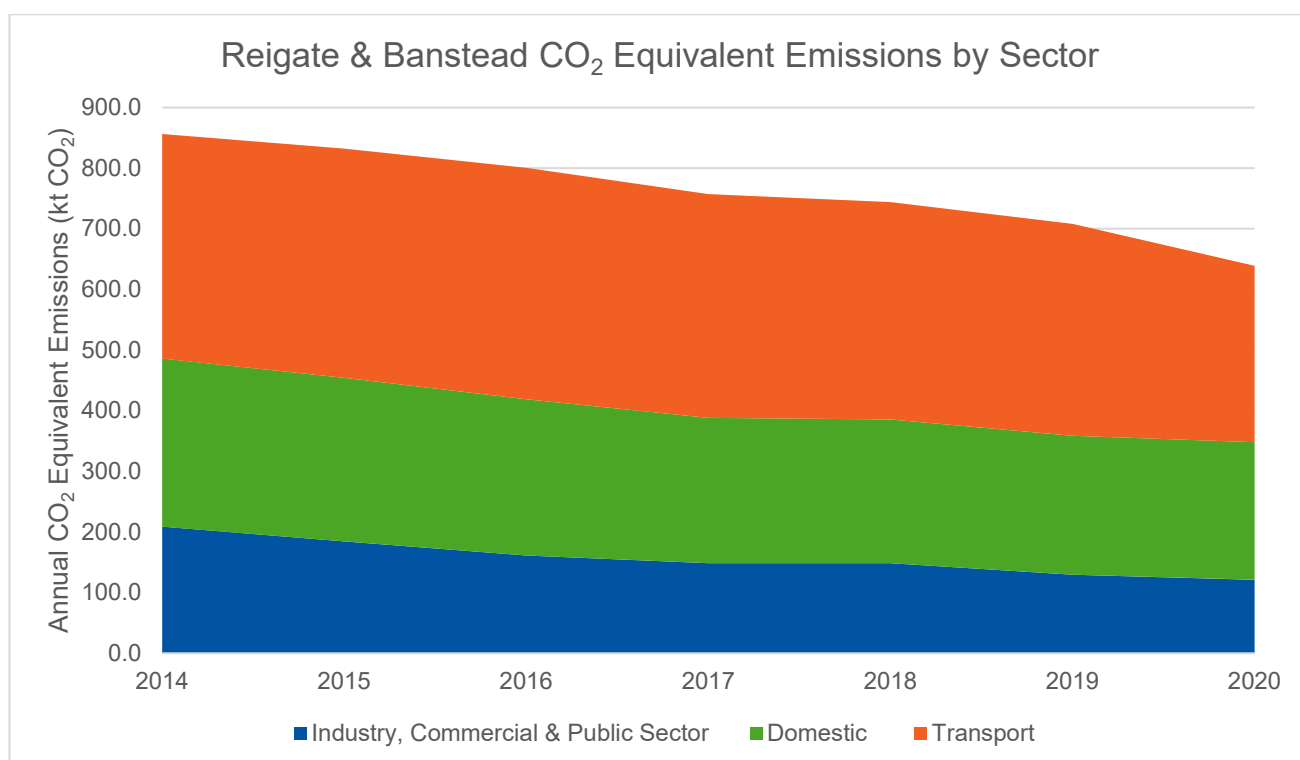
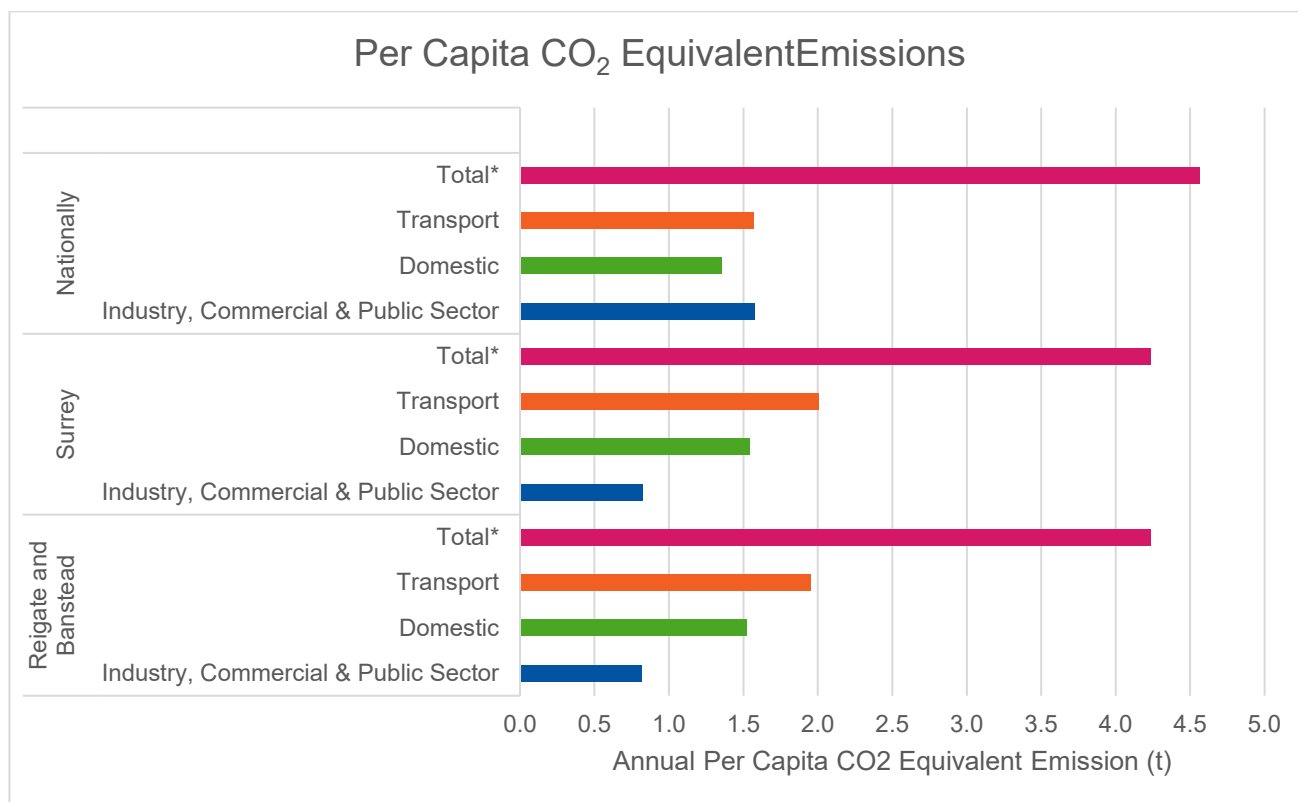


Figure 23: Per capita CO<sub>2</sub> emissions

Source: Department for Business, Energy, Industry and Skills emissions data



### Percentage of household waste recycled

The overall recycling rate for the borough in 2022/23 decreased slightly from the 2021/22 – from 55.3% last year, to 54.7% this year, as of quarter 3. However, the 2021 figures were a record high and are likely to have been influenced by unusual spending habits due to the latter part of the coronavirus pandemic. The 2022/23 figure continues to represent a high level of performance, with the Council within the top 10% of local authorities, at 29<sup>th</sup> place within the country.

Total volumes of household waste remain significantly elevated relative to pre-pandemic levels, as changes in behaviour, including increased numbers working from home, have led to an increase in domestic waste generation. Levels have remained relatively stable during the most recent reported year, and the ongoing effects of this shift will continue to be monitored.

Figure 24: Household Waste Collection and Recycling

Source: Waste Data Flow Report (Q3 2022/23)

