

Agenda

Executive

Thursday, 14 December 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.



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

Members:

R. Biggs (Leader)

V. H. Lewanski

R. H. Ashford

H. Avery

A. King

J. P. King

R. Michalowski

N. C. Moses

C. M. Neame

Mari Roberts-Wood
Managing Director

For enquiries regarding this agenda;

Contact: 01737 276182

Email: democratic@reigate-banstead.gov.uk

Published 13 December 2023

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

- 1. Apologies for absence**
To receive any apologies for absence.
- 2. Minutes** (Pages 5 - 14)
To approve the Minutes of the last meeting on 16 November 2023.
- 3. Declarations of interest**
To receive any declarations of interest.
- 4. Response to Petition: Re-open Public Conveniences in Reigate and Banstead Borough Parks** (Pages 15 - 20)
The Leader of the Council.
- 5. Observations on Budget Proposals 2024/25 - Budget Scrutiny Panel report** (Pages 21 - 38)
The Deputy Leader and Executive Member for Finance, Governance and Organisation.
- 6. Commercial Strategy Progress Update 2023** (Pages 39 - 68)
The Executive Member for Commercial and Community Assets.
- 7. Procurement of General and Capital Building Works Contracts** (Pages 69 - 80)
The Executive Member for Commercial and Community Assets.
- 8. Quarter 2 2023/24 performance report** (Pages 81 - 140)
The Executive Member for Corporate Policy and Resources, and the Deputy Leader and Executive Member for Finance, Governance and Organisation.
- 9. Risk management - Q2 2023/24** (Pages 141 - 164)
The Executive Member for Corporate Policy and Resources.
- 10. Marketfield Way Update - December 2023** (Pages 165 - 226)
The Executive Member for Place, Planning and Regulatory Services.
- 11. Replacement of leased compact road sweepers** (Pages 227 - 236)
The Executive Member for Neighbourhood Services.

12. Options for the reduction in Carbon emissions from the Council's fleet of diesel powered vehicles (Pages 237 - 254)

The Executive Member for Neighbourhood Services.

13. Statements

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

14. Any other urgent business

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

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

15. Exempt business

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

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



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. 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.

BOROUGH OF REIGATE AND BANSTEAD

EXECUTIVE

Minutes of a meeting of the Executive held at the New Council Chamber - Town Hall, Reigate on 16 November 2023.

Present: Councillors R. Biggs (Leader), V. H. Lewanski (Deputy Leader), R. H. Ashford, H. Avery, A. King, R. Michalowski, N. C. Moses and C. M. Neame

Also present: Councillors P. Chandler, J. Essex, N. Harrison, S. Kulka, S. McKenna, S. Sinden

32. MINUTES

The Minutes of the previous meeting on 14 September 2023 were approved.

33. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor James King, Executive Member for Corporate Policy and Resources.

34. DECLARATIONS OF INTEREST

There were no Declarations of Interest.

35. RESPONSE TO PETITION - 'SAVE CHRISTMAS IN REDHILL'

The Leader welcomed the petitioner and Redhill resident, Mr Elliott Wragg, to the meeting to present the petition – 'Save Christmas in Redhill' – which had been signed by over 200 people both online and in hard copy. The petition asked for funding to support the cost of Christmas decorations in Redhill town centre as the regeneration and investment in the town continued to make it the focal point for East Surrey.

Mr Wragg thanked Executive Members for considering the petition which he was presenting as a substitute on behalf of the petitioner, Ms Jen Orchard. She could not attend the meeting and had sent her apologies. He thanked residents who had signed the petition which was a very important matter to Redhill residents. He said that a few days after the petition had started, the funding gap had been solved. A Christmas tree was up in the town centre which was great to see. A meeting of local businesses that make up the Redhill Business Guild had been very informative. Mr Wragg thanked all parties who had contributed to that event.

As a resident who has recently moved to the area, he raised other issues that concerned neighbours such as the parking outside McDonalds, temporary closure

Agenda Item 2

Executive
November 2023

Minutes

of toilets in the park and lack of monitored CCTV for the town centre. He appreciated the complexities of these different items but said he hoped that these could be solved with ingenuity and cooperation within the council and local businesses to look forward to a happier, safer and brighter Redhill for the 50th anniversary of the borough.

The Leader, Councillor Biggs, said that planning work for Christmas celebrations in the borough by the Council and local businesses started at the beginning of the year. It was important that the Council gets right how it spends its limited resources across all the other major town centres. For example, there are over 30 shopping parades across Banstead, Redhill, Reigate and Horley and it would not be a simple solution or fair to other areas to provide funding for one but not another. He welcomed calls or emails from residents if there were issues, before a public petition. The draft budget demonstrated how the Council would need to stop doing some of the services it was doing in order to fund festive lights. In past years, some funding had been secured just after the Covid-19 pandemic. Previously Surrey County Councillors in Redhill had also contributed to the Redhill Christmas lights using the SCC community fund. Redhill Business Guild as well as other town centre organisations had also secured discretionary funding for improving the vitality of town centres.

He noted that partnership working with local businesses generally helped to fund Christmas lights and decorations. The Belfry Shopping Centre and the Redhill Business Guild had worked together on this although he acknowledged there had been a recent change of ownership of The Belfry so there had been a slow start, but this was now resolved. In other areas, for example in Horley, the Horley Business Guild and the Horley Association of Traders had started fundraising for Christmas lights from April.

There were no further comments from Executive Members.

Visiting Members made the following observations:

- **Local businesses in Redhill** - the business community had funded the large Christmas tree that was now up in Redhill town centre. Support had been given to the Belfry Shopping Centre manager to bring the business community together to fund the decorations. Local taxi companies and The Light cinema had come forward and there was hope that more businesses would offer support, such as Sainsburys, which is Redhill's largest retailer. In the past, some local Surrey County Councillors had part contributed to the decorations using the community fund which had been available to them as County Councillors.
- **Christmas hope** – the Christmas message should be less about festive lights and more a story of hope. Christmas was about building a sense of wellbeing and shared beliefs. The Council should continue to invest in and recognise the meaning of Christmas and other faiths. Residents were facing fuel poverty and cost of living pressures so needed to face challenging times together.
- **Banstead Christmas lights** – in the north of the Borough, it was noted that shopkeepers in Banstead village had found it difficult to continue to provide funding that they had done over previous years. Christmas lights had been supported by a similar county council grant from the Banstead county

councillor and an appeal by the Residents' Association to support the Christmas lights.

- **Redhill Business Guild** - as a result of the publicity around the petition, new businesses had joined Redhill Business Guild which had been a positive development.

The Leader, Councillor Biggs, thanked local support, The Belfry Centre Manager, Andy Nash, and Chair of the Redhill Business Guild, for the work that they had done on planning for Christmas in the town. The Council had invested huge amounts of money into Redhill redevelopment. The town was going from strength to strength and residents and visitors could look forward to taking part in the coming Christmas festivities.

It was RESOLVED – that the Executive:

- (i) **Noted the petition and recommended that the approach the Council has to supporting Christmas activities remains unchanged.**

36. SERVICE & FINANCIAL PLANNING 2024/25

The Deputy Leader and Executive Member for Finance, Governance and Organisation, Councillor Lewanski, introduced the report and annexes - Service & Financial Planning 2024/25 which was published as part of the Executive agenda pack on the Council's website. The report and annexes set out the draft Revenue Budget proposals for 2024/25 and Capital Programme proposals for 2024/25 to 2028/29.

Councillor Lewanski said that local government as a whole was facing continued financial challenges. However, Reigate and Banstead Borough Council was confident of balancing its budget for 2024/25 as it had avoided high levels of external debt and reserves remained buoyant. It had nevertheless been challenging over the summer to produce a set of draft budget proposals for 2024/25.

The Financial Sustainability Programme had helped Executive Members and Officers continue in-depth reviews of spending plans and sources of income. This was supported by service plans that set out how each service will operate and what they plan to achieve over the coming year. This work had led to a full and robust assessment of what the Council does and how it is funded. Service budget growth requirements were relatively modest, mainly reflecting unavoidable cost increases. Wherever possible savings proposals had been identified that have few direct impacts on service delivery. However, that continued to be a challenge in the current economic climate.

There had been an in-depth review of fees & charges for all services. This had identified opportunities to adjust existing budgets to reflect forecast income levels and increase fees in line with the recommended Policy.

The Deputy Leader said that the Council was very mindful of the potential impacts when making budget decisions and they will, as they do every year, consult widely on the proposals in this report before making final decisions in February. The final budget position will depend on the outcome of the Chancellor of the Exchequer's Autumn Statement on 22 November 2023 and the Local Government Settlement

Agenda Item 2

Executive
November 2023

Minutes

announcement in December. The Budget report to Council in February will reflect any further changes that are identified as a result.

In addition the Budget report highlights potential risks and issues that may cause the Council to draw on the Reserves that have been earmarked to address them. These include the continued risk of reducing housing benefit subsidy and grants.

Medium Term Financial Plan

This report also included the updated five year Medium Term forecasts, reflecting the work that had been completed over recent months to map the potential impacts of increasing costs and reductions in Government funding over the next five years. While the forecast gap remains potentially significant if action is not taken to address it, the MTFP and supporting strategies provide a solid framework for future financial planning.

Reserves

As set out in the report, the Revenue Reserves are more than sufficient to support the Budget and mitigate potential risks. Focus remains on developing new income streams and reducing costs through the Financial Sustainability Programme and an approved Reserves Policy.

Council Tax Increase

The Council Tax proposals set out in the report are to increase the Reigate & Banstead element of the average Band D charge by less than 15 pence per week, being a £7.47 increase overall at the 2.99% level. This is subject to confirmation of the Government's referendum limit in the Provisional Local Government Settlement in December and approval by full Council in February.

The report also confirmed new recommendations to increase the Local Council Tax Support scheme for residents next year. This follows the planned review of the scheme during 2023/24. There were also recommendations to change council tax premiums on empty properties which arise from the Levelling-Up and Regeneration Bill which received Royal Assent on 26 October 2023.

Capital Programme

The Capital Programme included several new capital schemes to support delivery of the Council's Environmental Strategy, many of which have been enabled through the allocation of Strategic CIL funding.

Next steps

The Revenue Budget and Capital Programme proposals in this report will go forward for consideration by the O&S Budget Scrutiny Panel on 29 November 2023 and the Overview & Scrutiny Committee on 7 December 2023 before the final budget is brought back to the Executive on 1 February 2024.

The Leader of the Council, Richard Biggs, thanked the Portfolio Holder for Finance, Governance and Organisation and all Executive Members as well as the Chief Finance Officer, Finance team and Heads of Service for their work on the draft Budget which had taken place since the summer.

There were no further observations from Executive Members who had been closely involved in Budget discussions in each of their portfolios.

Visiting Member and Overview & Scrutiny Committee Chairman, Councillor Harrison, confirmed that there was an O&S Budget Scrutiny Panel meeting at the end of November, followed by a meeting of Overview & Scrutiny Committee to examine the draft Budget on 7 December 2023. Councillor Harrison noted that this Council was in a strong position compared to many others. He said that to have a report that shows a balanced position was commendable. The Budget Scrutiny Panel and O&S Committee would be looking at the increases and savings proposed as well as use of balances and reserves to test the potential risks. Committee Members would also review how the previous year finished and what it means for services in the coming year.

The Leader, Councillor Biggs, acknowledged the scrutiny work that would take place to review the draft Budget by O&S Members.

Additionally, Visiting Members made observations and asked questions on the following points:

- **Council Tax** – they noted the proposed increases to Council Tax and to fees & charges to residents. They welcomed the review of the Local Council Tax support scheme to help the most vulnerable residents and increases in Council Tax on second homes and empty homes.
- **Proposed savings** – Members noted that some savings were being made by delaying Capital projects and making savings through staff vacancies and asked whether this was serving residents well enough.
- **Environment and Sustainability schemes** – Members welcomed the additional investment proposals and focus on environmental sustainability as set out in the Capital Programme growth 2024/25 onwards. Members asked if the Council was maximising all it could do as set out in the energy audit and whether it was taking forward sufficient opportunities in that report?
- **Energy savings investment** – noted proposals for introducing energy saving measures after high energy costs to make future savings.
- **Waste and recycling** – noted the likely allocation of additional resources to support delivery of the Government's strategy.
- **Electric Vehicle (EV) charging points** – asked whether income from EV charging points was included in the report and reported that local businesses such as taxi drivers were reporting that there were not enough high power charging points in the borough.

Officers confirmed that an update on EV charging points had been included in the Environmental Sustainability Strategy annual report to Executive in September. It was agreed that a further written answer would be provided in response to the questions raised.