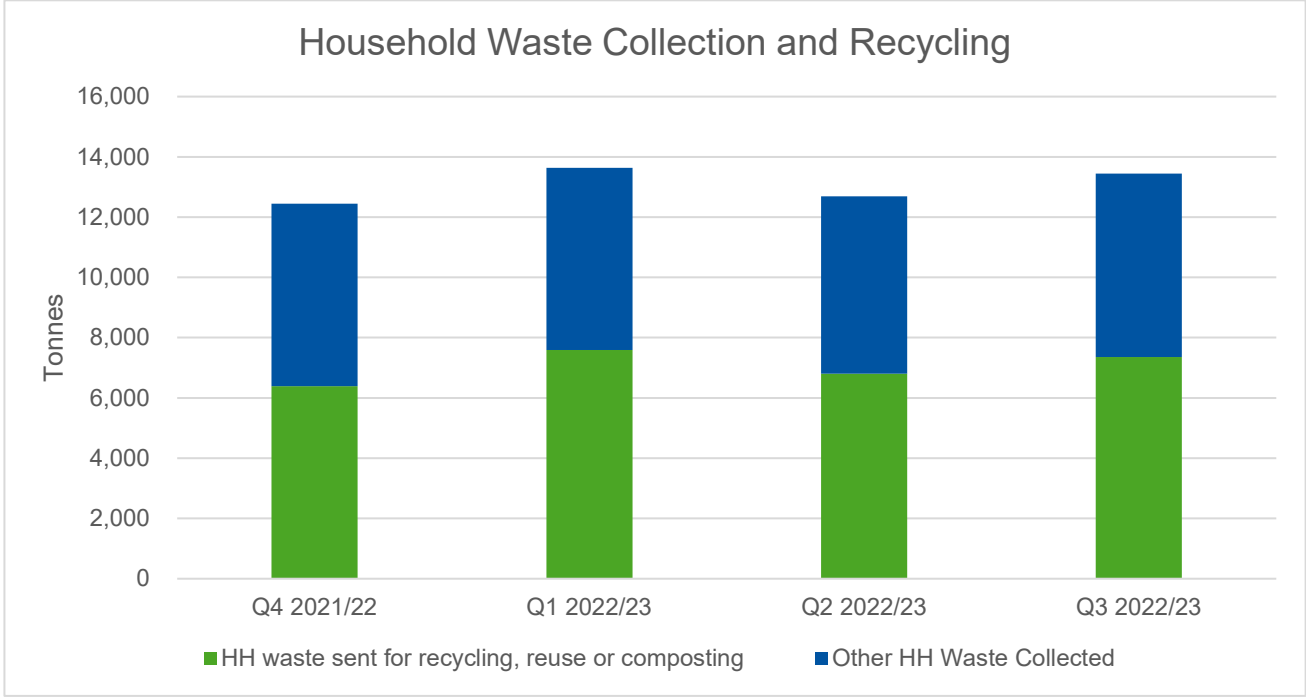
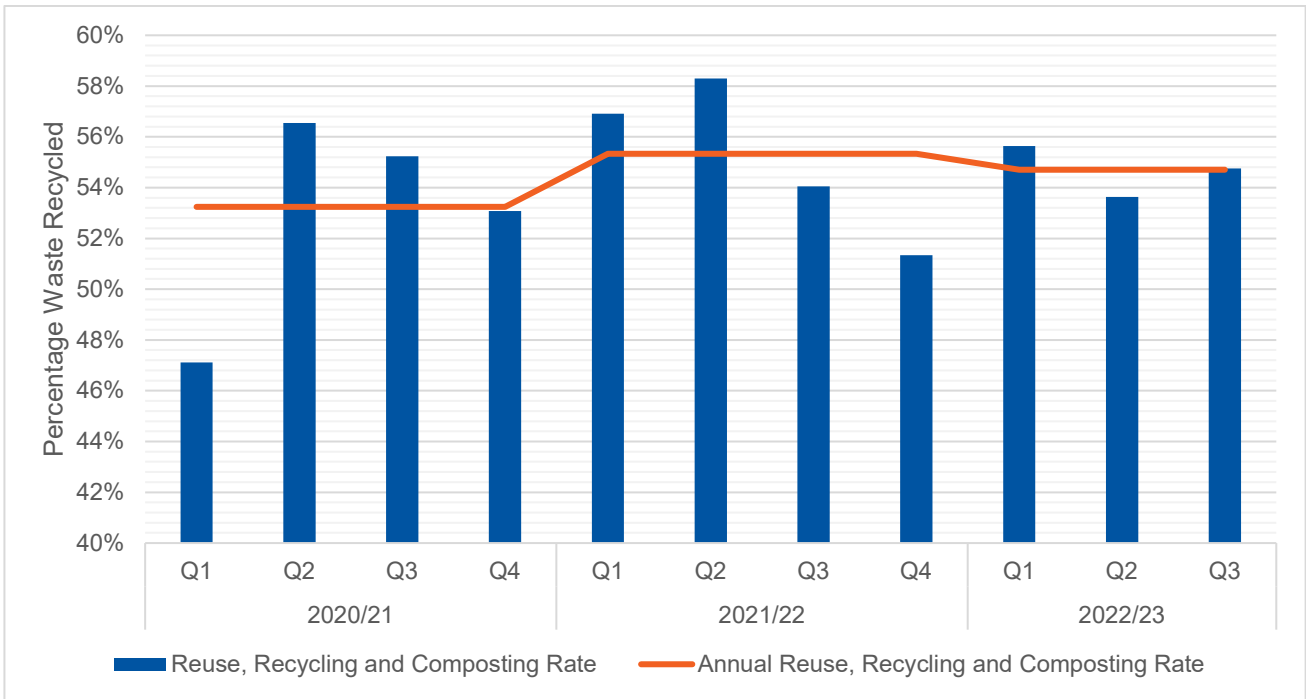


Figure 25: Percentage Waste Recycled

Source: Reigate and Banstead Waste Data Flow Reports



## Contextual Indicators – Organisation

### Annual revenue budget

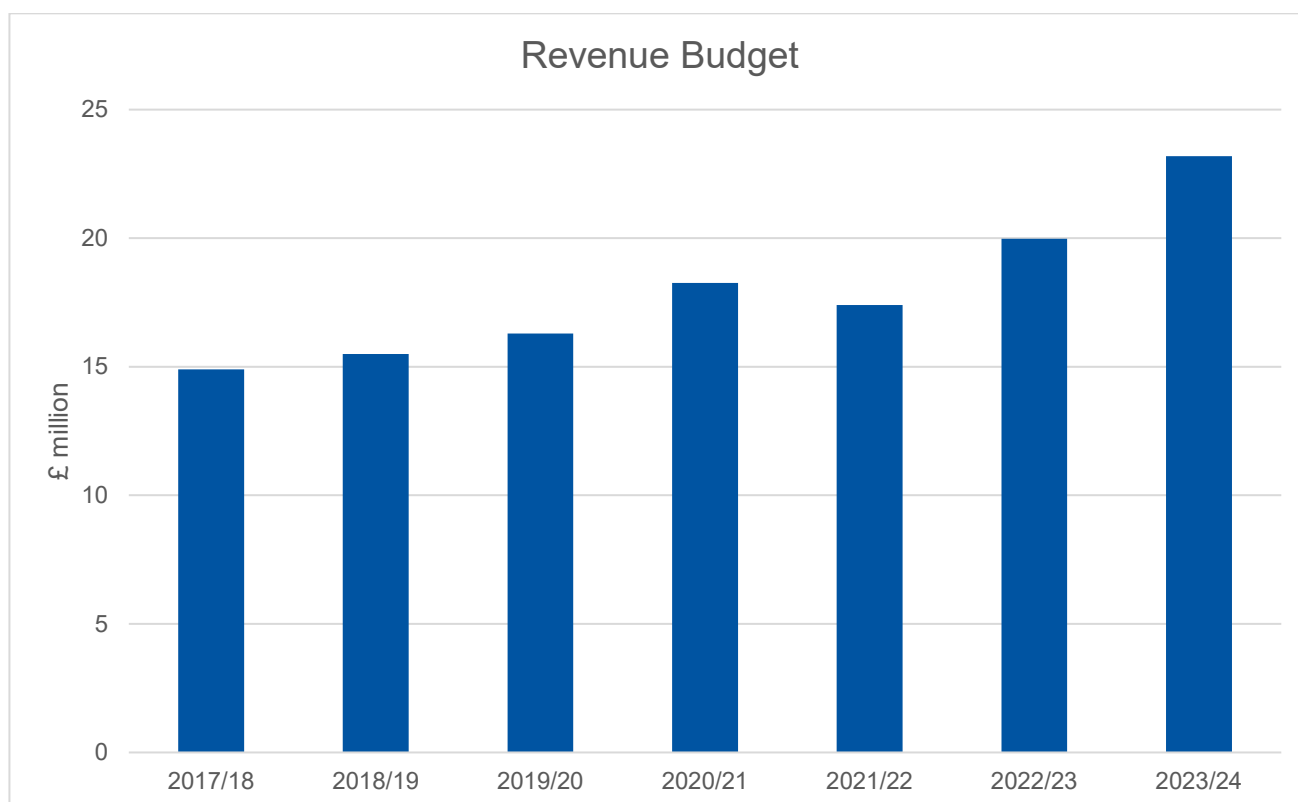
The net annual Revenue Budget for 2022/23 was £19.980 million. This represents the position after all expenditure and income is taken into account.

Revenue reserves remained stable at almost £38 million, increasing slightly between 2022/23 and 2023/24 – with specific sums earmarked to help manage future financial risks, fund short-term expenses, and to support delivery of our development plans.

End of year outturn forecasts indicate that spending has been maintained within the approved budget and specific allocated reserves, despite the additional challenges of responding to the pandemic.

For 2023/24 the net Revenue Budget is £23.194 million, which includes additional provisions to address potential risks arounds energy costs or other financial pressures.

Figure 26: Council revenue budget per year



## Government funding

The main sources of funding are income from council tax and a relatively small share of the local business rates collected. While some grants are received from Government for specific purposes, no general funding support is received.

## Staff employed by the Council

As of the start of 2023/24, the council employs 530.0 full time equivalent posts.