Deputy Leader and Executive Member for Finance, Governance and Organisation, Councillor Lewanski, concluded by stating that residents were being served well as they are seeking value for money which was demonstrated in the draft Budget with

Agenda Item 2

Executive
November 2023

Minutes

core services not being cut. Staffing remains adequate with growth in some key services, for example, the proposal to employ an additional person working on sustainability projects.

The Recommendations were then put to the Executive and it was:

RESOLVED – that the Executive agreed:

- (i) That the national and local policy context (Annex 1) and significant financial uncertainties at this stage in the budget-setting process be noted.
- (ii) That the service proposals set out in this report which seek to respond to this context and deliver our corporate priorities, be endorsed.
- (iii) That the draft service business plans for 2024/25 to 2026/27 be approved, and that Heads of Service be authorised to finalise the plans for their service areas in consultation with the relevant Portfolio Holders.
- (iv) That the following be approved for consultation under the Council's budget and policy framework:
 - a. Medium Term Financial Plan Forecasts and proposed actions to address the forecast Revenue Budget gap (Annex 2);
 - b. Service Revenue Budget growth proposals totalling £0.943 million, savings of (£1.719) million and additional income of (£0.540) million (Annex 3);
 - c. Continued funding support for Banstead Commons Conservators for a further three years (2024/25 to 2026/27);
 - d. Central Revenue Budget savings and growth proposals totalling (£0.376) million, and £1.75m provision for the 2024/25 pay award (Annex 3);
 - e. Agreement of a new 10 year Section 136 agreement with Horley Town Council;
 - f. Revenue Issues, Risks and Opportunities totalling £0.964 million, to be funded from earmarked Reserves as necessary;
 - g. Revenue Reserve Balances at 1 April 2023 of £35.474 million (Annex 6.1); and
 - h. A forecast balanced Revenue budget for 2024/25, subject to final confirmation of the outstanding items.
- (v) That the Capital Programme Growth proposals totalling £3.976 million (Annex 4) be approved.
- (vi) That the Fees & Charges Policy (Annex 5) be approved.
- (vii) That the Reserves Policy (Annex 6.2) be approved.
- (viii) That the following changes to the Local Council Tax Support Scheme be approved and adopted from 2024/25:
 - a. Removal of the maximum award of 90% Council Tax liability for 1,800 households and increasing the award to 100%;
 - b. Removal of the minimum requirement for a household to qualify for £5 per week before support is provided;
 - c. Expansion of support awards to cover full Council Tax liability for residents in Bands F to H;
- (ix) That the following changes Council Tax premiums on empty properties be approved and adopted from 2024/25:

- a. **Removal of the empty homes discount of 28-days where a property becomes empty and unfurnished;**
- b. **For empty and furnished second homes – charge 200% council tax after the first 12 months; and**
- c. **For long-term empty properties – commence charging the 100% premium after 12 months.**

37. **A23 GREAT STREET DESIGN CODE DRAFT SPD**

The Executive Member for Place, Planning and Regulatory Services, Councillor Michalowski, gave an overview of the report: A23 Great Street Design Code Draft Supplementary Planning Document (SPD) which was published as part of the agenda pack.

The Design Code covers the area between Redhill and Horley and contains a set of rules and guidance that will provide more certainty for developers and landowners when they look to promote their site in the area. It will also provide an essential tool for the Council as decision maker to be able to assess the design quality of emerging proposals and to dictate the design standard that is expected. The report sought to progress the Code to formal status as a Supplementary Planning Document (SPD).

Following Executive agreement, the draft Design Code SPD will go out to public consultation for six weeks between early December 2023 and January 2024. The draft SPD will then be updated to reflect comments received from the public, which will be summarised in the final Consultation Statement to be published alongside the adopted SPD. The A23 Great Street Design Code SPD will then be recommended to the Executive for adoption, currently planned for Spring 2024.

Background

The National Planning Policy Framework requires local planning authorities to prepare design guides or codes that are consistent with the principles set out in the National Design Guide and National Model Design Code. It states these should reflect the local character and design preferences for their area. The recent Levelling Up and Regeneration Act 2023 has strengthened this requirement, requiring every local authority to produce a design code for its area. This will update the Local Distinctiveness and Character Design Guide SPD, updated in 2021, which has provided useful guidance to help steer the design of development proposals to better reflect local character.

The Council benefited from being part of the Department of Levelling Up, Housing and Communities (DLUHC) Pathfinder Programme. Throughout the Pathfinder programme, three public engagement events had taken place. These centre around four principal themes:

- To make the area work better for pedestrians and cyclists;
- To improve access to open spaces and parks;
- To identify opportunities for development; and
- To raise the quality of design.

Stakeholder engagement

Stakeholder engagement included input from Borough Council and Surrey County Council officers as well as comments received from internal groups such as the internal Member and Officer Local Plan Advisory Group (LPAG) and the Leader's meeting.

The Leader, Councillor Biggs, noted the quality of this draft A23 Great Street Design Code SPD. It was a credit to the Council's Planning Department to secure DLUHC Pathfinder funding. He thanked Planning Policy Officers who had undertaken this detailed work as well as Councillor Michalowski for leading the consultation and other Members who had provided early feedback. There were no further comments from Executive Members.

Visiting Members who had taken part in the consultation praised the good start and excellent work so far. Visiting Members at the meeting, also made the following observations and asked questions on these areas:

- **Environmental issues** – it was noted that the Code benefitted all residents, in particular in areas of active travel and cycling to open spaces.
- **Vision for the A23 Great Street** – this set out 12 significant challenges facing communities at a national and international level from an ageing population to a sense of place, from climate crisis to High Streets. However the draft Design Code was not explicit enough about the challenges being addressed by climate change in Part B of the document (Design Codes – Chapter 5 – Nature).
- **Stewardship model** and long term maintenance solutions – this was part of both borough council and parish council remits. Who would be responsible for the budget for maintenance of this area?
- **Electric Vehicle charging points** along A23 corridor – how many were planned as a rough guide and where were the opportunities for drivers of electric vehicles to charge up their cars across the borough.
- **Proposed tall buildings** – It was noted that the proposed Design Code was timely following a previous proposal to redevelop the Redhill station town centre car park with a development. Members asked if this Code could give guidance on what developers can and cannot do with reference to high developments.
- **Borough-wide Design Codes** – what were the future aspirations for other parts of the Borough?
- **Transport** – the Design Code references the local transport plan on walking and cycling. What engagement had there been with Surrey County Council as the lead on Surrey Highways and transport as well as on road carriageways and junctions?
- **Great Street reference** – it was noted that much of the A23 area is rural and in the green belt so Members said the intention should not be to use the Design Code as a mechanism for further development along this street. The Leader assured Members that it had been taken into account that the A23 covered both rural and urban areas. Members would protect the Borough's Green Belt.
- **Plans for Council-owned land** – while this Design Code covered a mixed area between Redhill and Horley – parts of this included pleasant, green

open spaces. How would Council-owned land be protected as the right plan for those areas in the future.

The Portfolio Holder for Place, Planning and Regulatory Services, Councillor Michalowski, welcomed Members' comments. He acknowledged that the issue of climate change was at the forefront of the mind of many residents, and this may come out in the public consultation and review of feedback. On

EV charging points, Councillor Michalowski noted that it was too early to make a specific commitment on detailed EV charging points in the draft Design Code.

Head of Planning, Andrew Benson, said officers would consider the points that had been made at the meeting alongside the feedback from the public consultation. Planning Policy Officers had worked with Surrey County Council on their draft Design Code. It was also aligned with SCC's Healthy Streets for Surrey Design Code. After the public consultation, all feedback will come back to the internal Local Plan Advisory Group (LPAG), so that all responses can be considered through that process. Officers will also discuss feedback with the Council's Sustainability team. It was noted that discussions on the height of future developments needed to be a balance between local areas use of land and the Local Plan.

It had been a useful exercise for Reigate and Banstead Borough Council to carry out this project with DLUHC funding and they were in better place than other local authorities. There was a longer-term ambition to have further Design Codes, but it would be challenging to have one Code for the whole Borough. It was not yet clear how Central Government saw Design Codes working in practice.

The Leader, Councillor Richard Biggs, thanked Members for their questions, and said he looked forward to receiving the public consultation responses early in 2024. It was then:

RESOLVED – that the Executive:

- (i) **Approve the A23 Great Street Design Draft Code Supplementary Planning Document (SPD) for public consultation;**
- (ii) **The Head of Planning in consultation with the Executive Member for Place, Planning and Regulatory Services, be authorised to make any necessary minor amendments to the A23 Great Street Design Draft Code Supplementary Planning Document (SPD) prior to consultation.**

38. STATEMENTS

There were no Statements given at the meeting.

39. ANY OTHER URGENT BUSINESS

There was no urgent business.

40. EXEMPT BUSINESS

There were no Exempt reports or business to discuss.

Agenda Item 2

Executive
November 2023

Minutes

The Meeting closed at 8.22 pm



SIGNED OFF BY	Chief Finance Officer
AUTHOR	Daniel Jones, Property Services Manager Pat Main, Chief Finance Officer
TELEPHONE	Tel: 01737 276872 Tel: 01737 276063
EMAIL	daniel.jones@reigate-banstead.gov.uk pat.main@reigate-banstead.gov.uk
TO	Executive
DATE	Thursday, 14 December 2023
EXECUTIVE MEMBER	Portfolio Holder for Commercial & Community Assets

Key Decision Required	N
Wards Affected	Banstead Village; Horley Central and South; Redhill East; Reigate

Subject	Response to Petition: Re-open Public Conveniences In Reigate and Banstead Borough Parks
----------------	---

Recommendations
That Executive
(i) Considers the information presented in this report and confirms that no changes will be made to public convenience provision in the borough.
Executive Summary
<p>On 21 September 2023 the Council considered a petition of 586 signatures calling on the council to '<i>...make toilet provision available immediately in Banstead's Lady Neville Recreation Grounds, Banstead; Redhill's Memorial Park; Horley Recreation Grounds; and Reigate's Priory Park</i>'.</p> <p>Council resolved to refer the petition to the Executive for consideration.</p> <p>This report presents an update on current public convenience provision across the borough and recommends that no further no changes are made.</p>

Agenda Item 4

Statutory Powers

1. The Localism Act 2011 revoked requirements placed on Councils in relation to petitions, however, Reigate & Banstead Borough Council made the decision to retain its then existing Petition Scheme.
2. Local authorities have discretionary powers but no duty to provide public conveniences. Section 20 of the Local Government (Miscellaneous Provisions) Act 1976 empowers local authorities to require the provision of toilets at places of entertainment or other 'relevant' places, and to maintain them.

Key Information

The Petition

3. An e-petition was debated at the Council meeting on 21 September 2023 which requested Reigate & Banstead Borough Council:
"To re-open the public toilets in Banstead's Lady Neville Recreation Grounds and Redhill's Memorial Park, across the Reigate and Banstead Borough".
4. The petition contended that:
"This situation has been going on for the last 7 months leaving parents with young children, people with disabilities, as well as the general public inconvenienced and embarrassed at the lack of facilities. The toilets should be open, irrespective of the café closures."
5. The petition suggested that:
"40% of public toilets have closed in the last decade. Lack of toilets can lead to street fouling, a major public health issue. Providing access to toilets in town parks will enable everyone to participate in park life fully in an unrestricted fashion. It will attract more users of the parks and boost the local economy."
6. It went on to:
"...call upon Reigate & Banstead Borough Council to make toilet provision available immediately in Banstead's Lady Neville Recreation Grounds, Banstead; Redhill's Memorial Park; & Horley Recreation Grounds. The toilets should be based on the following criteria:
 1. *Public toilets will be located in public parks of the main towns of the borough - namely Banstead's Lady Neville Recreation Grounds, Banstead; Redhill's Memorial Park; Horley Recreation Grounds; and Reigate's Priory Park.*
 2. *Toilets will be open at realistic opening hours, independent of the parks café opening hours.*
 3. *The toilets will be free to use and regularly cleaned.*
 4. *The toilets must include baby change facilities and disabled access.*
 5. *The council will consider allocating funding for increased number of park based public toilets in the borough, for example Earlswood's Ifold Road Park."*

Background: Toilet Provision in Council-Owned Cafés

7. The toilets within parks cafés are not designated public toilets, although the Council, as landlord, encourages the private café operators to allow access to members of the public.
8. Temporary toilets, including disabled toilets, have been provided next to the café buildings at Redhill Memorial Park and Reigate Priory Park during the recent refurbishment works. Although it was necessary to close the temporary toilets at Redhill on two occasions, once for maintenance again and for repairs following vandalism.
9. There is no toilet provision at Banstead's Lady Neville recreation ground, as other public conveniences, including disabled facilities, are available in the nearby High Street.
10. Terms have been agreed with new tenants for all three cafés and the legal process of granting the leases is underway. The temporary facilities will remain in situ until the cafés have re-opened.
11. Alternative Council-operated toilet facilities are available within 0.2 to 0.3 miles, or 5 to 6 minutes' walking distance, from each café building location.

Other Public Toilet Provision

12. Reigate's Priory Park is one of the Council's busiest parks, and plans are underway to carry out alterations to the pavilion café building, following the end of the previous operator's lease, and to provide separate café and public toilet premises.
13. The new public toilets will be available once the café building re-opens. The date will be confirmed when lease terms and fit-out proposals have been finalised. As noted above, the temporary facilities will remain in situ until this time.
14. There are no plans to change the toilet provision within the Lady Neville or Memorial Park cafés. These toilets will reopen when the new operator(s) re-open the cafes.
15. There is no funding within the current Capital Programme or Revenue Budget to provide additional public toilet facilities in other park locations.
16. The petition also referred to Horley Recreation Ground which is operated by Horley Town Council and is outside the control of Reigate & Banstead Borough Council.

Public Toilet Access

17. The Council-operated public toilets are located at:
 - Banstead High Street Car Park, Banstead SM7
 - Bell Street, Reigate, Bell Street, Reigate RH2
 - Consort Way, Horley RH6
 - Redstone Cemetery, Philanthropic Road, Redhill RH1
18. These are generally open from around dawn to dusk and closed overnight. This will also be the case for the new Priory Park public toilets.
19. There is currently no charge made to use any of them.

Agenda Item 4

20. Toilets in the Lady Neville and Memorial Park cafés will be available during café opening hours by arrangement with the operator. All three of the new prospective tenants have confirmed that their facilities will continue to be accessible to the public once the cafés re-open.

Future Provision

21. In light of the level of current provision, as described above, there are no plans to install additional public toilets in the borough.

Options

22. The options for Executive in relation to the petition are:

Option 1: To note the information presented in this report about the scope of existing public toilet provision across the borough and take no further action; or

Option 2: To commissioning officers to develop a business case for options for additional investment so that it can be considered alongside other priorities through the service & financial planning process for 2025/26.

Legal Implications

23. The Localism Act 2011 revoked requirements placed on Councils in relation to petitions, however, Reigate & Banstead Borough Council made the decision to retain its then existing Petition Scheme.
24. Local authorities have discretionary powers but no duty to provide public conveniences. Section 20 of the Local Government (Miscellaneous Provisions) Act 1976 empowers local authorities to require the provision of toilets at places of entertainment or other 'relevant' places, and to maintain them.

Financial Implications

25. There are no additional budget implications in respect of continuing with existing public and café toilet provision.
26. Provision of additional public toilet facilities would potentially have significant capital and revenue budget implications and would be subject to approval of growth proposals as part of the annual service & financial planning process.

Equalities Implications

27. The Council has a statutory duty to consider equalities implications in all of its decisions. Following closure of the cafés, consideration was given to the proximity of alternative facilities and temporary facilities were provided as appropriate to ensure that no users were without access.
28. It is not considered that existing toilet provision disadvantages any equality target groups due to the temporary provision and proximity to other facilities.

Communications Implications
29. There are no additional communications implications relating to the options arising from this petition.
Environmental Sustainability Implications
30. Changes to how the Council provides public toilets in the future could have environmental sustainability implications and these would need to be considered on a case by case basis.
Risk Management Considerations
31. There are no additional risk management considerations relating to the options arising from this petition.
Policy Framework
32. The Policy Framework position is set out in paragraphs 1 and 2 of this report.
Background Papers
E Petition (ePetition - Petition to re-open public conveniences in Reigate and Banstead Borough parks Reigate and Banstead Borough Council (moderngov.co.uk))

This page is intentionally left blank



Signed off by	Chief Finance Officer
Author	Marie Crabtree, Democratic Services Officer
Telephone	
Email	marie.crabtree@reigate-banstead.gov.uk
To	Overview and Scrutiny Committee
Date	Thursday, 7 December 2023
Executive Member	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation

Key Decision Required	N
Wards Affected	(All Wards);

Subject	Observations on Budget Proposals 2024/25 - Budget Scrutiny Panel report
----------------	--

Recommendations
<p>That in response to the Service and Financial Planning 2024/25 report and supporting documents to Executive on 16 November 2023, the following observations and Recommendations from the Budget Scrutiny Panel be submitted for consideration by the Executive, that:</p> <ul style="list-style-type: none"> (i) The national and local policy context (Annex 1) and significant financial uncertainties at this stage in the budget-setting process were noted, along with the associated uncertainties and risks. (ii) The service proposals set out in this report which seek to respond to this context and deliver our corporate priorities, be noted. (iii) The draft service business plans for 2024/25 to 2026/27 be noted. (iv) The Panel tested the explanations in the Budget report for year on year changes in the revenue budget (savings, income and growth) in the context of the actual expenditure for the previous year and current year in respect to the services to be provided. (v) The Panel found the Budget proposals to be reasonable and in relation to the budget consultation and subject to the outstanding issues and risks commented on

Agenda Item 5

below, the Panel considered the following to be achievable, realistic, and based on sound financial practices:

- a. Medium Term Financial Plan Forecasts and proposed actions to address the forecast Revenue Budget gap (Annex 2);
 - b. Service Revenue Budget growth proposals totalling £0.943 million, savings of (£1.719) million and additional income of (£0.540) million (Annex 3);
 - c. Continued funding support for Banstead Commons Conservators for a further three years (2024/25 to 2026/27);
 - d. Central Revenue Budget savings and growth proposals totalling (£0.376) million, and £1.75m provision for the 2024/25 pay award (Annex 3);
 - e. Agreement of a new 10 year Section 136 agreement with Horley Town Council;
 - f. Revenue Issues, Risks and Opportunities totalling £0.964 million, to be funded from earmarked Reserves as necessary;
 - g. Revenue Reserve Balances at 1 April 2023 of £35.474 million (Annex 6.1); and
 - h. A forecast balanced Revenue budget for 2024/25, subject to final confirmation of the outstanding items.
- (vi) The Capital Programme Growth proposals totalling £3.175 million (Annex 4) was reviewed. (This is revised down from the original £3.986 million)
- (vii) The Fees & Charges Policy (Annex 5) was noted.
- (viii) The Reserves Policy (Annex 6.2) was noted.
- (ix) The Panel supported the following changes to the Local Council Tax Support Scheme to be adopted from 2024/25:
- a. Removal of the maximum award of 90% Council Tax liability for 1,800 households and increasing the award to 100%;
 - b. Removal of the minimum requirement for a household to qualify for £5 per week before support is provided;
 - c. Expansion of support awards to cover full Council Tax liability for residents in Bands F to H;
- (x) The Panel supported the following changes Council Tax premiums on empty properties to be adopted from 2024/25:
- a. Removal of the empty homes discount of 28-days where a property becomes empty and unfurnished;
 - b. For empty and furnished second homes – charge 200% council tax after the first 12 months; and
 - c. For long-term empty properties – commence charging the 100% premium after 12 months.
- (xi) The Panel noted that the proposals at recommendation (x) would fund the proposals at recommendations at (ix)

Agenda Item 5

- (xii) The Panel noted that assumptions and individual budgets were to be reconsidered following the December Government financial settlement announcement; consequently, the Panel did not draw a final conclusion on the overall Budget proposals for 2024/25. The Panel looks to receive an update on these items in January. Besides Government funding, the principal areas of uncertainty and risk are: homeless support/ temporary accommodation, housing benefit subsidy, recycle income/costs and the Government's proposals for resources and waste; the Harlequin/RAAC, and final confirmation of other grants received.
- (xiii) The changes made in the final Budget 2024/25 proposals to Executive on 1 February will also be an agenda item for discussion at Overview and Scrutiny Committee on 25 January 2024.
- (xiv) The Panel noted that the proposed savings were not expected to have a significant impact on service scope or quality.
- (xv) The Panel expressed concerns about general inflationary pressures in the UK economy – 10% in the previous year and currently 6%, well above the Bank of England 2% target, and suggested this may put further upward pressures on the cost of goods and services and the annual pay award.
- (xvi) The Panel noted that for several years, the Council has been pursuing its Commercial Strategy to help address budget gaps in future years, as Government funding is further reduced. It noted that additional income from The Rise is included in the revenue budget, with potential for further increases when all units are fully let. Furthermore, Government guidance and experience elsewhere means that the Council is cautious about further expansion of commercial activity. The Panel noted that the Commercial Strategy was now more focussed on generating income through the Council's areas of strength, such as service provision, rather than investment in commercial assets. It was noted that outside of The Rise, there are not yet specific proposals for additional revenue in development for 2025/26 and beyond.
- (xvii) The Panel noted that the use of earmarked reserves, to fund housing benefit shortfalls, could only be a one-off action and not a permanent solution.
- (xviii) The Panel noted that in the Financial Accounts, a £1.1million provision has been made for credit loss with regard to the investment in Pathway for Care. This would be funded from the Commercial Risks and Volatility Reserve.

The Panel thanked the Portfolio Holder and officers for the substantial work in preparing the Budget 2023/24 report and for the written responses to the 82 advance questions from Members.

Reasons for Recommendations

The Committee is requested to consider the report and recommendations of the Budget Scrutiny Review Panel and make 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.

Executive Summary

Agenda Item 5

The Panel tested the explanations in the Budget 2024/25 report to Executive for the year on year changes in the budget (savings, income and growth) in the context of the actual expenditure for last year and the current year.

A number of assumptions and individual budgets remain to be confirmed before the final Budget proposals come forward in January. Given these areas of uncertainty and risk, the Panel did not draw a final conclusion on the overall Budget proposals for 2024/25 and recommended that the changes in the final Budget report to Executive on 1 February 2024 be presented to Overview and Scrutiny Committee for consideration at its meeting on 25 January 2024.

The Panel also noted that the retirement of the Chief Finance Officer in 15 months was a potential risk. It was noted that recruitment of a Deputy Chief Finance Officer is expected to be completed by February 2024 and they will then be working alongside the Chief Finance Officer to ensure an effective handover period.

Executive has authority to approve the above recommendations

Statutory Powers

1. The Local Government Act 1972 requires the Council to set an annual budget as part of proper financial management through the Service and Financial Planning report each year.
2. The Local Government Act 1992 requires councils to set a balanced budget and announce the Council Tax level by 11 March each year.
3. The Local Government Act 2000 makes it clear that the role of scrutiny in the financial process is to hold the Executive to account and to ensure that its decisions are in the best interests of the community.

Background

4. The Budget Scrutiny Review Panel focused on consideration of the draft Budget proposals for 2024/25.
5. The Service and Financial Planning 2024/25 Report and supporting documents were circulated as part of the Advance Questions process for the Budget Scrutiny Review Panel Members on 10 November 2023. The responses provided by officers were circulated in advance to Panel Members before the Panel meeting on 29 November 2023.
6. The Panel was requested to offer its comments and recommendations to the Overview and Scrutiny Committee on 7 December 2023 based on its review of the consultation document. The Executive is due to approve the proposed Budget for 2024/25 on 1 February 2024 after considering the recommendations from the Overview and Scrutiny Committee.
7. The objective of the Panel was to satisfy its members that the Budget plan was achievable, realistic, and based on sound financial practices. It scrutinised the following: the assumptions which underpinned the budget; the impact of any savings on service delivery; the justification for any growth proposals; and how the revenue budget and capital plan related to the delivery of corporate priorities.