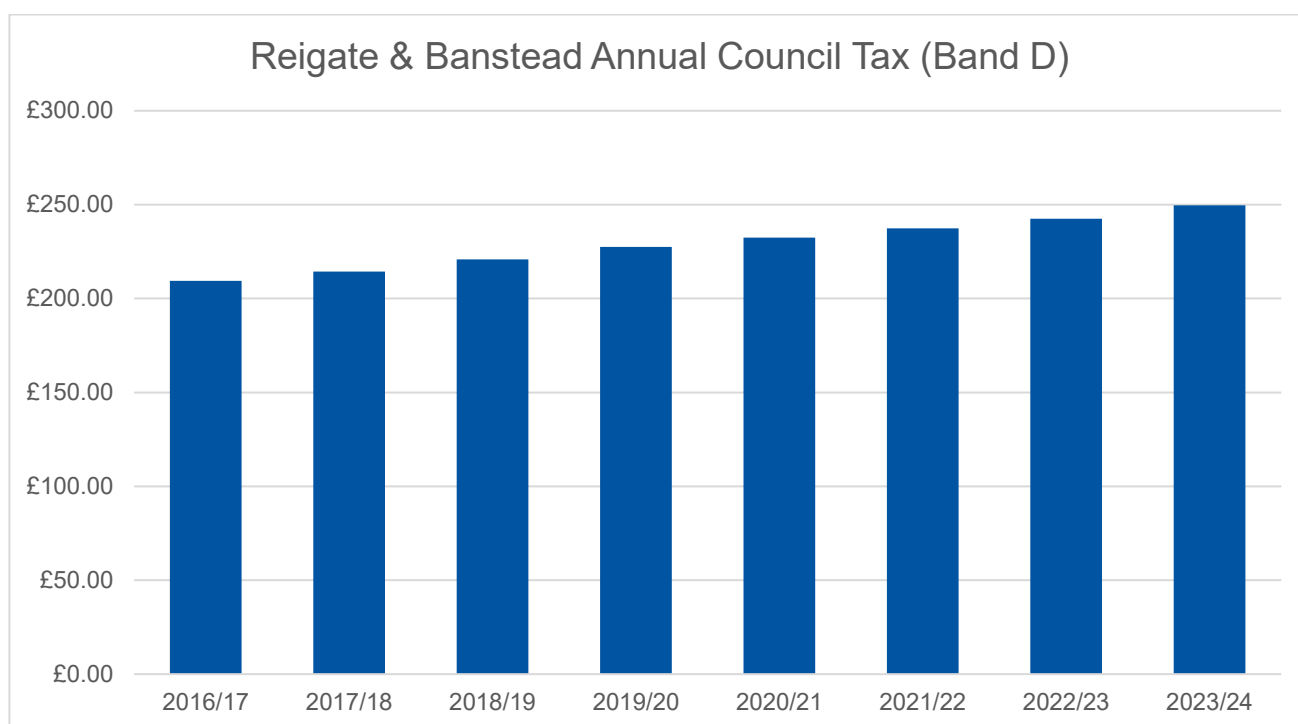
This represents a net reduction of 3.6 in FTE equivalents from the start of 2022/23.

## Annual average council tax (Band D)

Of the Council Tax collected in the Borough, just under 11% is retained by the Borough Council. Approximately 75% goes to Surrey County Council, with around 14% going to Surrey Police. In areas with a town or parish Council, these will represent around 1-2% of the total.

Over recent years, the Council's share of the Council Tax has increased in-line with the Government's upper limit for annual increases.

Figure 27: Annual Council Tax for Reigate & Banstead Borough Council





# Equality Objectives Annual Report 2022/23

July 2023

## Introduction

The Council is a public body which, under the Public Sector Equality Duty in the [Equality Act 2010](#), has a specific duty to publish one or more equality objectives to demonstrate how the Council is meeting the aims of the general equality duty.

[Section 149 of the Equality Act 2010](#) places a general equality duty on the Council to have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and any other conduct prohibited under the Act
- Advance equality of opportunity between people who share a protected characteristic and people who do not share it
- Foster good relations between people who share a protected characteristic and people who do not share it

The characteristics protected under the Act are:

- Age
- Disability
- Gender reassignment
- Marriage and civil partnership
- Pregnancy and maternity
- Race
- Religion or belief
- Sex
- Sexual orientation

Under the [Equality Act 2010 \(Specific Duties\) Regulations 2011](#), the Council is required to publish one or more objectives we think we should achieve to do any of the things mentioned in the 3 general duties.

In December 2019, the Executive published a new suite of Equality Objectives for the Council, for the period 2020 to 2024. These are available at on the [Equality pages](#) of the Council's website.

## Scope and structure of this report

This third annual report provides an update on activity in relation to the agreed Objectives.

For each Objective an update is provided against the broad activities that it was agreed in December 2019 the Council would focus on.



## Equality Objective 1: Using data and local intelligence better

The focus of this objective is to continue to improve our equality data and use local intelligence and data insight to inform future service planning and formal decision making.

### Areas of activity

#### A) Building our data and insight capability within the organisation

The Council created a dedicated Data and Insight Team in 2020. Formed to help the organisation better understand and manage our data, it faced an immediate test in responding to the COVID-19 (coronavirus) pandemic, where the team provided invaluable information on the local situation as we responded to protect residents. Since then, the team has been working to develop the organisation's data capacity and effectiveness.

Within the last year, several workstreams have been progressing well. Reflective of the developing national and local context, the team developed a Fuel Poverty and Cost of Living predictive model which allowed the council to assess which households would be impacted most by economic challenges. This helped improve our understanding and has enabled us to better target our proactive welfare support to vulnerable members of our communities.

The Data and Insight team has also been expanding on the Council's research and consultation tools. A new Research Officer role was created in September 2022, and is now supporting the organisation's research efforts, particularly through engaging with local stakeholders. As part of these efforts, a new consultation toolkit was launched in early 2023; this self-service toolkit allows staff to build better quality surveys to increase our understanding of residents, and ultimately build that evidence into our services and decisions. Working together with services across the Council, including our Communications and Community Development teams, the toolkit and our ongoing consultation efforts help ensure that the needs of all those within the borough, including those with protected characteristics, are reflected in our work.

Our efforts to better use data aren't limited to just one team – we have been working to improve skills and understanding across the organisation. Building on the findings of the previous year's data maturity review, the Council now has an established Data Community, including officers from a wide range of teams and services. The community meets regularly to consider new data topics, including natural language processing, best practice for graphs, and data action stories. The community also helps to coordinate training opportunities open to all staff. Building data skills and knowledge throughout the Council gives us the capability we need to reflect equality, diversity and inclusion into service design, delivery and monitoring across all our activities.

## **B) Improving the availability of equality data, and raising awareness of service users' needs to inform service design across the Council**

### **Workforce equality data**

In 2020, as part of a wider review of the accuracy of employee data held by the Council, staff were encouraged to update their personal details on the Council's HR system. Although remaining optional for staff to complete, this information helps us comply with our Public Sector Equality Duty in relation to workforce reporting. Updated [workforce equality information](#) is now published on the Council's website and is available to all those officers involved in service design across the Council. The data was most recently updated in December 2022.

### **Borough equality data**

An overview of the [Borough Equality Characteristics](#) is published on the website, providing useful borough and ward level information about those in the borough with protected characteristics. This now includes data from the 2021 Census, providing a much more up to date overview than was previously available. Whilst Census information doesn't necessarily cover all aspects of equality information, it provides some of the best quantitative and top level information to help us understand the borough, and the latest census provides a wider range of data relating to protected characteristics.

To help make best of this data, we have promoted its availability within the organisation and encouraged teams to make use of it to inform their service planning. An example of this was utilising the early release of census data on eastern European residents to help us devise proportionate plans for Ukrainian refugee resettlement

In addition to Census data, the Data and Insight team have supported fresh primary research into specific local community needs through various projects, ranging from Community Centre use, Harlequin customers, residents' opinions on environmental sustainability and our management of greenspaces. All of these have helped build better and more representative information about local needs. Without primary research the baseline information that the council uses would be narrower in scope, and would potentially not represent the diversity of our borough's residents and other service users.

### **Data and insight about our most vulnerable residents and those needing extra support**

The Council's frontline support services all need to understand the needs of our residents and communities to enable us to provide appropriate support, particularly for the most vulnerable.

As identified above, tools such as predictive modelling and consultation can help with this and let us plan ahead of emerging need. More qualitative information is also essential, however, and officers across the organisation work personally with residents to build this human understanding. Our routes for engaging include our Community Development workers, Family Support and Money Support teams, our Community Centres and our Customer Contact team. Work this year has encompassed engagement with new local community groups, broadening the offers at our community centres, and continuing to build on our refugee support programme.

The Council isn't alone in trying to help people, and we also work with a range of partners, including housing associations, the NHS, and local charitable and voluntary sector bodies. With these partners, we can coordinate in response to levels of local need and help direct resources in response to developing demand. This year, we've been particularly looking at how we can understand the health needs of local residents and make sure it's easy for everyone, and particularly the most vulnerable, to find and access the right support. By having a cohesive understanding of health factors, we can help do our part in preventing health issues developing, rather than simply responding once they've happened.

Where the Council holds personal information, it is handled securely and sensitively, in accordance with our published [privacy notice](#), which notes that information around a range of protected characteristics is treated with particular care.

## Future Focus

Looking to the year ahead, the effective use of data will continue to be an essential part of the Council's work. Recent economic pressures are expected to continue, which will require us to be as effective and efficient as we can in providing support and directing resources where they'll do the most good. We'll therefore need to maintain and continue to develop our understanding of local priorities, and update our models to inform ongoing service planning.

We'll also be undertaking consultations on a range of emerging areas, including local leisure needs, public spaces, and starting the process of reviewing our Corporate Plan. These efforts will make use of the Consultation Toolkit and be supported by the Data and Insight team and relevant services across the organisation.