Panel Observations and Conclusions

Approach

8. Councillor Harrison, Panel Chair, introduced the Panel meeting which looked at the written responses from the Finance team and Heads of Service to the 82 Advance Questions that were raised by Panel Members. The Panel took supplementary questions from Members to consider matters in more depth.
9. He also congratulated officers and the Executive for setting out proposals for achieving a balanced budget for the coming year, despite the previously forecast budget gap of £1.3million reported in November 2022. It was noted that final amendments would be necessary following the Government's Financial Settlement Announcement in December. He therefore requested that the final budget changes for 2024/25 be presented to the Overview & Scrutiny meeting on 25 January 2024.
10. Panel Members asked questions on the following areas which were discussed by the Panel.
11. **2022/23 Revenue Budget Outturn** – Panel members requested information about of the budget underspend from 2022/23 and how it had been allocated in Reserves. Panel members also asked for paper BP6 Budget Changes 2023/24 to 2024/25 to be fully reconciled to the figures in the main report.
12. **Price Inflation for 2024/25** – The Panel agreed that it was good practice to allow for inflation on a case by case basis rather than allowing for general level of inflation across all budgets, but noted that inflation remained a risk.
13. **IT Costs** - The Panel asked for clarification on the £200k growth in respect of ICT contractual support and maintenance, and how much was due to inflation.
14. **Use of Reserves** – Members noted that one-off amounts from Reserves were required to address housing benefit funding risks in 2023/24 and asked how the Council would ensure that this practice would not continue. It was explained that there are continuing national issues with regard to funding for housing benefit that the Government is aware of but has not yet resolved.
15. **Harlequin** – It was confirmed that the Council is working with the building owner to assess the extent to which the building is affected by the presence of RAAC. Currently more extensive testing was awaited; however a substantial number of public buildings are now waiting for these assessments. It was confirmed that there is no insurance available for income losses.
16. The Panel asked for confirmation of the forecast loss of income and costs if the Harlequin remained closed for an extended period of time while waiting for the assessment and remedy. It was agreed that further information should be reported in January 2024.
17. **Surrey County Council** – The Panel requested details on the income and savings from the transfer of on-street parking enforcement and verge cutting.
18. **Assessment of Risks** – It was confirmed that the volatility of recyclate income remains a risk.
19. **Homelessness** - It was confirmed that homelessness remains a challenge; expenditure was increasing. The Homelessness Prevention Grant had placed the

Agenda Item 5

- Council in a good position to respond, however increasing demands for support and the lack of accommodation remain challenging. It was confirmed that the majority of this cost was related to local homelessness persons rather than to asylum seekers. There were currently 60 people in nightly-paid emergency accommodation, many located outside the borough. An analysis of elements of the homelessness pressures for 2024/25 was requested (e.g., growth in existing residents of the borough; value of support; ex-refugees).
20. **Revenues & Benefits Work With Tandridge** – It was confirmed that the direct cost, plus a percentage of overhead costs was charged to client organisations. Additional staff may be employed to carry out the work, which results in a larger team creating the ability to work more flexibly both for this Council and for its clients.
 21. **Capital Programme** – The Capital Programme was noted to have significant items brought forward from previous years; it was expected that the Capital Programme would be reprofiled in the January 2024 update. Panel members also requested figures to align with the narrative provided in BSWP5-Environmental Sustainability. It was explained that these costings would be shared once finalised, and the Capital Programme for 2024/25 be amended.
 22. **The Rise** – It was confirmed that agents had been commissioned to identify tenants for the remaining vacant units with some tenancy agreements currently in progress. The Council was selective in finding the right quality of tenant. An example was the work recently carried out by the Property team when letting the parks cafes.
 23. **Impact of voids across retail and commercial units** – It was confirmed that the Property team forecasts void property costs as part of budget-setting and that all means available are used to minimise them. Panel members requested further information about the rates due on empty Council-owned properties.
 24. **Waste and recycling services budget breakdown** – Panel members requested a breakdown of the £702k saving in 2022/23, including the costs per tonne of different types of recycling and waste disposal. After the meeting, it was confirmed that the breakdown was included in the report - £320k Higher Garden Waste Income, £240k Lower Waste Disposal Costs (Volumes), £54k Higher Water Container income, £49k Higher Commercial Waste income (volumes) with the remaining variance being smaller offsetting differences on staff and temporary costs.
 25. **Funding of posts through external sources in 2024/25** – Panel members noted this risk, as future funding was not guaranteed.
 26. **Pathway for Care** – It was noted that the value of the preference shares had been impaired in the Council's accounts through application of an Expected Credit Loss Provision for 99% of the value, leaving £11k as the residual risk to the General Fund. It was confirmed that the £3.2 million Commercial Risks Reserve remains available to absorb these costs.
 27. **Horley Business Park LLP** – It was confirmed that the invested sum had been written off in line with the agreed settlement agreement and full provision for the expected credit loss had been made in the Council's accounts.
 28. **Change in IT costs** – It was noted that legacy IT systems brought challenges around systems communicating with each other. Another factor was suppliers with little incentive to improve their systems or reduce charges due to lack of competition.

29. **Gypsies / Travellers** – A need had previously been identified for a Surrey-wide transit site. Surrey County Council would provide the land and local authorities had agreed to contribute to the build costs. The first option for establishing the site in Tandridge had not been successful and the search continued, therefore the budget remains unspent.
30. **Resources and Waste Strategy** – It was confirmed that the new strategy does not lead to any changes in charges for garden waste.
31. **Resources and Waste Strategy** – Panel members asked for confirmation of the weight in tonnes of total recyclable waste and for a breakdown of the estimated 1.0 - 1.5% increase in recycling rates from the additional 5,500 properties where the full service would be rolled out to by 31 March 2026.
32. **Procurement Capacity** – Following a review of the full procurement service, a business case for further capacity for the Procurement team is being developed. It was not yet known whether budget changes for 2024/25 would be required as the business case was still being developed.
33. **Budget for Pay Increases for 2024/25** – It was confirmed that collective bargaining was taking place with the recognised unions, to agree the cost of living pay increase for 2024/25. A final offer had been presented of a flat rate increase of £1,800 consolidated and a £300 non-consolidated increase. This offer was currently subject to ballot with the outcome expected at the start of December. It was confirmed that the budget includes provision for the cost of living increase plus other contractual payments.
34. **New Homes Bonus** – The Panel noted the New Homes Bonus as an uncertainty pending the Settlement Announcement. The draft budget assumes continuation of the current allocation.
35. **Local Council Tax Support Scheme** – Panel members were supportive of the planned approach to increase levels of Council Tax Support funded by changes in Council Tax premiums.
36. **Council Tax on Second Homes** – Panel members asked what action is taken to combat those who do not notify the existence of a second home. It was confirmed that there is a well-resourced team carrying out enquiries and inspections. There were approximately 300 second homes in the borough, so this was not a significant risk.
37. **Capital Programme** – It was explained that Mitchell Court and Sterling House were properties purchased recently by the Council to provide temporary and emergency accommodation. Panel members requested information on the location of these properties.
38. **Affordable Housing Schemes** - Panel members asked for a breakdown of the proposed £30 million investment in the Housing Delivery Strategy. It was explained that proposals would be brought forward for approval as they are identified. The Panel commented that investment in new affordable housing schemes must be utilised wisely based on robust business cases, allowing financial returns to be recycled into further schemes.
39. **Treasury Management** - It was confirmed that the Treasury Management Strategy is based on approved Capital Programme spending plans and forecast financing

Agenda Item 5

- requirement, ensuring that investment decisions are affordable and within approved borrowing limits.
40. **Homelessness Support** – The Panel noted that over 2% of households in the borough are seeking homelessness support. This is a significant percentage and therefore a significant risk.
 41. **Environmental Sustainability** – Panel members suggested that areas for collaborative working with Surrey County Council should be explored in order to share expertise and reduce costs.
 42. **Environmental Policy** – It was noted that no additional resource requirement had been factored into the budget for baselining of potential habitat banks, production of annual biodiversity reports and incorporation of biodiversity into the Council's land and development assets. It was confirmed that no additional resource was needed, and this work would be incorporated in business as usual activities.
 43. **Solar Panel Installation** – It was confirmed that installation of solar PV on temporary and emergency accommodation was being funded by a grant from Surrey County Council of £0.089million.
 44. **Corporate Plan Delivery Fund** – Panel members noted that the Corporate Plan Delivery Fund had only £370k remaining, therefore if significant additional schemes required funding, further sources of funding would need to be identified. It was confirmed that existing schemes funded by the Corporate Plan Delivery Fund were not currently expected to require funding in 2024/25. The balance on the Reserve would be reviewed at year-end.
 45. **EV Charging** – It was confirmed that there was no specific allocation in the current budget for provision of EV charging points in car parks. The Council is part of the East Surrey Parking Project, working with neighbouring boroughs to achieve better outcomes for off-street parking.
 46. **MEES** – It was confirmed that funding to achieve Minimal Energy Efficiency Standard when refurbishing three properties was included in the Capital Budget. It was noted that the MEES requirements were expected to be met out of the existing capital refurbishment budget, rather than having a separate budget allocation.
 47. **Wildflower Planting** – It was confirmed that management plans for greenspaces would be included in the forthcoming Greenspaces Strategy, following engagement with residents.
 48. **Voluntary Sector** – Concerns had been raised by the Panel in the previous year with regard to reductions in grants and funding to the voluntary sector. It was confirmed that there are no reductions to this budget proposed for 2024/25. The £504k Household Support Fund received from Government was being distributed to residents via the voluntary sector. It was noted that the Voluntary and Community Sector Strategy was scheduled for review next year. Panel members requested a further breakdown of the elements of £504k Household Support allocation plus details of the existing £184k budget for Voluntary Sector expenditure.
 49. **Gatwick DCO** – It was confirmed that the Managing Director and Leader, as well as other officers, meet with colleagues from other local authorities impacted by the Gatwick DCO to utilise expertise and capacity across teams and to purchase

Agenda Item 5

external support collaboratively. It is the officers' view that the current budget is sufficient.

Next Steps

50. The Service and Financial Planning 2024/25 Report and supporting documents were circulated as part of the Advance Questions process to Budget Scrutiny Review Panel Members on 10 November 2023.
51. Responses provided by officers to the Panel's Advance Questions were circulated to Panel Members before their meeting on 29 November 2023. A link to the questions and responses was provided to all committee members.
52. The Budget Scrutiny Panel will report back to Overview and Scrutiny Committee on 7 December 2023.
53. The Executive will consider Overview & Scrutiny Committee's report and observations on 14 December 2023.
54. The final Budget and Council Tax proposals are due to be considered by Executive on 1 February 2024 and recommended for approval by Full Council on 20 February 2024.
55. Overview and Scrutiny Committee will meet on 25 January 2023 and Panel Members have requested sight of the final Budget changes for consideration. It is requested that, as far as possible, the additional information requested in the Budget Panel's observations above is made available to the Committee at its January meeting, to help final conclusions to be drawn.

Options

56. Overview & Scrutiny Committee has two Options:
Option 1 – To submit the recommendations and conclusions of the Panel to the Executive, to inform its consideration of the 2024/25 Budget proposals. This is the recommended option as it will reflect the in-depth analysis of the Budget Scrutiny Review Panel and support effective decision making by the Executive.
Option 2 – To not submit the recommendations and conclusions to the Executive. This is not the recommended option as it will not reflect the in-depth analysis of the Budget Scrutiny Panel and will not support effective decision making by the Executive.
57. In addition to the primary options outlined, the Committee may also wish to submit additional observations to the Executive.

Legal Implications

58. There are no direct legal implications arising from the recommendations in this report, but the Council is required to adopt a balanced budget for 2024/25 to meet the requirements of the Local Government Finance Act 1992.

Financial Implications

59. The financial implications are addressed throughout both the Service and Financial Planning 2024/25 report and the Panel's report.

Agenda Item 5

Equalities Implications

60. 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.
61. 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.
62. The Committee, and the Budget Scrutiny Panel, should ensure regard is given to these duties by considering them through the course of its work. This should include considering:
- How budget proposals impact on different groups within the community, particularly those that share the protected characteristics;
 - Whether the impact on particular groups is fair and proportionate;
 - Whether there is equality of access to services and fair representation of all groups within the Borough;
 - Whether any positive opportunities to advance equality of opportunity and/or good relations between people, are being realised.

Communication Implications

63. These are considered in the Service and Financial Planning 2024/25 report.

Environmental Sustainability Implications

64. These are considered in the Service and Financial Planning 2024/25 report.

Risk Management Considerations

65. These are considered in the Service and Financial Planning 2024/25 report.

Human Resources Implications

66. There are no additional communication implications arising from the recommendations in this report. Budget Scrutiny supports effective communication of budget proposals to key stakeholders.

Consultation

Agenda Item 5

67. The Service and Financial Planning 2024/25 report and papers were considered by the Budget Scrutiny Panel at its meeting on 29 November 2023 and the Panel's responses are set out in this report.

Policy Framework

68. **Service and Financial Planning** – the Budget proposals form part of the Council's budget and policy framework. The annual budget is developed to ensure that the Council can deliver both the Corporate Five Year Plan and ongoing services to residents and businesses.

Background Papers

69. Executive Report, *Service & Financial Planning 2024/25*, 16 November 2023 – [Agenda for Executive on Thursday, 16th November, 2023, 7.30 pm | Reigate and Banstead Borough Council \(moderngov.co.uk\)](#)

This page is intentionally left blank

Overview and Scrutiny Committee – 7 December 2023

Draft Minute 49 – Observations on Budget Proposals 2024/25 - Budget Scrutiny Panel Report

Members received the report from the O&S Budget Scrutiny Panel which met on 29 November 2023 to consider the provisional Budget proposals for 2024/25 and to make recommendations to the Executive in line with the Council's budget and policy procedure rules.

Councillor Harrison, Chair of the Budget Scrutiny Panel, summarised the findings from the Panel to the Committee, which were set out in the report to the Committee as an addendum to the agenda pack, and in the recommendations set out in the minutes of the Budget Scrutiny Panel meeting. He drew attention to the following:

- The changes to the Local Council Tax Scheme would be financed by changes to Council tax premiums on empty properties.
- The financial settlement from Government was yet to be published and that the Overview and Scrutiny Committee would have an opportunity to view and comment on any consequential changes to the budget at the Overview and Scrutiny Committee meeting on 25 January 2024, prior to the Executive meeting on 1 February 2024.
- The budget is balanced, but there are uncertainties.
- Proposed savings were not expected to have a significant impact on the scope or quality of service delivery.
- There were concerns regarding inflation.
- The importance of Council's Commercial Strategy to address future budget gaps.

He thanked the Portfolio Holder, the Chief Finance Officer and the Finance team for their report and responses to the advance questions.

Pay award

The Managing Director informed the committee that formal notification had been received from both Trade Unions that the pay offer for 2024/25 had been accepted.

Local Government Finance Settlement

The Chief Finance Officer informed the committee that a Local Government Finance Policy Statement had been received earlier in the week which gave an indication about the parameters around next year's funding for local government and the indication was that there would not be any significant or severe reductions. However, it would not be known how the funding envelope would be shared between the different tiers and types of authorities until later in December.

Members made comments and asked questions on the following areas:

Empty homes

It was confirmed that there were approximately 300 empty and furnished second homes.

The Housing Department has started a 12 month pilot scheme to employ a part time officer to engage with social tenants that are interested in downsizing from family homes, freeing up homes for homeless families.

The officer would assist tenants with all aspects of their move. Six weeks into the project, there were thirty people interested in moving to more appropriate accommodation for them. As more tenants register their interest in moving, tenants can be matched with suitable homes in their own community. Following the one-year pilot project, consideration would be given to continuing to fund that role and potentially increase that resource.

Electric Vehicle charging points

It was confirmed that although there was no specific budget allocation for Electric Vehicle charging points in car parks. However, the Environmental Strategy had both capital and revenue allocations that could be used for schemes brought forward. Additionally, in-year approval of additional budget allocations was always possible for significant proposals.

Unlet commercial units

It was confirmed that terms were being discussed with tenants for the unlet units in The Rise and that unlet units at Wheatley Court were being marketed. Repurposing of vacant units for housing, was regularly considered across the property portfolio.

Housing benefit shortfall

It was confirmed that the shortfall in housing benefit had been an emerging theme over the last 2/3 years caused by a technical anomaly in housing benefit regulations, whereby the obligation to pay housing benefit on certain types of property, such as sheltered accommodation for those with complex needs, lies with the administering authority but has not been fully reimbursed by Government through the housing benefit subsidy. There has been an increasing gap between payments made and subsidies received which Government is aware of. Lobbying from local authorities is underway and a Parliamentary Select Committee has investigated the issue and recommended changes to the regulations.

The Chair identified a further recommendation to Executive on the budget proposals to be to work with other local authorities, and to lobby government, directly and through the Local Government Association. This was agreed by the committee.

Local housing allowance

It was confirmed that there was an issue regarding housing benefit being available only to fund accommodation linked to the Local Housing Allowance which has not increased in line with rents over recent years, resulting in a decreasing number of properties affordable for residents on low income for which they could claim housing benefit. This contributed to the number of families and households on low income having to present as homeless.

RESOLVED that in response to the Service and Financial Planning 2024/25 report and supporting documents to Executive on 16 November 2023, the following observations and Recommendations from the Budget Scrutiny Panel, and approved by the Overview and Scrutiny Committee on 7 December 2023, be submitted for consideration by the Executive, that:

- (i) The national and local policy context (Annex 1) and significant financial uncertainties at this stage in the budget-setting process were noted, along with the associated uncertainties and risks.
- (ii) The service proposals set out in this report which seek to respond to this context and deliver our corporate priorities, be noted.
- (iii) The draft service business plans for 2024/25 to 2026/27 be noted.
- (iv) The Panel tested the explanations in the Budget report for year on year changes in the revenue budget (savings, income and growth) in the context of the actual expenditure for the previous year and current year in respect to the services to be provided.
- (v) The Panel found the Budget proposals to be reasonable and in relation to the budget consultation and subject to the outstanding issues and risks commented on below, the Panel considered the following to be achievable, realistic, and based on sound financial practices:
 - a. Medium Term Financial Plan Forecasts and proposed actions to address the forecast Revenue Budget gap (Annex 2);
 - b. Service Revenue Budget growth proposals totalling £0.943 million, savings of (£1.719) million and additional income of (£0.540) million (Annex 3);
 - c. Continued funding support for Banstead Commons Conservators for a further three years (2024/25 to 2026/27);
 - d. Central Revenue Budget savings and growth proposals totalling (£0.376) million, and £1.75m provision for the 2024/25 pay award (Annex 3);
 - e. Agreement of a new 10 year Section 136 agreement with Horley Town Council;
 - f. Revenue Issues, Risks and Opportunities totalling £0.964 million, to be funded from earmarked Reserves as necessary;
 - g. Revenue Reserve Balances at 1 April 2023 of £35.474 million (Annex 6.1); and
 - h. A forecast balanced Revenue budget for 2024/25, subject to final confirmation of the outstanding items.
- (vi) The Capital Programme Growth proposals totalling £3.175 million (Annex 4) was reviewed. (This is revised down from the original £3.986 million)
- (vii) The Fees & Charges Policy (Annex 5) was noted.
- (viii) The Reserves Policy (Annex 6.2) was noted.
- (ix) The Panel supported the following changes to the Local Council Tax Support Scheme to be adopted from 2024/25:

- a. Removal of the maximum award of 90% Council Tax liability for 1,800 households and increasing the award to 100%;
 - b. Removal of the minimum requirement for a household to qualify for £5 per week before support is provided;
 - c. Expansion of support awards to cover full Council Tax liability for residents in Bands F to H;
- (x) The Panel supported the following changes Council Tax premiums on empty properties to be adopted from 2024/25:
- a. Removal of the empty homes discount of 28-days where a property becomes empty and unfurnished;
 - b. For empty and furnished second homes – charge 200% council tax after the first 12 months; and
 - c. For long-term empty properties – commence charging the 100% premium after 12 months.
- (xi) The Panel noted that the proposals at recommendation (x) would fund the proposals at recommendations at (ix)
- (xii) The Panel noted that assumptions and individual budgets were to be reconsidered following the December Government financial settlement announcement; consequently, the Panel did not draw a final conclusion on the overall Budget proposals for 2024/25. The Panel looks to receive an update on these items in January. Besides Government funding, the principal areas of uncertainty and risk are: homeless support/ temporary accommodation, housing benefit subsidy, recycle income/costs and the Government's proposals for resources and waste; the Harlequin/RAAC, and final confirmation of other grants received.
- (xiii) The changes made in the final Budget 2024/25 proposals to Executive on 1 February will also be an agenda item for discussion at Overview and Scrutiny Committee on 25 January 2024.
- (xiv) The Panel noted that the proposed savings were not expected to have a significant impact on service scope or quality.
- (xv) The Panel expressed concerns about general inflationary pressures in the UK economy – 10% in the previous year and currently 6%, well above the Bank of England 2% target, and suggested this may put further upward pressures on the cost of goods and services and the annual pay award.
- (xvi) The Panel noted that for several years, the Council has been pursuing its Commercial Strategy to help address budget gaps in future years, as Government funding is further reduced. It noted that additional income from The Rise is included in the revenue budget, with potential for further increases when all units are fully let. Furthermore, Government guidance and experience elsewhere means that the Council is cautious about further expansion of

commercial activity. The Panel noted that the Commercial Strategy was now more focussed on generating income through the Council's areas of strength, such as service provision, rather than investment in commercial assets. It was noted that outside of The Rise, there are not yet specific proposals for additional revenue in development for 2025/26 and beyond.

(xvii) The Panel noted that the use of earmarked reserves, to fund housing benefit shortfalls, could only be a one-off action and not a permanent solution.

(xviii) The Panel noted that in the Financial Accounts, a £1.1million provision has been made for credit loss with regard to the investment in Pathway for Care. This would be funded from the Commercial Risks and Volatility Reserve.

With the additional recommendation from Overview and Scrutiny Committee (xix) to work with other local authorities, and to lobby government, directly and through the Local Government Association on the problem of the shortfall of reimbursement of housing benefits.

The Committee thanked the Portfolio Holder and officers for the substantial work in preparing the Budget 2024/25 report and for the written responses to the 82 advance questions from Members.

RESOLVED that Overview & Scrutiny Committee approved the minutes of the Budget Scrutiny Panel meeting held on 29 November 2023.

This page is intentionally left blank



Signed off by	Chief Finance Officer
Author	Tom Borer, Senior Policy Officer
Telephone	Tel: 01737 276717
Email	tom.borer@reigate-banstead.gov.uk
To	Overview and Scrutiny Committee Executive
Date	Thursday, 7 December 2023 Thursday, 14 December 2023
Executive Member	Portfolio Holder for Commercial and Community Assets

Key Decision Required	N
Wards Affected	(All Wards);

Subject	Commercial Strategy Progress Update 2023
----------------	--

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

Agenda Item 6

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

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

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

Overall, progress on delivering actions set out in the Commercial Strategy has been positive, with quantifiable income and savings secured, as detailed in the Annex. Work towards ongoing commitments around securing best value from commercial assets and monitoring the performance of the Council's portfolio has been maintained.

Actions which had previously been delayed are now progressing, including work to expand procurement and contract management skills and resources within the Council.

Some elements of the Commercial Strategy will need to take account of external factors which may influence resource requirements, such as the continued increase in demand for homelessness support and the implementation of the national Resources & Waste Strategy. These elements will continue to be monitored in the coming year.

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

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

Statutory Powers

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

Background

2. In common with most local authorities, the Council faces a combination of significant demand for its services, combined with constrained funding. Consequentially, in order to maximise the benefit it can provide to the Borough and its residents, it is necessary for the Council to be financially efficient and make best use of its resources.
3. The Council's Corporate Plan, Reigate & Banstead 2025, includes the objectives to be a financially self-sustaining council, and to generate additional income and build the organisations financial resilience, in order to sustain services, through responsible and sustainable commercial activities.

Agenda Item 6

4. To support these objectives, the Council has developed a Commercial Strategy. Part 1 of the strategy was approved in November 2020 and set out the context and key guiding principles of the Council's approach and governance. Part 2 was approved in December 2021 and set out the Council's approach to investing in commercial assets and services, funding commercial activity and investment appetite.
5. The guiding principles established in Part 1 of the Commercial Strategy are set out below, and underpin all commercial activity undertaken by the Council.
 - a. Principle 1: Our commercial activity will be ethical, and consistent with the Council's statutory responsibility to promote economic, environmental and social wellbeing in the borough, and our corporate objectives
 - b. Principle 2: Any commercial decisions will be based on a robust assessment of the business case using consistent criteria (to be detailed in Part 2 of this Strategy), and appropriate due diligence and risk assessment.
 - c. Principle 3: Surplus income generated through our commercial activities will be used to ensure the financial sustainability of the Council and continued delivery of services for local people.
6. The Council's overall financial position and information about the wider context in which we operate is provided in quarterly financial performance reports to the Overview & Scrutiny Committee and the Executive and as part of the annual budget setting process, most recently the draft Budget proposals presented to the Executive in November 2023.

Key Information

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

Commercial Strategy Work Areas

13. A procurement transformation programme began in July 2023, as part of work to expand procurement and contract management skills and resources within the Council.

Agenda Item 6

Commercial Assets

14. Improvements to the monitoring and reporting of the performance of the Council's property portfolio have been maintained, with quarterly reports provided to the Partner, Shareholder and Trustee Executive Sub-Committee.
15. The development of The Rise at Marketfield Way achieved practical completion in July 2023. In addition to the additional amenities provided and the benefits for the local economy, this has secured with both revenue income and capital receipts for the Council. A report on the project forms part of the agenda of the December meetings of the Overview and Scrutiny Committee and Executive.
16. Work to optimise the performance of Council assets has continued, with a net budget improvement of £688k secured through a combination of new income sources.