The effective use of data will also help inform topics covered elsewhere in this report, including developing a new Customer Contact Strategy, building and maintaining our community relations, and steering our organisation development.

## Equality Objective 2: Supporting good community relations

The focus of this objective is to develop a greater focus on promoting social inclusivity across all the Council's services and fostering good community relations

### Areas of activity

#### **A) Supporting communities through the work of our frontline teams and in partnership with other relevant organisations**

##### Community Development

The Council's Community Development work covers five key localities across the borough, incorporating Horley, Merstham, Preston, Redhill, Woodhatch and Whitebushes, along with broader support for local areas.

Community Development Workers seek to understand the needs of communities and residents and build on their strengths to help them address challenges and benefit the places around them. Doing this effectively requires consideration of equality, diversity and inclusivity and reflecting the needs and strengths of those with protected characteristics.

Reflecting our expanding collaboration with the health sector, there has been a focus this year on health and place based working. This approach seeks to improve the wider determinants of health in borough neighbourhoods through cohesive efforts with partners. By helping to prevent factors which can cause both health and social problems, we can do more to keep communities healthy and make sure that everyone's needs are met.

Work of particular relevance to this report in the past year has included:

- Work with the Surrey Fire and Rescue Service to create a Reigate and Banstead focussed 'Safe and Well' form, meaning that residents who receive a 'Safe and Well' visit from the service are signposted to local resources and support. This support can be particularly helpful for those with other vulnerabilities.
- Helping local residents to set up groups at our Community Centres, including a support group for the parents of children with special educational needs in Woodhatch, and an African Community Group in Horley.
- Securing funding to help make sure young people in Preston can afford to access the local leisure centre and support their physical wellbeing.
- Supporting the operation of five food clubs, providing low cost food for local people. There are currently 310 people registered across the clubs, enabling them to access healthy food more affordably.

A core achievement this year has been setting up and administering a Creating Healthy Communities grant fund, supported by East Surrey Place, which provided resources for a range of projects supporting communities. Working together with local partners, this has included:

- Mental health support through befriending schemes and support groups for older people, those with health conditions, refugees and survivors of abuse.
- Community, drama and music groups for all ages, including those with special educational needs or physical disabilities.
- Sports and physical activity opportunities, to support physical wellbeing and staying active across different ages and communities.
- Counselling, support and advice for children, young people and families, and for those on low income.
- Other projects, such as resources to make life easier for carers, community transport, and IT support.

The combination of these efforts and more, the Council's frontline teams and our partners have continued to provide invaluable support for communities, with particular benefits for the vulnerable, community cohesion, and equality of opportunity.

### **Money Support**

The last couple of years have been particularly financially challenging for many, with the costs of food and energy rising sharply. This can often have a disproportionate effect on those with other vulnerabilities including protected characteristics, or can lead to knock-on effects for those who may find it more difficult to access support.

The Council has a number of services working to address such needs, including Family Support and Housing, but the Money Support Team is particularly well placed to address these concerns. The team is able to provide advice and signposting to residents to help them manage their finances, access available resources, and overcome the challenges they face. Referrals to the team have increased in the past year, indicating the additional demand for support, whilst feedback from those supported has consistently reported improvements to their situation and wellbeing.

### **B) Incorporating consideration of social inclusivity in service-level strategies, service design and delivery**

To meet the Council's equality obligations, the work of the organisation must incorporate consideration of equality matters and social inclusivity throughout its work. This forms part of the day-to-day work of the Council, as well as being included in development of strategies and longer terms plans.

As identified above, one route through which this is accomplished is consultations, which help to make sure the needs of all residents and communities are understood and reflected. In the past year, this has included questions around the Council's budget, parking costs, community centre modernisation, and open spaces at Earlswood and Redhill Commons. Whilst it's not always possible to deliver everything we'd like to, consultations and other engagement helps make sure that service planning takes as much account as possible of the wide range of needs and priorities across the borough, including those with protected characteristics.

Social inclusivity is also a baseline feature of service design, strategies and delivery. This is present both across frontline services and other parts of the organisation, and Equality Impact Assessments are a core component of service planning. Examples include our Housing work, where the service ensure temporary and emergency accommodation is suitable for those accessing it, support for refugees and asylum seekers and their varied needs, Council Tax Support measures to help those facing financial pressures, and the commitment to accessibility in the new Leisure and Culture strategy.

### **Community Centres**

The Council's Community centres have now successfully implemented a transformation programme, which has broadened and reach and appeal of the centres. As well as leading to increased visitor numbers, the programme has expanded the range of those within the community we can engage with, and who can benefit from the opportunities available.

The centres offer resources and activities for all ages. This ranges from a place to get a hot meal, to exercise classes, to children's play sessions (including with parents and grandparents), to dementia support, to IT classes, to diverse community groups, and through to clubs for games, arts, crafts and music. The centres also provide venues for personal care and health provision, including chiropody, hairdressing, and audiology. These offers help to provide opportunities for all members of the community, and keep important services accessible locally.

This work has been supported by improved and expanded engagement and messaging to raise awareness of what's on offer. This has included new signage, branding, and marketing to help information on the options and support available reach everyone who might benefit.

### **Refugee Support**

Council services have been continuing to provide support for families displaced from Ukraine, Syria and Afghanistan, as part of national programmes. This has included providing assistance for over 300 Ukrainian individuals, as well as those who have become sponsors

under the Homes for Ukraine scheme. Weekly support sessions have been available for those displaced and their sponsors, helping them to manage their transition to the UK.

Support for Syrian and Afghan families has also been ongoing, including guidance towards opportunities for employment, English language skills, and working together to ensure their independence. The Syrian feast has now become an annual event, with the recipe book and the feast itself remaining popular.

## **Future Focus**

There will be a continued need to support communities and provide inclusive services in the coming year. This will need to encompass both maintaining our current approaches and offers, and looking for how we can make best use of resources as circumstances develop. It will be important to address the impacts of financial challenges on residents and communities, and consider how these can affect those with protected characteristics or other vulnerabilities.

With the new Leisure and Culture Strategy agreed, this will begin to be implemented, and will include steps to improve both the physical and mental health of residents in the borough, with benefits provided through active sports and leisure, as well as cultural offers. It will also include reviewing delivery models to ensure that they are accessible to residents through understanding needs, removing barriers to entry, and creating a leisure and culture landscape that promotes and celebrate equality.

This is consistent with and complementary to the wider health and place based approach being implemented through our community work, and we look to continue to build on our collaboration with the health sector and other partners to further develop these benefits for all residents. Efforts at Community Centres will also progress, including background infrastructure improvements to help make best use of resources, and increasing the breadth of available low cost activities for residents.

## **Equality Objective 3: Accessible information and services**

The focus of this objective is to ensure that Council services, information, consultation and engagement opportunities remain accessible to all residents, particularly those with protected characteristics.

## Areas of Activity

### A) Better understanding of the nature of our customer contact

An exercise has been underway to map customer contact activity and identify trends in user activity and needs. This exercise will help us to understand both what sort of support is sought from customer contact, and potentially show us where gaps indicate others may not be getting in touch.

The findings of the mapping exercise will inform the development of our customer contact strategy. Development of this strategy began in Spring 2023, and is expected to conclude by the end of 2023/24. The development process includes a specific workstream around understanding residents and their accessibility needs, and these requirements will be considered throughout the customer contact approach developed.

This current work builds upon existing approaches to provide and maintain customer contact that is accessible to all. Whilst almost all Council information is available on our website, we recognise that not everyone is comfortable with or readily able to use online tools. We therefore also maintain an in-house customer contact team who can be contacted via the phone, and also monitor correspondence received through the post. We also have a staffed reception at the Town Hall in Reigate, which can help with guidance and signposting for those attending in person.

### B) Making sure services and information are accessible for those with protected characteristics

#### Communications

The council uses a wide variety of communication methods to make information and news available to as many as possible within the borough. Our regular communication channels include both digital media, such as email, social media and the Council website (see website accessibility below), along with more traditional forms, such as printed borough news magazine, flyers, posters and banners, and placement in local media. The Autumn 2022 borough magazine included information on Community Centres and new activities as well as help available for those facing cost of living pressures, helping to make this information available to nondigitally enabled residents.

Customer contact is also supported through phone lines operated locally by Council staff, and print media is available in a range of languages and accessible formats [upon request](#). Following the release of information from the 2021 Census, we have updated the range of translations provided on the website to reflect the languages most commonly spoken within the borough.



The lessons of the pandemic emphasised the need to ensure information is available to those who do not use digital channels, although these are increasing in popularity. This is supported by the maintenance of a network of local knowledge and connections, and working with local organisations, community development workers and champions to disseminate information and awareness. Physical sites, such as community centres, also help provide news and information for visitors.

### **Consultation and engagement**

Equality and diversity considerations are explicitly incorporated into the design of Council consultation and engagement projects. This includes considering the needs of participants and utilising the most appropriate methods to enable them to both access and respond to the process. This approach has carried through to the new Consultation Toolkit, and we're continuing to look at how we do more to make sure consultations reach all parts of the borough and are accessible to everyone.

As with other areas, where we use online and electronic tools for conducting consultations, these are supported by options for accessing information and responding through other channels, including paper copies, over the phone assistance, and specific language and accessibility support where required.