Commercial Services

17. The Council continues to generate income from a number of services for external customers, including revenues, benefits and fraud advice and garden waste.
18. Options for establishing new trading company structures have not been progressed as assessments indicated that these structures were not necessary to support anticipated activities and would increase operating costs.
19. Fees and charges have been updated in line with the Council's Fees and Charges policy, as reported within the Council's budget reports.

Options

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

Legal Implications

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

Financial Implications

23. There are no direct financial implications arising from the recommendations of this report.

Agenda Item 6

24. As identified within the Council's Commercial Strategy and the Key Information above, the Council's ability to operate in a commercially efficient manner, whilst continuing to adhere to its guiding principles and wider obligations, will be a necessary component of the organisation's financial sustainability within current contexts.
25. The progress towards the actions set out in the action plans within the Commercial Strategy helps to support this requirement and the Council's wider work regarding financial sustainability.
26. As identified in the Council's Medium Term Financial Plan and the Key Information above, the Council continues to face a potential budget gap in coming years. Ongoing progress towards the action plans and wider objectives of the Commercial Strategy will therefore continue to be an important component in addressing this potential gap and supporting the Council's long term financial sustainability.

Equalities Implications

27. Under the Equality Act 2010, we have a duty to have due regard to the need to eliminate unlawful discrimination, harassment, victimisation and other prohibited conduct; and advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not share it. This duty applies to all decisions made in the course of exercising the Council's public functions.
28. The recommendations of this report do not have any direct consequences for staff, residents or other service users, including those with protected characteristics. However, the Council's duty to have regard for the equalities implications of its actions is reflected within the guiding principle of the Commercial Strategy for its commercial activity to be ethical, and should be considered throughout the evaluation of any actions regarding commercial assets, services or other activities.
29. Where changes are made to services, or new services are introduced, including changes in provision or pricing, an assessment of equality impact must be undertaken. These serve to identify potential implications of the changes, including those which might affect persons with protected characteristics, and require services to consider how any negative implications can be avoided or mitigated. Where other actions may have similar implications, they will also need to be supported by equality impact assessments.
30. Where the Council is able to operate effectively and support its financial sustainability through commercial activities, this can also potentially provide additional resources to help address existing challenges facing the borough and its residents, including those relating to equality and persons with protected characteristics.

Communication Implications

31. The recommendations of this report do not have any direct consequences for staff, residents or other service users, including those with protected characteristics. However, the Council's duty to have regard for the equalities implications of its actions is reflected within the guiding principle of the Commercial Strategy for its commercial activity to be ethical, and should be considered throughout the evaluation of any actions regarding commercial assets, services or other activities.

Agenda Item 6

32. Where changes are made to services, or new services are introduced, including changes in provision or pricing, an assessment of equality impact must be undertaken. These serve to identify potential implications of the changes, including those which might affect persons with protected characteristics, and require services to consider how any negative implications can be avoided or mitigated. Where other actions may have similar implications, they will also need to be supported by equality impact assessments.
33. Where the Council is able to operate effectively and support its financial sustainability through commercial activities, this can also potentially provide additional resources to help address existing challenges facing the borough and its residents, including those relating to equality and persons with protected characteristics.

Environmental Sustainability Implications

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

Risk Management Considerations

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

Agenda Item 6

39. Where the Council is able to operate effectively and support its financial sustainability through commercial activities, this can also potentially provide additional resources to help address existing challenges facing the borough and its residents, including those relating to equality and persons with protected characteristics.

Procurement/Contract Management and Subsidy Considerations

40. There are no direct legal implications arising from the recommendations of this report.
41. As identified within the Commercial Strategy, appropriate governance of commercial activities requires that any procurement matters are appropriately considered and reviewed and consistent with the requirements of Public Procurement legislation. Considerations regarding procurement, contract management and subsidy matters will be reflected within the decision making process for individual projects.

Consultation

42. Any observations from the Overview and Scrutiny Committee at its meeting of 7 December 2023 will be reported to the Executive by way of addendum or verbal update.

Policy Framework

43. The Commercial Strategy is consistent with the Council's Corporate Plan for the period 2020 to 2025.
44. Maintaining the Council's financial sustainability through effective cost management and securing best value for use of assets and resources continues to be an important consideration in delivering on the Council's Corporate Plan objectives.

Background Powers

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

This page is intentionally left blank



Commercial Strategy: Progress report

December 2023

Contents

- Introduction.....3
- Guiding principles and our overall approach to commercial activity.....3
- Commercial Strategy Part 1 Progress Report4
- Commercial Strategy Part 2 Progress Report9
- Commercial Assets.....10
- Commercial Services.....17
- Summary of the Council’s current investment appetite (2022/23 update).....20

Introduction

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

Part 1 of the Council's Commercial Strategy was agreed in November 2020, and Part 2 was agreed in December 2021. Both documents are available to download from the Council's website at [Associated strategies | Reigate & Banstead 2025 | Reigate and Banstead \(reigate-banstead.gov.uk\)](https://www.reigate-banstead.gov.uk). As part of the Commercial Strategy Part 2, it was agreed that an annual report on the Council's commercial activities and companies would be provided to the Council's Overview & Scrutiny Committee and the Commercial Ventures Executive Sub-Committee. This report serves that purpose for 2023.

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

Guiding principles and our overall approach to commercial activity

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

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

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

- **Principle 1:** Our commercial activity will be ethical, and consistent with the Council's statutory responsibility to promote economic, environmental and social wellbeing in the borough, and our corporate objectives
- **Principle 2:** Any commercial decisions will be based on a robust assessment of the business case using consistent criteria (to be detailed in Part 2 of this Strategy), and appropriate due diligence and risk assessment
- **Principle 3:** Surplus income generated through our commercial activities will be used to ensure the financial sustainability of the Council and continued delivery of services for local people.

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

Operational Context

Since the Commercial Strategy was written, the context in which the Council operates has changed.

In preceding years, local authorities had been granted general powers of competence, enabling them to participate in commercial activities in ways which had not previously been possible. With many councils already facing financial challenges, these commercial activities offered a potential source of additional funding to help secure their services. In combination with loan funding available from the national Public Works Loan Board (PWLB), numerous authorities therefore utilised these powers to make commercial investments, sometimes of considerable scale.

However, despite the appeal of using commercial activities to generate this additional income, the uncertain nature of such investments, combined in some cases with ambitions exceeding institutional experience and capacity, led to a sizable proportion of those investments becoming loss making. With many of these commercial investments funded through borrowing, this in turn led to multiple local authorities facing major liabilities which further threatened their financial sustainability. In response to these events, national guidance from the PWLB and the Chartered Institute of Public Finance and Accountancy (CIPFA) and HM Treasury was revised to effectively prohibit local authorities from borrowing for primarily commercial investment purposes.

The new guidance from CIPFA, in the form of the Prudential Code introduced in 2023/24, stipulates that investments by local authorities should not include borrowing for financial yield as their primary purpose, and that investments and risks should be proportional to the authority's net budget. It does however continue to be recognised that commercial and income generating elements may form part of activities such as regeneration, and that there remain a number of options for local authorities to invest in measures such as investing to save, delivering local benefits such as affordable housing, or investing using existing resources and assets.

For this Council, consideration of commercial matters is now primarily taking place within the context of the wider Financial Sustainability Programme, in line with the Council's Medium Term Financial Plan and annual budget setting process. The Financial Sustainability Programme shares many of the key concerns of the Commercial Strategy, with a focus on four key areas of Income Generation, Use of Assets, Prioritisation of Resources, and Achieving Value for Money. These align with the objectives of the Commercial Strategy, but also consider financial sustainability from a broader, more complete, perspective.

It should therefore be apparent that many of those matters identified within the Commercial Strategy remain relevant. There continues to be a need to effectively manage the Council's property assets, to review opportunities for place delivery and regeneration to benefit the borough, and for income generating activities and services more generally to operate in a financially efficient manner. This is reflected through actions such as optimising fees and charges, and managing property assets to minimise voids.

With the identified change in focus, activity through company structures is now also of declining importance to the Council. The Council has a number of existing interests in companies, but is currently pursuing a strategy of exiting from such investments, as has been reported to the Partner, Shareholder and Trustee Executive Sub-Committee.

In considering this report, readers should therefore be aware of these contextual factors. It remains important for the Council to operate in a financially efficient manner, including with regard to effective management of assets, investments, and income generating services, and progress on the agreed Commercial Strategy continues to be reported on this basis. There should, however, also be awareness of the change in operational context and the move towards focussing on commercial activities as a part of the broader approach that is the Council's Financial Sustainability Programme, in accordance with national guidance.

Commercial Strategy Part 1 Progress Report

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

Commercial Strategy Work Areas

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

Activity	Timeframe	Progress update
Implement review of fees and charges and update policy	2020/21	Action superseded: see more detailed progress update under Part 2 (Commercial Services Priority 2).
Implement updated fees and charges policy	Q1 2021	Fees and charges policy is reviewed and updated annually and presented to the Executive for their agreement each year.
Continue to explore opportunities to maximise income from selling our Revenues, Benefits and Fraud services	By Q1 2021	Action superseded: See detailed progress update under Part 2 (Commercial Services Priority 1)
Explore other opportunities for income generation	Q2 2021 onwards	Action superseded: See detailed progress update under Part 2 (Commercial Services Priority 1)
Expand procurement and contract management skills and resources within the Council	2020/21	<p>A Procurement Transformation Programme began in July 2023. Progress to date includes:</p> <ul style="list-style-type: none"> • Procurement Consultant in role • Procurement Pipeline developed • Contract register developed • Analysis of historic spend complete • Procurement categories and owners identified • Category owner meeting scheduled for November 2023 as part of key stakeholder engagement • Procurement Board inaugural meeting scheduled for December 2023 • Outsourcing agreement concluded • Proposals for in-house delivery developed. • Procurement ownership moved from Legal to Finance • Procurement & Contract Management Principal role agreed, with recruitment process underway.

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

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

Work area 3: Developing a commercial culture

Activity	Timeframe	Progress update
<p>Transformation work and appropriate recruitment: Review additional necessary steps following roll-out of the Revenues, Benefits & Fraud investigation services</p>	<p>Q2 2021</p>	<p>Specialist external expertise continues to be drawn upon where appropriate to ensure that the Council takes a robust approach to activity associated with delivery of the Commercial Strategy.</p> <p>Activities that deliver commercial benefits are progressed by existing Council service areas and are overseen by officer Boards and the Financial Sustainability Programme rather than through a dedicated commercial resource within the organisation.</p> <p>Counter fraud services are now in place with several local authorities within Surrey. Opportunities with a private sector company (NEC) continue to be discussed and rolled out nationally. Future work also includes structured marketing and promotion of services. As well as counter fraud services, we also provide debt recovery and inspections to other LAs and housing providers.</p>

Work area 4: Governance and decision-making

Activity	Timeframe	Progress update
<p>Implement effective company holding structure for planned and current activities</p>	<p>2020/21</p>	<p>After initial investigatory work, it was concluded that a holding structure was not required.</p>
<p>Annual approval of business plans for Council subsidiaries, and training to ensure business plans are robust and well considered</p>	<p>2021</p>	<p>Company progress and priorities are provided via twice-yearly Companies Update reports to the Overview & Scrutiny Committee and the Partner, Shareholder and Trustee Sub-Committee.</p>

Commercial Strategy Part 2 Progress Report

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

It should be noted that since the Commercial Strategy Part 2 was agreed by the Executive in December 2021, the Council has also implemented its Financial Sustainability Programme, which overlaps with some elements of the Council's commercial activity.

Quarterly updates on the Financial Sustainability Programme are provided to the Council's Overview & Scrutiny and Executive Committees.