In line with data privacy regulation, and with participants' consent, data such as gender, age, ethnicity, and long term health and disability is collected to monitor how well we have reached different demographics within our consultations and other engagement. This enables us to boost participation in under-represented groups where possible and, where appropriate, we can analyse responses according to these groups to provide insight into the different perceptions and experiences of sections of our community. With the availability of more recent Census data, we can compare the data we collect with that for the borough to help us better identify where those gaps in representation may be.

### **Website accessibility**

All online material published by the Council must be compliant with national accessibility regulations. This means that all users should be able to access online services, and all new content created should be fully accessible. How our website complies with the regulations is set out in our website accessibility statement, which is published at: [www.reigate-banstead.gov.uk/accessibility-statement](http://www.reigate-banstead.gov.uk/accessibility-statement).

Work is ongoing to review historical documents published on our website (PDF, Word and Excel) for accessibility, and to ensure new content is fully compliant with all regulations. We've expanded training for the organisations online content editors on creating accessible

content that complies with current and future regulations, and makes material easy to access and understand.

## Future Focus

Our work to make sure that our services are accessible to all, and the information we provide matches the needs of local people. As we build our understanding of resident needs and preferences in accessing information, this will let us better match our offer to those needing information and support. Whilst digital media is increasing in popularity, we will ensure that news and information remains accessible to those without digital access.

The Council's website and online services will continue to be updated to reflect accessibility objectives, and understanding of these needs will be expanded across the organisation. We are preparing for an expected update to the website accessibility regulations and will be rolling out new automated accessibility checking software to improve the website experience for everyone.

These considerations will also continued to be reflected and maintained in the wider work of the organisation, including both specific consultations and engagement and the day to day work of services. We will seek to continue to build on the lessons of recent years, and use our strengthened connections to local communities and organisations to enhance this approach.

## Equality Objective 4: Working for the Council

The focus of this objective is to continue to seek opportunities to build inclusivity into the Council's internal policies and procedures.

### Areas of activity

#### **A) Reviewing – and as necessary updating – relevant internal policies and procedures**

##### **Corporate Equality Policy**

Following a review in 2020, the Council's Corporate Equality Policy was updated to ensure it remained fit for purpose and properly reflected the Council's duties and obligations. This process was supported by consultation with Unions and the Staff Association as well as the Council's Corporate Governance Group. This [Corporate Equality Policy](#) has remained current in 2022/23, and is available on the Council's intranet and external-facing website.

## Equality Impact Assessment template

Similarly to the Corporate Equality Policy, the Council's Equality Impact Assessment template was updated in 2020. The template supports the completion of Equality Impact Assessments, which ensure Council services and decisions take account of equality considerations. As identified in the 2020 report, the updates included making the template more user friendly, including better signposting to equality information and data sources, including more emphasis on opportunities to taking a proactive approach to ensuring equality of opportunity, and enabling consideration of impact on all vulnerable residents (not just those with protected characteristics). The template has remained current in 2021 and is used to support the Council's formal decision making process and project management approach.

As well as signposting to external sources, we also provide an annual summary of both borough and workforce equality characteristics to help provide an overview for informing impact assessments. These are available via the Council's Equality web page, at: [Equality | Reigate and Banstead \(reigate-banstead.gov.uk\)](https://www.reigate-banstead.gov.uk/equality)

## **B) Reviewing – and as necessary updating – resources and training for staff, and member learning and development resources, in relation to equalities issues**

### Resources and training for staff

The Council's intranet was updated with additional and clearer information on equality, diversity and inclusion in 2020. Additional updates on related material have been provided throughout the year, including Census findings, consultations, and topics and events of interest. Resources available to staff include the Corporate Equality Policy, the Council's Equality Objectives, and borough and workforce equality information. The intranet pages were also updated to include better signposting to an expanded range of training and learning opportunities, and external resources providing more information and guidance. This information has remained current, and these pages have been maintained in 2022/23.

A briefing for staff on the findings of the 2021 Census was conducted in March 2023, and included both material on the general uses of the information, as well as specific elements on how it can be used to inform and support work with regard to equality and accessibility. A recording of the briefing is also available for staff to access on the Council's intranet pages.

### Member learning and development

Training on equality, diversity and inclusion is available and encouraged for elected Members each year, supported and facilitated by the Local Government Association (LGA). Additional information is also readily available through the Council and the LGA. The most recent

workshop was held in January 2022, and included information on a range of topics, including common challenges faced by Councils, public sector equality duties, and addressing any systematic issues to create an inclusive Council. Following the recent elections, the next training session is due to be held in September 2023.

Training and information is also made available to all new Members as part of the induction process, with additional training on employment law available, and required for those serving on the Council's Employment Committee.

### **Support for Council staff**

The Council recognises that its staff may also sometimes face equality or accessibility issues or be in need of support. In addition to the organisation's Corporate Equality Policy and Human Resources support, the Council is expanding its health and wellbeing offer for staff, to help maintain and promote the wellbeing of its employees. Whilst covering a broader range of content than equality, diversity and inclusion, these can form important parts of an individual's wellbeing situation and what the strategy works to address. The Council also operates an employee assistance programme where staff can access free, confidential advice and support. This programme can help assist staff facing challenges, whether those might be related to finances, mental health, or other personal circumstances.

### **Future focus**

The Council's internal policies and procedures remain up to date, and will continue to be implemented across the organisation throughout 2023. Where new information or guidance emerges, they will be reviewed and updated as appropriate. Signposting to supporting information and data will be updated as new material becomes available.

Training for Council officers and elected Members will continue to be maintained and refreshed throughout the year. Additional resources will be made available in specific areas, such as the continued expansion of website accessibility training. As with the Council's policies and procedures, training and resources will be updated as appropriate in response to new regulations, guidance or information, and feedback from ongoing training and engagement will help to inform and shape future activities.

# Agenda Item 7



<b>Signed off by</b>	Managing Director
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<b>To</b>	Overview and Scrutiny Committee Partner, Shareholder and Trustee Executive Sub-Committee
<b>Date</b>	Thursday 6 July, 2023 Thursday, 13 July 2023
<b>Executive Member</b>	Portfolio Holder for Commercial and Community Assets

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

<b>SUBJECT</b>	Companies Performance Update - Summer 2023
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<b>Recommendations</b>
<p><b>Overview and Scrutiny Committee</b></p> <p>(i) To note the Companies Performance Update, as set out in the report, and make any observations for consideration by the Partner, Shareholder and Trustee Executive Sub-Committee.</p> <p><b>Partner, Shareholder and Trustee Executive Sub-Committee</b></p> <p>(i) To note the Companies Performance Update, as set out in the report, and to consider any observations from the Overview and Scrutiny Committee.</p>
<b>Reasons For Recommendations</b>
To consider the performance of companies owned or part-owned by the Council.

# Agenda Item 7

## **Executive Summary**

This report provides an overview of the performance of the companies currently owned, or part-owned, by the Council.

The operational companies currently consist of Greensand Holdings Limited, Horley Business Park Development LLP, and Pathway for Care Limited.

The Council also owns the inactive company RBBC Limited.

The Council continues to review the future strategy for Greensand Holdings Limited with its directors with the aim of ensuring that the company's affairs are properly managed and that preparations are made for the company to be dissolved in an orderly manner.

Horley Business Park Development LLP is due to be dissolved by way of a Members Voluntary Liquidation. A Settlement Agreement resolving all outstanding disputes between the LLP's members has been completed.

The Council is continuing to seek critical business information from Pathway for Care Limited. This has assumed greater urgency since April 2023 when the company declined to pay the redemption value on the Council's Preference.

Additional commercially sensitive supporting information is detailed in the exempt report set out in the Part 2 section of this agenda.

**The Partner, Shareholder and Trustee Executive Sub-Committee has authority to approve the above recommendation to the Sub-Committee.**

## **Statutory Powers**

1. Section 1 of the Localism Act 2011 gives local authorities a general power of competence that enables them to do anything that a private individual is entitled to do, as long as it is not expressly prohibited by other legislation. Section 4 of the same Act directs that anything which is done for purely commercial purposes should be done through a company structure.
2. Companies and LLPs are governed by the Companies Act 2006; The Limited Liability Partnerships Act 2000; and The Limited Liability Partnerships Regulations 2001 (as amended principally by the Limited Liability Partnerships (Application of Companies Act 2006) Regulations 2009).

## **Background**

3. Local Authorities have faced significant financial challenges in recent years, due to a combination of reductions in central government funding and increasing demand on services in many areas. Whilst Reigate and Banstead Borough Council has maintained a generally strong financial position it remains essential for the Council to take action to ensure future financial stability if it is to continue to deliver and maintain the high level of services it currently provides and has planned through the Corporate Plan 2020-2025.
4. Company activities are overseen by the Partner, Shareholder and Trustee Executive Sub-Committee. These activities take place within financial limits set out in the approved revenue budget and capital programme.

5. The Council's holdings in companies represent one element of this commercial and investment activity, governed by the established commercial framework, along with relevant company regulations.
6. To support good governance of the Council's companies, the Overview and Scrutiny Committee and the Partner, Shareholder and Trustee Executive Sub-Committee receive regular updates on the performance of these companies.
7. The last update was considered by the [Overview and Scrutiny Committee in December 2022](#), and the [Partner, Shareholder and Trustee Executive Sub-Committee in January 2023](#).