Commercial Assets

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

Task	Responsibility (timeframe)	Outcome	Progress
Undertake a deep dive into our current portfolio and develop a reporting template	Property (2021/22)	Robust understanding of asset portfolio and performance	A full review of the Council’s property portfolio has been undertaken since the Commercial Strategy was agreed. This has comprised a detailed assessment of both budgets and asset performance. A reporting template has been developed.
Introduce quarterly reporting to CVESC on asset and portfolio performance	Property (2022/23 onwards)	Ongoing and up to date understanding of asset portfolio and performance	<p>Quarterly reports on the Council’s property portfolio and the performance of Council-owned property assets are now provided to the Partner, Shareholder and Trustee Executive Sub-Committee (renamed from the Commercial Ventures Executive Sub-Committee).</p> <p>These quarterly reports provide the sub-committee with information on properties held, yields and valuations, occupancy levels, and market conditions. Those also provide information on environmental sustainability of properties, and any notable market issues or poorly performing properties.</p> <p>The potential for rapidly changing market conditions means that formal reports can only be a snapshot of a ‘point in time’ and are supplemented by ongoing monitoring by the Council’s property team.</p>

56

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

57

Task	Responsibility (timeframe)	Outcome	Progress
Continue activity to re-let vacant floorspace and minimise the cost to the Council from void space	Property (2021/22)	Reduced costs to Council and increased income	<p>Work to monitor and prevent void properties has been continuing. As identified last year, a number of long-term voids have now been filled and relationships with existing tenants have been maintained to minimise new vacancies.</p> <p>There are a small proportion of new voids and related costs, however, these are offset by new income, including from The Rise development. The net effect of these factors on the budget for 2024/25 is therefore an improvement of £700k.</p>
Focus on the worst-performing assets in our portfolio to improve their commercial return (e.g. via upgrades, repurposing, redevelopment or disposal)	Property (2022/23 -2023/24)	Reduced costs to the Council and increased income or capital receipt	<p>Work was undertaken to review leases for café leases in the Council’s parks, and additional income of £100k is now projected for 2024/25.</p> <p>Work to monitor and explore optimal management and leasing arrangements for the Council’s lower value assets is continuing.</p>
As leases expire, implement upgrades to key investment assets to ensure they remain attractive to potential tenants	Property (Ongoing)	Maintenance of a reliable income stream from investment assets	<p>Work is underway to develop proposals for one commercial office building within the Council’s portfolio following departure of the tenant, with proposals being developed for Member consideration.</p> <p>Maintenance budgets and requirements have been reviewed to ensure that they remain appropriate, and have been captured within the revenue budget and capital programme.</p>

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

58

Task	Responsibility (timeframe)	Outcome	Progress
Conclude development of Marketfield Way, Cromwell Road and Lee Street	Place Delivery (2021/22-2022/23)	Project place-shaping objectives achieved	<p>Marketfield Way (now known as The Rise): Practical completion was achieved in July 2023. The residential element has now been sold, releasing the final capital receipt for the Council, less retention. An expanded update on the Marketfield Way project is provided as a parallel report to the December meetings of the Overview & Scrutiny Committee and Executive.</p> <p>Cromwell Road (now known as Wheatley Court): Development concluded following practical completion in February 2022. Management and maintenance contracts have been agreed with a social housing provider, and the units have been let and occupied as of December 2022.</p> <p>Lee Street: Development concluded with practical completion in August 2022. All properties are now let.</p>
Continue marketing of units at Marketfield Way and Cromwell Road	Property (2021/22-2022/23)	Direct income streams secured	<p>Marketfield Way (now known as The Rise): The Council has let circa 75% of the commercial floorspace to date. Three commercial units remain to be let – Units 5, 6 and 8. The Council has a good level of interest in the remaining units and negotiations are underway with a variety of tenants.</p> <p>Cromwell Road (now known as Wheatley Court): Ground floor commercial units have not currently been let and will continue to be marketed.</p> <p>Revenue income: The 2024/25 budget proposals and MTFP include forecasts for income from newly-constructed commercial units at The Rise (Marketfield Way) development. These are based on an assessment of the level of rental income net of landlord overheads and handover expenses. Forecasts will be updated in future budget and MTFP reports as the remaining units at the development are handed over and tenancies are signed.</p>

Task	Responsibility (timeframe)	Outcome	Progress
			<p>Forecasts for other commercial projects, including the vacant commercial units at Wheatley Court (Cromwell Road), will be included when individual business cases have been approved and delivery timescales are confirmed.</p> <p>Capital receipts: In addition to revenue income receipts, the Council receives capital receipts from its development activity. The delivery of major schemes, particularly the Marketfield Way (The Rise) development, constitute the main source of capital receipts within the Council's capital programme.</p>
<p>Establish housing company as a mechanism to generate income from residential letting activity</p>	<p>Housing (2021/22)</p>	<p>Income stream secured via payment of dividends from company to Council</p>	<p>Initial work was undertaken in 2022 to investigate the opportunity to establish a housing company, however this is no longer being pursued as it did not present a viable solution.</p>
<p>Complete Horley Car Park feasibility work and progress to planning then development</p>	<p>Place Delivery, Property, Housing (2021/22-2022/23)</p>	<p>Place-shaping objectives and contribution to rolling project pipeline</p>	<p>Following initial feasibility work, this project is currently paused, and will be re-visited at an appropriate time.</p>
<p>Identify other pipeline projects for existing but underused assets</p>	<p>Property, Place Delivery, Housing, Greenspaces, Car Parking, Other services as required (2021/22-</p>	<p>Contribution to a rolling pipeline of projects to deliver a combination of corporate objectives,</p>	<p>Council property assets are subject to ongoing review for development or redevelopment opportunities, particularly with regard to underutilised assets.</p> <p>A site prioritisation matrix has been developed and a range of assets have been subject to detailed review, including agricultural and amenity sites. Further reviews will be taking place of other asset types, and viability assessments will be conducted as required.</p>

Task	Responsibility (timeframe)	Outcome	Progress
	2022/23 and ongoing)	reduced costs to the council, income generation and capital receipts	Consideration of a broad development framework is being undertaken, with early stages regarding the contents, parameters and roles of the framework underway.

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

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

60

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

Task	Responsibility (timeframe)	Outcome	Progress
Investigate opportunities to invest in emergency and temporary housing solutions, or other housing products to meet local needs	Housing, Property (from 2022/23 onwards)	Reduced housing revenue costs to the Council, contribution to wider housing objectives Direct or indirect income stream(s)	Proposals agreed by the Executive in October 2022, March 2023 and September 2023 to purchase temporary and emergency accommodation for homeless single people and families in the borough, helping to avoid/reduce the cost to the Council of expensive emergency accommodation placement in the private sector. The revenue budget impact of the proposal will depend on the pace of change in homelessness demand.

61

Task	Responsibility (timeframe)	Outcome	Progress
Investigate opportunities to invest in social or economic regeneration in the borough	Property, Place Delivery (from 2022/23 onwards)	Direct or indirect income stream(s) or capital receipts, contribution to wider regeneration objectives	See priority 3. Work is ongoing to review potentially underutilised assets in the Council's ownership to inform development of a future pipeline and development approach. Work to investigate opportunities to invest in the social or economic regeneration of the borough will be conducted in accordance with the adopted Local Plan.
Investigate opportunities to invest in renewable energy solutions	Sustainability, Property (from 2022/23 onwards)	Reduced energy revenue costs to the Council, contribution to wider sustainability objectives	<p>Following the commissioning of energy audits last year, £434,000 funding has been secured via strategic CIL for solar PV (to generate renewable energy) across 9 council buildings. This will both reduce the Council's carbon emission and spending on our energy bills.</p> <p>The first property to be fitted with solar panels will be Priory Park Pavilion, Reigate, for which planning permission has been secured. In addition to these buildings, £89,000 funding has also been secured from Surrey County Council to install solar panels on temporary and emergency accommodation being purchased by the Council, which will also result in some small-scale cost savings for the council.</p> <p>In the longer term it remains the intention to explore more ambitious / innovative opportunities for renewable energy generation from Council-owned assets.</p>
Identify land assembly opportunities to enable the delivery of corporate objectives and pursue accordingly	Property, Planning, Place Delivery (from 2022/23 onwards)	Land acquired to enable the future delivery of other corporate objectives	Opportunities continue to be explored in relation to land assembly to deliver corporate and local plan objectives. Opportunities will be reported as they arise in the manner described in the Strategy.

Commercial Services

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

Task	Responsibility (timeframe)	Outcome	Progress
Explore options to expand and consolidate the Council's Revenues, Benefits and Fraud income generating activity, including potential to establish a trading company	Revenues, Benefits & Fraud (2021/22-2022/23)	Generation of increased income stream	The team continues to provide services for a broad range of third party organisations and to be recognised for its high quality work and successful outcomes. A company structure is not currently considered necessary and would increase operating costs, and is therefore not being pursued at this time.
Explore options to expand and consolidate the Council's Garden Waste customer base	Neighbourhood Operations (2021/22-2022/23)	Generation of increased income stream	The service has grown by approximately 1000 memberships within 2023/24 to date.
Establish housing company as a mechanism for the Council to generate income from residential letting activity	Housing (2021/22)	Income stream secured via payment of dividends and loan premium from company to Council	Initial work was undertaken in 2022 to investigate the opportunity to establish a housing company, however this is no longer being pursued as it did not present a viable solution.

63

Task	Responsibility (timeframe)	Outcome	Progress
<p>Explore new commercial trading opportunities arising from the implementation of the Government's Waste & Resources Strategy</p>	<p>Neighbourhood Operations (2022/23 onwards)</p>	<p>Potential to secure a revenue stream to either mitigate against service provision cost increases or to generate income</p>	<p>Information on the future implementation of the national Waste & Resources strategy was announced on 20 October 2023, renamed t the Resources & Waste Strategy. National consultations on the announced implementation will be completed prior to confirmation of final details.</p> <p>The announcements made do not indicate significant potential for new commercial trading opportunities to emerge as a result of the strategy's implementation, but will continue to be monitored.</p> <p>Although not related to the commercial aspect, there are significant implications for the waste and recycling team, with the roll-out of additional recycling services to 5500 properties by March 2026. This will impose an additional resource requirement. Consideration is also being given to the viability of rolling-out a full service to existing customers by May 2025, which will again require supporting resources.</p>
<p>Consider other service areas where there may be potential to introduce trading activity</p>	<p>Various (Ongoing)</p>	<p>Potential to generate income to cover costs or introduce new income streams</p>	<p>No additional areas for trading activity are currently being pursued, however reviews are ongoing, overseen by the Financial Sustainability Programme, across service areas about the potential for sharing service delivery with other public sector partners.</p>

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

65

Task	Responsibility (timeframe)	Outcome	Progress
<p>Assess all fees and charges for compliance with the Fees & Charges Policy and maintain rolling review to ensure continued alignment and amend charging models to increase receipts where this can be justified.</p>	<p>Various (Ongoing)</p>	<p>Costs for non-statutory service provision covered by relevant fees and charges as far as possible</p>	<p>A detailed review of fees and charges was undertaken as part of the 2023/24 budget setting process. This review identified £1.186m in revenue budget improvements through a combination of increased income and ‘right-sizing’ of existing budgets. Fees and charges have also been reviewed within the 2024/25 budget setting process, and further additional income of £0.540m is anticipated, although the annual budget remains at a draft stage at the time of writing. Recent increases in fees and charges have been undertaken in line with the Council’s Fees & Charges Policy to reflect the increase in the cost of delivering services in recent years, influenced by high levels of inflation. With inflation now falling, increases to fees and charges income in future are likely be smaller in future years.</p>
<p>Introduce enhanced charging in relation to pre-application advice</p>	<p>Planning (2022/23)</p>	<p>Costs for non-statutory service provision covered by relevant fees and charges</p>	<p>Enhanced pre-application advice charges were introduced in 2023/24, with budgeted additional income of approximately £18k per year for the Council. Pre-application charges have also been reviewed as part of the 2024/25 budget setting process, with increases anticipated in line with inflationary pressures.</p>
<p>Continue to explore opportunities for the introduction of new fees and charges</p>	<p>Various (Ongoing)</p>	<p>Costs for non-statutory service provision covered by relevant fees and charges as far as possible</p>	<p>New street naming and numbering charges were introduced in 2023/24, with budgeted additional income of approximately £39k per year for the Council. A further £3k is expected for 2024/25. Further options for introduction of reasonable additional fees and charges for non-statutory services are continuing to be monitored. Where proposals are developed, additional income forecasts will be included within annual budget proposals.</p>

Summary of the Council's current investment appetite (2023/24 update)

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

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

Overview and Scrutiny Committee – 7 December 2023

Draft Minute 50 – Commercial Strategy Progress Update 2023

Councillor Andrew King, Portfolio holder for Commercial and Community Assets, introduced the second annual update on the Council's Commercial Strategy.

Part one of the Commercial Strategy was agreed in November 2020 and part two in December 2021. As set out in the Commercial Strategy, all the Council's commercial activity is guided by three principles, first, that it is ethical and meets the Council's statutory responsibilities; secondly, commercial decisions will be robust, consistent and supported by due diligence; and third, that income will be used to support financial sustainability and services for residents.