## Key Information

8. The Council currently owns or part-owns three operational companies. These are Greensand Holdings Limited, Horley Business Park Development LLP, Pathway for Care Limited. The Council also owns an inactive company, RBBC Limited.
9. The Council continues to review the future strategy for Greensand Holdings Limited with its directors with the aim of ensuring that the company's affairs are properly managed and that preparations are made for the company to be dissolved in an orderly manner.
10. Horley Business Park Development LLP is due to be dissolved by way of a Members Voluntary Liquidation. A Settlement Deed resolving all outstanding disputes between the LLP's members has been completed. This Deed incorporates an agreed 'Step Plan' which will facilitate the closing down of the LLP.
11. The Council is continuing to seek critical business information from Pathway for Care Limited. This has assumed greater urgency since April 2023 when the company declined to pay the redemption value on the Council's Preference.
12. Further details are set out below.

## Greensand Holdings Limited

13. Greensand Holdings Limited is a property investment and development company, established to facilitate the Council's property investment activities. It is wholly owned by the Council. Creation of the company was authorised by the Executive on 15 September 2016.
14. The company was initially funded through a loan from the Council. It generates an income from one of its property holdings. Current Directors are Mr. D. Beck and Councillor R. Michalowski.
15. At 31 March 2023, the company had received £13.258m in loan funding from the Council comprising
  - £2.270m in 2016/17 for the purchase of office premises; and
  - £10.988m in 2019/20 for the purchase of a plot of land for development.

On 23 March 2023 the Partner, Shareholder and Trustee Committee approved equity funding of £1.300 million to allow it to continue trading and carry out essential works on one of its properties.

16. The office building provides a rental income. A programme of remedial works is taking place to secure the 'rentability' of the property and to improve its EPC

# Agenda Item 7

environmental rating. The current plan is for this asset to be transferred into direct Council ownership at a future date.

17. The development land provides a negligible income stream; £2.373m loan interest has been accrued as of 30 September 2022. The loan and accrued interest are impaired in the Council's accounts to reflect the risk of credit loss.
18. The future status of this asset is contingent on the dissolution of Horley Business Park Development LLP with the current plan being to transfer it back into direct Council ownership.
19. The Directors' Report and Audited Financial Statements for the year ended 31 December 2021 for Greensand Holdings Limited were received by the Partner, Shareholder and Trustee Executive Sub-Committee on 17 November 2022, and considered as part of the Winter 2022 companies performance report on [26 January 2023](#).
20. Additional details are available in the exempt report set out in the Part 2 section of this agenda.

## **Horley Business Park Development Limited Liability Partnership**

21. Horley Business Park Development LLP is a joint venture which was set up to bring forward planning, and subsequent development, of employment land in the Horley area. The creation of the company was authorised by the Executive on 15 October 2015, and the joint venture with Millhill Properties (Horley) Limited and Berwick Hill Properties Limited was established in 2016.
22. The LLP has been funded through loans from the Council and its partners.
23. As of 31 March 2023, the company had received £0.608m in loan funding from the Council for set up and working capital expenses and £0.416m interest has accrued. This sum is impaired in the Council's accounts to reflect the risk of credit loss.
24. As reported in the previous update, the Council is currently working to resolve a number of matters regarding its relationship with the partners to the LLP and this process will shortly result in the signing of a Settlement Deed that releases all partners from their obligations to the LLP. This Deed incorporates an agreed 'Step Plan' which will facilitate the closing down of the LLP.
25. The draft Horley Business Park Development LLP's Annual Report and Financial Statements for the year ended 31 December 2021 were received by the Partner, Shareholder and Trustee Executive Sub-Committee on 17 November 2022, and considered as part of the Winter 2022 companies performance report on [26 January 2023](#).
26. Additional details are available in the exempt report set out in the Part 2 section of this agenda.

## **Pathway for Care Limited**

27. Pathway for Care Limited provides supporting living facilities and support for residents at a site in the borough. Its creation was authorised by the Executive on 14 July 2016. The company share equity structure was subsequently revised in April 2018, when Executive approved the conversion of debt funding to Preference Shares and of its shares into 'B' class equity.



28. The Council is, therefore, a minority shareholder in the company, with the majority shareholding held by Transforming Healthcare Group Limited. The Council has the right to appoint a director to the board of the company.
29. The Council currently holds redeemable preference shares with a value of £1.1m in the company. The redemption date of 5 April 2023 has not been honoured due to the company holding insufficient funds. The Council is now awaiting tangible proposals for redemption of the preference shares.
30. The current Directors of the company are Mr. A. Ibrahim and Councillor V. Lewanski, the Council appointed Director. Messrs. P. Green and W. Richards, who were directors of the company until October 2021, remain directors of the majority shareholder, Transforming Healthcare Group Limited.
31. The Council has received audited accounts for the year to 31 December 2021, but these do not have a valid audit opinion, do not include a 'going concern' statement and show that the company is technically insolvent. Accounts for the year to 31 December 2022 are not yet available.
32. Additional details are available in the exempt report set out in the Part 2 section of this agenda.

## **RBBC Limited**

33. RBBC Limited was incorporated on 30 September 2020 following the dissolution of a previous Council company, also named RBBC Limited. It was created for the purpose of preserving the name in case the Council should want to use the company name in the future. The directors, appointed for incorporation purposes, are the Managing Director & Head of Paid Service, and the Director of Place. The company is inactive and has not undertaken any activity in the current year. Options for the future of the company, including closure, are going to be developed for consideration by the Sub-Committee.

## **Options for the Partner, Shareholder and Trustee Executive Sub-Committee**

34. **Option 1:** To note the Summer 2023 Companies Performance Update, and the observations of the Overview and Scrutiny Committee.  
**This is the recommended option** as it will support the effective consideration of the performance of companies owned, or part-owned, by the Council.
35. **Option 2:** To not note the Summer 2023 Companies Performance Update, and not consider the observations of the Overview and Scrutiny Committee.  
**This is not recommended** as it will not support the effective consideration of the performance of companies owned, or part-owned, by the Council.

## **Legal Implications**

36. There are no direct legal implications arising from this report. Where decisions are made which effect the Council's companies, the legal implications of these decisions will be considered as part of the decision making process in each case.

## **Financial Implications**

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37. There are no direct financial implications arising from this report. The Council's annual statement of accounts incorporates the financial position of its companies as part of its group financial statements.
38. Where decisions are made which impact the Council's companies, the financial implications of these decisions will be considered as part of the decision making process in each case.

## **Equalities Implications**

39. There are no direct equalities implications arising from this report, however an awareness of the Council's obligations with respect to these duties should form part of the consideration of this report.
40. Where decisions are made which effect the Council's companies, the equalities implications of these decisions will be considered as part of the decision-making process in each case.
41. The Partner, Shareholder and Trustee Executive Sub-Committee shall generally have regard to the obligations of the Equality Act (2010) in conducting its role as the representative of the Council as a shareholder or partner in companies owned or part-owned by the Council.

## **Communication Implications**

42. There are no direct communication implications as a result of this report. As identified in the Commercial Governance Framework, the Partner, Shareholder and Trustee Executive Sub-Committee shall have regard for the Local Authorities (Companies) Order 1995, which sets out the rights for authorities and individual Members to receive company specific information.

## **Risk Management Considerations**

43. All commercial ventures and investment activities contain an element of risk, and the Partner, Shareholder and Trustee Executive Sub-Committee considers these as part of when making decisions relating to companies owned or part-owned by the Council.
44. In monitoring the performance of companies owned or part-owned by the Council, the Sub-Committee has regard to the fiduciary duty the Council owes to local tax payers, to the public law requirements to exercise the general power of competence for a proper purpose, and the requirements of the Commercial Governance Framework which forms part of the terms of reference of the Sub-Committee.

## **Environmental Sustainability Considerations**

45. There are no direct environmental sustainability implications arising from this report. Where decisions are made which effect the Council's companies, the environmental implications of these decisions will be considered as part of the decision making process in each case.

## **Policy Framework**

46. The recommendations of this report are consistent with the Council's Policy

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Framework.

47. All actions undertaken by the Council in respect of commercial activity (including company activity) will be undertaken for the purpose of contributing to the achievement of the 'Funding our Services' objective within the Council's Corporate Plan and supporting policy framework, unless otherwise specified by statute.

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



Published:

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
<b>06 July 2023</b>								
<i>Tom Borer, Policy Officer</i> 273	Portfolio Holder for Corporate Policy and Resources	Head of Corporate Policy, Projects and Performance	<b>Reigate &amp; Banstead 2025 Annual Report 2022/23</b>  To report on work towards the Council's Corporate Plan and Equality Objectives for the year 2022 to 2023.	6 Jul 2023	13 Jul 2023		Open	
<i>Pat Main, Chief Finance Officer, David Brown, Finance Manager</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation	Chief Finance Officer	<b>Medium Term Financial Plan 2024/25 to 2028/29</b>  To review the Medium Term Financial Plan 2024/25 to 2028/29.	6 Jul 2023	13 Jul 2023	20 Jul 2023	Open	KEY
<i>Kirsty Jane Hill, Democratic Services Officer</i>	Portfolio Holder for Commercial & Community assets	Strategic Head of Legal and Governance	<b>Companies Performance Update - Summer 2023</b>  To provide an update to the shareholder/partner representatives on the	6 Jul 2023	13 Jul 2023		Part exempt	

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Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
			companies owned and part-owned by the Council.					
<i>Pat Main, Chief Finance Officer, David Brown, Finance Manager</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation	Chief Finance Officer	<b>Capital Investment Strategy</b>  To approve the Capital Investment Strategy 2024/25 to 2028/29	6 Jul 2023	13 Jul 2023	20 Jul 2023	Open	KEY
<b>07 September 2023</b>								
<i>David Brown, Finance Manager, Duke Harvey, Project &amp; Performance Team Leader, Pat Main, Chief Finance Officer</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation, Portfolio Holder for Corporate Policy and Resources	Head of Corporate Policy, Projects and Performance, Chief Finance Officer	<b>Quarter 1 2023/24 performance report</b>  To receive the Q1 2023/24 performance report including Budget Monitoring Q1 2023/24.	7 Sep 2023	14 Sep 2023		Open	
<i>Pat Main, Chief Finance Officer, Jacqueline Aboagye, Finance Manager</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation	Chief Finance Officer	<b>Treasury Management Strategy Outturn 2022/23</b>  To report to members the performance of the Treasury function in the financial year 2022/23.	7 Sep 2023	14 Sep 2023	21 Sep 2023	Open	KEY

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
<i>Catherine Rose, Head of Corporate Policy</i>	Portfolio Holder for Corporate Policy and Resources	Head of Corporate Policy, Projects and Performance	<b>Environmental Sustainability Strategy: Annual Report</b>  Report into 2022/23 progress on the Environmental Sustainability Strategy	7 Sep 2023	14 Sep 2023		Open	
<i>Marie Crabtree, Democratic Services Officer</i>	Leader of the Council	Chief Executive	<b>Leader's Update</b>  Six-monthly update from the Leader to Overview and Scrutiny Committee	7 Sep 2023			Open	
<b>12 October 2023</b>								
<i>Marie Crabtree, Democratic Services Officer</i>	Portfolio Holder for Finance, Governance and Organisation, Portfolio Holder for Corporate Policy and Resources, Portfolio Holder for Commercial & Community Assets	Commercial and Investment Director, Director of People, Director of Place, Chief Finance Officer	<b>Organisation Portfolio Holder Update</b>  Updates from Executive Members in Corporate Policy & Resources, Finance & Governance, Commercial & Community Assets	12 Oct 2023			Open	
	Portfolio Holder for Place, Planning & Regulatory		<b>Local Plan Update</b>  To receive an update on progress of the Local Plan.	12 Oct 2023			Open	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
	Services							
<i>Penny Craig, Senior Development Planner</i>	Portfolio Holder for Housing and Support	Chief Finance Officer	<p><b>Lessons Learnt from Commercial Projects Report</b></p> <p>To receive a report on the outcome of the projects at Cromwell Road/Wheatley Court, Pitwood Park/Camelia Close and Lee Street and the non-financial benefits delivered, as well as the general lessons learnt for any future projects.</p>	12 Oct 2023			Possibly Part Exempt	
<b>29 November 2023 (Budget Scrutiny Panel)</b>								
<i>Marie Crabtree, Democratic Services Officer</i>	Councillor Nick Harrison	Chief Finance Officer	<p><b>Budget Scrutiny Panel: Service and Financial Planning 2024/25</b></p> <p>The report and recommendations of the Budget Scrutiny Panel including any observations on the Service and Financial Planning proposals for 2024/25, for consideration by the Executive in line with the Council's budget and policy procedure rules.</p>	7 Dec 2023			Open	
<b>07 December 2023</b>								
<i>David Brown, Finance Manager,</i>	Deputy Leader and Portfolio	Head of Corporate Policy,	<b>Quarter 2 2023/24 performance report</b>	7 Dec 2023	14 Dec 2023		Open	KEY



Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
<i>Luke Harvey, Project &amp; Performance Team Leader, Pat Main, Chief Finance Officer</i>	Holder for Finance, Governance and Organisation, Portfolio Holder for Corporate Policy and Resources	Projects and Performance, Chief Finance Officer	To receive the Q2 performance report 2023/24 including Budget Monitoring Q2 2023/24.					
<i>Pat Main, Chief Finance Officer, David Brown, Finance Manager</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation	Chief Finance Officer	<b>Feedback from Budget Scrutiny Panel</b>  To consider feedback from Overview and Scrutiny Committee's Budget Scrutiny Panel on Service & Financial Planning 2024/25.	7 Dec 2023	14 Dec 2023		Open	KEY
<i>Jacqueline Aboagye, Finance Manager, Pat Main, Chief Finance Officer</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation	Chief Finance Officer	<b>Treasury Management Strategy Mid-Year Report 2023/24</b>  To consider the Treasury Management Mid-Year Report 2023/24.	7 Dec 2023	14 Dec 2023	20 Feb 2024	Open	
<i>Tom Borer, Policy Officer, Catherine Rose, Head of Corporate Policy</i>	Portfolio Holder for Commercial & Community Assets	Head of Corporate Policy	<b>Commercial Strategy: Progress Update</b>  To provide members with a progress update about work aligned with the Council's	7 Dec 2023	14 December 2023		Part exempt	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
			commercial strategy and objectives					
<i>Kirsty Jane Hill, Democratic Services Officer</i>	Portfolio Holder for Commercial & Community Assets	Strategic Head of Legal and Governance	<p><b>Companies Performance Update - Winter 2023</b></p> <p>To provide an update to the shareholder/partner representatives on the companies owned and part-owned by the Council.</p>	7 Dec 2023	14 Dec 2023		Part exempt	
<b>25 January 2024</b>								
<i>Jacqueline Aboagye, Finance Manager, Catherine Rose, Head of Corporate Policy, Pat Main, Chief Finance Officer, David Brown, Finance Manager, Luke Harvey, Project &amp; Performance Team Leader</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation	Chief Finance Officer	<p><b>Budget &amp; Capital Programme 2024/25</b></p> <p>To approve the budget and capital programme for 2024/25.</p>	25 Jan 2024	1 Feb 2024	20 Feb 2024	Open	KEY
<i>Jacqueline Aboagye, Finance Manager,</i>	Deputy Leader and Portfolio Holder for	Chief Finance Officer	<b>Summary of Budget Movements November 2023 to January 2024</b>	25 Jan 2024			Open	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
<i>Catherine Rose, Head of Corporate Policy, Pat Main, Chief Finance Officer, David Brown, Finance Manager, Luke Harvey, Project &amp; Performance Team Leader</i>	Finance, Governance and Organisation		To consider the summary of budget movements November 2023 to January 2024.					
<i>Marie Crabtree, Democratic Services Officer</i> 279	Portfolio Holder for Communities, Leisure & Culture, Portfolio Holder for Housing and Support	Director of People, Head of Community Partnerships, Head of Wellbeing and Intervention	<b>People Portfolio Holders Update</b>  Update from Executive Members of Communities, Leisure & Culture, and Housing and Support	25 Jan 2024			Open	
<i>Annette Wiles, Deputy Democratic Services Manager</i>	Leader of the Council	Strategic Head of Legal and Governance	<b>Calendar of Meetings 2024 - 2025</b>  To provide the calendar of meetings for the 2024 - 2025 municipal year for approval by Council.	25 Jan 2024			Open	
<b>22 February 2024</b>								
<i>Marie Crabtree, Democratic Services Officer</i>	Portfolio Holder for Communities,	Director of People, Head of Community	<b>Annual Community Partnership Scrutiny</b>	22 Feb 2024			Open	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
	Leisure & Culture	Partnerships	Annual "crime and disorder" scrutiny - Community Partnership					
<b>14 March 2024</b>								
<i>David Brown, Finance Manager, Luke Harvey, Project &amp; Performance Team Leader, Pat Main, Chief Finance Officer</i>	Portfolio Holder for Corporate Policy and Resources, Deputy Leader and Portfolio Holder for Finance and Governance	Chief Finance Officer, Head of Corporate Policy, Projects and Performance	<b>Quarter 3 2023/24 performance report</b>  To receive Q3 performance report, including Budget Monitoring Q3 2023/24.	14 Mar 2024	21 Mar 2024		Open	KEY
<i>Jacqueline Aboagye, Finance Manager, Pat Main, Chief Finance Officer</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Chief Finance Officer	<b>Treasury Management Strategy 2023/24 Q3 report</b>  To consider the Treasury Management Strategy 2023/24 Quarter 3 report.	14 Mar 2024	21 Mar 2024		Open	KEY
<i>Pat Main, Chief Finance Officer, Jacqueline Aboagye, Finance Manager</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation	Chief Finance Officer	<b>Treasury Management Strategy 2024/25</b>  To consider the Treasury Management Strategy 2024/25.	14 Mar 2024	21 Mar 2024	28 Mar 2024	Open	KEY

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Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
	Portfolio Holder for Place, Planning & Regulatory Services		<b>Local Plan Update</b> To receive an update on progress of the Local Plan.	14 Mar 2024			Open	
<i>Marie Crabtree, Democratic Services Officer</i>	Leader of the Council	Chief Executive	<b>Leader's Update</b> Six-monthly update from the Leader to Overview and Scrutiny Committee	14 Mar 2024			Open	
<i>Marie Crabtree, Democratic Services Officer</i>	Portfolio Holder for Neighbourhood Services, Portfolio Holder for Place, Planning and Regulatory Services	Director of Place, Head of Economic Prosperity, Head of Neighbourhood Operations, Head of Planning	<b>Place Portfolio holders Update</b> Update from Executive Members of Place, Planning and Regulatory Services and Neighbourhood Services	14 Mar 2024			Open	
<i>Marie Crabtree, Democratic Services Officer</i>	Councillor Nick Harrison	Strategic Head of Legal and Governance	<b>Overview and Scrutiny Annual Report 2023-24</b> To note the Overview and Scrutiny Annual Report 2023-24.	14 Mar 2024				KEY
<i>Marie Crabtree, Democratic Services Officer</i>	Councillor Nick Harrison		<b>Overview and Scrutiny Annual Work Programme 2024/25</b>	14 Mar 2024			Open	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
			Overview and Scrutiny's Forward Work Programme for the year ahead 2024/25					
<b>Pending</b>								
<i>Catherine Rose, Head of Corporate Policy</i>		Head of Corporate Policy, Projects, and Performance	<b>Strategy Development Approach</b>  To consider the approach to developing new Council strategies.					
282			<b>Review of the Greenspaces Strategy</b>  A broader review of the Greenspaces strategy ahead of the review of the work of the Greenspaces team.					
<i>Marie Crabtree, Democratic Services Officer</i>	Portfolio Holder for Neighbourhood Services	Head of Neighbourhood Operations	<b>Review the Work of the Green Spaces Team</b>  to review the work of the Green Spaces Team in regard to the Countryside spaces in the Borough, and delivery of the Green Spaces work programme. For clarity, this excludes the Council's parks, gardens and play areas, work				Open	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
			on highways verges and grassed areas, the spaces managed by the Banstead Commons Conservators and matters to do with Planning (Core Strategy and Development Management Plan). The aim of the review is to see how improvements can be made to services.					
283			<p><b>Review of Recycling Service</b></p> <p>To review the recycling service, following proposed revisions to the service as a consequence of the Government's Resources and Waste Strategy.</p>					
<i>Duane Kirkland, Head of Wellbeing and Intervention</i>	Portfolio Holder for Communities, Leisure and Culture	Strategic Head of Legal and Governance, Managing Director, Chief Finance Officer	<p><b>Leisure &amp; Culture Strategy – part 2</b></p> <p>To review the Leisure &amp; Culture Strategy part 2</p>					

**Contact:** Democratic Services **Email:** [democratic@reigate-banstead.gov.uk](mailto:democratic@reigate-banstead.gov.uk) **Telephone:** 01737 276812  
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## Action Tracker - Overview and Scrutiny Committee 2023/24

Meeting 2021/22	Subject and request	Action	Who	Status	Completed
8 December 2022 and 15 June 2023	Item 6 Commercial Strategy Progress Update	<b>Commercial Assets</b> – Page 56 of the report states that three projects (Camelia Close, Wheatley Court and Lee Street) have been successfully concluded, Members asked for the details of the capital budget outturn for the projects.	Request to officers	In progress	<p><i>Holding response emailed to Members on 01/02/23. Copy of response in Mod.Gov Library, link provided below.</i></p> <p><i>Further response emailed to Members on 28/03/23. Copy of response in ModGov Library, link provided below.</i></p> <p><i>26/06/2023 – Officers will provide written responses on the following project budgets for circulation to Members in advance of the O&amp;S meeting on 6 July 2023:</i></p> <ol style="list-style-type: none"> <li><i>1) Cromwell Road/Wheatley Court – final budget position</i></li> <li><i>2) Pitwood Park/Camelia Close – final budget position</i></li> <li><i>3) Lee Street – latest forecast.</i></li> </ol>
8 December 2022 and 15 June 2023	Item 6 Commercial Strategy Progress Update	<b>Commercial Assets</b> - Members further asked for a “lessons learnt” report following completion of the projects at Cromwell Road and Pitwood Park.	Request to officers	In progress	<p><i>The request from Members will be considered, more information will be provided in due course.</i></p> <p><i>Further response emailed to Members on 28/03/23. Copy of response in ModGov Library, link provided below.</i></p>

					<p><i>26/06/2023 - Lessons learnt from the Cromwell Road/Wheatley Court, Pitwood Park/Camelia Close and Lee Street projects will be added to the O&amp;S Forward Work Plan when it is considered on 6 July, for reporting on 12 October.</i></p>
8 December 2022	Item 6 Commercial Strategy Progress Update	<p><b>Asset (Re-)Development</b> – Members commented that the costs and potential revenue income from The Rise and Cromwell Road were included in the report but were not broken down by property. Members requested a breakdown by property of funding, construction costs and net rental income to ascertain the return on investment for each asset.</p>	Request to officers	In progress	<p><i>Holding response emailed to Members on 01/02/23. Copy of response in Mod.Gov Library, link provided below</i></p> <p><i>Further response emailed to Members on 28/03/23. Copy of response in ModGov Library, link provided below.</i></p> <p><i>26/06/2023 - The latest budget forecast for The Rise development at Marketfield Way will be included in the Q1 Performance Report to O&amp;S on 7 September 2023.</i></p> <p><i>A more detailed breakdown of the budget for The Rise development at Marketfield Way - by property of funding, construction costs and net rental income to ascertain the return on investment on each asset - plus a lessons learnt assessment will be included in the Commercial Strategy Progress Update to O&amp;S on 7 December 2023.</i></p>

15 June 23	Item 6 Quarter 4 2022/23 Performance Report	<b>KPI 10 – The percentage of household waste that is recycled and composted</b> - what effect will the completion of rollout of services to flats have on the percentage of household waste that is recycled and composted?	Request to officers	In progress	
15 June 23	Item 6 Quarter 4 2022/23 Performance Report	<b>KPI 10 – The percentage of household waste that is recycled and composted</b> – are details available for fines issued to residents or information on repeat offenders for contamination of recycling collections?	Request to officers	In progress	
15 June 23	Item 6 Quarter 4 2022/23 Performance Report	<b>KPI 1 – the percentage of Council Tax collected</b> – what are the approximate figures for Council Tax long-term debt?	Request to officers	Completed	<i>Response to be emailed to Members. Copy of response will be published in Mod.Gov Library.</i>
15 June 23	Item 6 Quarter 4 2022/23 Performance Report	<b>KPI 11 – reduction in the Council's carbon footprint</b> - The Head of Corporate Policy, Projects and Business Assurance would circulate the latest report from Surrey County Council on carbon emissions.	Request to officers	Completed	<i>The report is available to view here: <a href="#">Agenda for Cabinet on Tuesday, 29 November 2022, 2.00 pm - Surrey County Council (surreycc.gov.uk)</a></i>
15 June 23	Item 6 Quarter 4 2022/23 Performance Report	<b>The Chair requested a breakdown of Corporate complaints resolved at stage 1</b>	Request to officers	In progress	

15 June 23	Item 6 Quarter 4 2022/23 Performance Report	<b>Capital Budget</b> - Members asked for confirmation of where the costs for electric vehicle charging points appeared in the budget monitoring report.	Request to officers	Completed	<i>Response to be emailed to Members. Copy of response will be published in Mod.Gov Library.</i>
15 June 23	Item 6 Quarter 4 2022/23 Performance Report	<b>Capital Budget</b> - Members asked for a progress update on the CCTV project	Request to officers	Completed	<i>Response to be emailed to Members. Copy of response will be published in Mod.Gov Library.</i>
15 June 23	Item 6 Quarter 4 2022/23 Performance Report	<b>Capital Budget Housing Allocation</b> - Members asked for clarification on the definition of criteria for a "suitable project" for the £30 million housing budget allocation.	Request to officers	In progress	
15 June 23	Item 7 Treasury Management Strategy 2023/24	<b>Commercial Assets</b> - Members whether the Horley Business Park LLP loan is included in the table (page 94-96).	Request to officers	Completed	<i>Response to be emailed to Members. Copy of response will be published in Mod.Gov Library.</i>
15 June 23	Item 8 Revenues, Benefits & Fraud – Service Provision	Members asked for access to the Tandridge District Council report.	Request to officers	Completed	<i>A link to the Tandridge District Council report would be provided to Members of this committee.</i>

15 June 23	Item 8 Revenues, Benefits & Fraud – Service Provision	The Chair requested an update on progress when the Commercial Strategy Update Report is next presented to this committee in December 2023.	Request to officers	In progress	
15 June 23	Item 9 Overview of Scrutiny	Members requested guidance on accessing the extranet.	Request to officers	In progress	

Written answers from 8 December 2022 can be found here - [Document Written Answers from OSC 8 December 2022 | Reigate and Banstead Borough Council \(moderngov.co.uk\)](#)

Further responses from 8 December 2022 can be found here - [Document Further Responses to Follow On Questions 8 Dec 22 | Reigate and Banstead Borough Council \(moderngov.co.uk\)](#)

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