Within this year's report is an overview of the changing context in which the Council operates and its influence on commercial activities. As the overview identifies, national guidance and controls on commercial activity by local authorities, now more closely steer the available investment approaches. As a result, there is an increased emphasis on ensuring that investment and commercial activities should directly serve the Council's role in benefiting their local areas.

For this Council, this renewed emphasis aligns with its wider objectives and principles. As set out in the report, consideration of commercial matters is now primarily taking place within the context of the Council's Financial Sustainability Programme, updates on which are provided as part of the quarterly reporting to this Committee and the Executive.

The goals within the Commercial Strategy of effective management of assets and investments, operating in a financially efficient manner, and reviewing opportunities for investment to benefit the Borough, remain relevant, but there should also be awareness of this change in operational context and the move towards focusing on commercial activities as part of the broader approach that is the Council's Financial Sustainability Programme.

In terms of this year's activity, the Council's commercial activity can be broken down into two main areas - commercial assets and commercial services.

Progress this year has continued to be positive, with achievements, including

- The completion of The Rise development at Marketfield Way, with more information provided in the parallel report to the committee.
- A contribution of an additional £700k towards the revenue budget from Council property assets and
- Additional income of nearly £540k from planned updates to fees and charges.

Work is also continuing on other elements, with improvements now made on property reporting, a review of potentially underutilised assets underway, and consideration being given to a framework for future development activities. There is also note of the approval of acquisition of additional temporary and emergency accommodation, which will both improve the service the Council can offer and reduce the costs associated with relying on external provision.

As identified in the previous annual report, there has been a move away from the use of company structures to support commercial activities, with potential company structures around housing activity and revenues and benefit work no longer viewed as required. More information on existing companies is available in the Winter 2023

Companies Performance Update. Work on improvements to contract management procurement are also continuing with more information provided in an annex to Q2 Internal Audit Progress report, also being considered by the Audit Committee.

The Council will continue to work towards effective delivery of commercial matters in the coming year, and commercial and investment activity will form an important thread within the Council's Financial Sustainability Programme.

The Portfolio holder for Commercial and Community Assets, invited Members to ask questions and comment on the Commercial Strategy Progress Update Report 2023 provided in the agenda pack.

In response to the questions raised, the following clarifications were provided:

Commercial Assets

The net budget improvement of £688,000 was from a mixture of assets, including The Rise, and further lettings from the park cafes, as well as the increase in fees and charges. The information had been included in the budget report and would be recirculated.

RESOLVED that Overview & Scrutiny Committee:

Noted the Commercial Strategy Annual Progress Report at Annex 1. There were no observations made to the Executive.

Agenda Item 7



Signed off by	Chief Finance Officer
Author	Daniel Jones, Property Services Manager
Telephone	Tel: 01737276872
Email	daniel.jones@reigate-banstead.gov.uk
To	Executive
Date	Thursday, 14 December 2023
Executive Member	Portfolio Holder for Commercial and Community Assets

Key Decision Required	Y
Wards Affected	All Wards

Subject	Procurement of General Building Works (Planned Preventative Maintenance) and Capital Building Works Contracts
----------------	---

Recommendations	
(i)	The award of a three year contract to Bennetts Builders Limited as the provider of general building works (planned preventative maintenance) from 1 March 2023 to 31 February 2026, as set out in the exempt report in Part 2 of this agenda.
(ii)	The award of a three year contract to SW Nichols Limited as the provider of capital building works from 1 March 2023 to 31 February 2026, as set out in the exempt report in Part 2 of this agenda.

Reasons for Recommendations	
<p>The Council has previously approved budgets for building works to ensure that assets are maintained in good condition.</p> <p>Procuring building works contracts ensures that the Council achieves value for money when spending these budgets on various elements of repair, maintenance and other work required to Council-owned buildings and sites.</p> <p>The general building works contract is required to replace a previous contract, with revised requirements to reflect changes in the property portfolio.</p>	

Agenda Item 7

In addition, procurement of the new capital building works contract will enable the Council to be more agile in carrying out minor capital works to enable the letting of commercial property. This will assist in minimising void periods and maintaining commercial income streams. It will also enable preparation of newly-acquired housing property for occupation more quickly.

Cost rates for the distinct types of work specified in the contracts have been minimised through open competition and are fixed for the duration of the contracts, which are both for three years with the option of extending for two additional one-year periods.

Executive Summary

As a result of changes to the Council's property portfolio and changes to service requirements, the Council needs to procure new building works contracts for both general building maintenance and repairs and capital building works. Expenditure under both contracts will be funded from existing approved budgets.

Both contracts will provide cost certainty for the 3-5 year contract term, based on competitive rates secured through an open market bidding process.

The contracts will assist in ensuring that the property portfolio is maintained in good condition and is carrying out minor capital works that are required to facilitate new lettings or retention of existing tenants.

Executive has authority to approve the above recommendations

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.
2. Section 1 of the Local Government (Contracts) Act 1997 gives local authorities the power to enter into contracts in connection with the discharge of its functions.

Background

3. As a result of changes to the Council's property portfolio, changes to service requirements and to ensure best value, the Council has to procure two new building works contracts.
4. One of these contracts will cover day-to-day general planned preventative building maintenance and repair work, funded from the revenue budget, and the other will cover capital building works funded from the approved capital programme.
5. The contracts will both be let for an initial 3-year period with options for the Council to extend the terms each contract for two additional one-year periods.
6. Executive approval is required for these contracts in accordance with the financial thresholds set out in the Council's Contract Procedure Rules.

Key Information

Property Portfolio Changes

7. The Council's Housing team has recently been acquiring additional residential property to assist in the provision of temporary accommodation instead of using bed & breakfast accommodation.
8. Responsibility for the maintenance of housing properties has recently transferred to the Property team and it is now necessary to include these within the remit of the general building works contract and to make provision for minor capital works that are required to prepare the properties for occupation and to improve the environmental sustainability of the properties.
9. In addition, the remit of the general building work contract has also been revised to include those of the Council's commercial properties for which the Council, rather than the tenant, has direct maintenance responsibility, albeit the costs of these works are recoverable through service charge arrangements when occupied.

Changes to Service Requirements

10. The commercial element of the property portfolio continues to provide a significant income stream for the Council but the market remains highly competitive in terms of attracting tenants to vacant property.
11. The Council, as a commercial property owner, increasingly needs to carry out works to prepare vacant property for the market in order to attract tenants and/or to carry out alterations to meet new or existing tenant requirements, which can include improvements to the environmental sustainability credentials of properties.
12. The works required are often capital works that are outside of the remit of the general building works contract and therefore need to be procured separately.
13. In order to minimise void periods and to attract tenants in a competitive marketplace, Property Services has therefore procured a Capital Building Works contract, which will allow them to be flexible and agile in carrying out capital works.

Options

Option 1: To accept the recommendations of this report and approve the award of both contracts.

This is the recommended option, as it will enable the Council to efficiently carry out repairs, maintenance and other building works to its operational and commercial portfolio at fixed competitive rates that have been secured as part of an open competition bidding process.

Option 2: To partially accept the recommendations of this report and approve the award of one or other of the contracts.

This option is not recommended, as it will require individual procurement of each piece of work that would have been covered by the contract that is rejected. This is not only inefficient in terms of officer time but may cause delays in carrying out works and is likely to result in higher total costs over the contract period.

Agenda Item 7

Option 3: To reject the recommendations of this report and not award either contract.

This option is not recommended for the same reasons as set out under Option 2.

Legal Implications

14. The contract documents to be used are construction industry standard "JCT Measured Term Contracts." External solicitors are instructed and the contracts will be completed following receipt of Executive authority, subject to call-in requirements.

Financial Implications

15. The financial implications of the contracts are set out in the exempt report at Part 2 of this agenda.
16. The costs will be funded within the service's approved capital programme and revenue budgets.

Equalities Implications

17. There are no direct equalities implications arising from this report.

Communication Implications

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

Environmental Sustainability Implications

19. The work undertaken by these contractors will contribute to increasing the environmental sustainability of our buildings by use of energy efficient materials in repairs and improvement works and energy efficient replacements for existing plant and equipment.
20. The tender evaluation process considered bidders' specific proposals as to how they would improve the carbon footprint of our property portfolio and information as to how they operated their businesses to minimise the impact on the environment.

Bennetts Builders Limited

How they will improve the carbon footprint of RBBC's portfolio

21. Bennetts Builders confirmed that they are committed to helping the Council achieve their carbon neutrality target of net zero carbon by 2030.
22. When undertaking work they will:
 - Report additional work that is required;
 - Rectify minor urgent issues such as leaks or critical damage;
 - Suggest measures that will reduce the environmental impact of the Council's buildings;
 - Select or recommend energy efficient materials and fittings;

- Ensure a quick response time to water leakage jobs. Their current KPI actual is a 30 minute average from instruction to arrival on site;
- Where applicable, install key safes to minimise the need for additional journeys to collect keys from the Town Hall.

How they will run their business to ensure they minimise the impact on the environment

23. Bennetts Builders have reviewed the applicability of ISO14001 for their business and have concluded that a formal system is not warranted due to the size and nature of the company. However, they have taken steps to manage their environmental impact by measuring the carbon footprint of their operations, the waste produced, and by undertaking staff training.
24. The company has an environmental policy which sets out their objectives which include reaching their own net zero carbon target by 2030.
25. Specific measures to minimise environmental impact include:
 - Use of locally sourced products;
 - Use of vehicle tracking to maximise efficiency and reduce journey times when allocating work.
 - Compliance with Euro 6 fleet emission standards, and requiring the same compliance by sub-contractors, with a target to move to an electric fleet in 2029;
 - A recruitment strategy focused on employing operatives who live locally to their headquarters in Crawley. This reduces commuting times and facilitates shared journeys and en route colleague collections.
 - Waste management measures that maximise recycling, achieving 90% recycling of waste from Reigate and Banstead Borough Council work under the previous contract.

SW Nicholls Limited

How they will improve the carbon footprint of RBBC's portfolio

26. SW Nicholls confirmed that they are actively working towards net zero by 2030. Their response focussed on measures other than direct property improvements that they take as a company at no cost to the client.
27. They stated that one of the greatest carbon costs in building works is wastage due to over ordering and bad storage. Therefore they ensure that materials that are bulk ordered are stored in their own storage facilities according to Manufacturer's instructions and that they use a stock rotation process.
28. Their supply chain selection also considers transportation type and distance to reduce environmental impact and by extension the carbon footprint of the works being undertaken.
29. While working in a property, heat wastage will be minimised by keeping doors and window closed. Water wastage will be minimised by not leaving taps running.
30. Finally, waste generated during works will be limited by 'waste streaming' measures to ensure that as much the waste as possible is recovered and reused.

Agenda Item 7

How they will run their business to ensure they minimise the impact on the environment

31. SW Nicholls Ltd operate an Environmental Management System based on the requirements of the ISO14001. They have developed management control systems to limit their impact to our surrounding environment based on an environmental 'black box' assessment to identify, quantify, reduce and manage pollution streams.
32. The company's 5-year business plan includes targets and improvements such as reduction in materials to land fill, separating recyclable materials and sourcing electric vehicles when replacements are required.
33. Finally, they have invested in environmental awareness and task specific training to ensure that managers, supervisors, and operatives are equipped and committed to deliver their environmental vision.

Risk Management Considerations

34. The risks associated with these procurements are set out in the exempt report in part 2 of the agenda.

Procurement/Contract Management and Subsidy Considerations

35. The Council's Contract Procedure Rules set out how contracts must be procured.
36. Contracts for Works with a value between £181,302 and £4,551,413 must be procured by tender with a minimum of four invited suppliers or by open competition in the UK.
37. Both of the above contracts were procured by open competition.

Consultation

38. The Portfoliholder for Commercial & Community Assets has been consulted on the recommendations in this report.

Policy Framework

39. Procurement of these contracts will contribute towards several Corporate Plan objectives.
40. Procuring building works contracts will ensure that we are achieving value for money, in accordance with our financial efficiency objective, and will assist us in meeting our objective to invest in our operational assets to ensure they remain fit for purpose.
41. The contracts may also facilitate in the delivery of minor works that contribute towards then environmental sustainability objectives in respect of our portfolio.
42. In addition, procurement of the Capital Building Works contract enables us to be more agile in carrying out minor capital works that may be required to enable the letting of a commercial property. This will assist us in maintaining an income stream that contributes towards the Council's financial sustainability objectives.

Background Papers

Agenda Item 7

None

This page is intentionally left blank

Agenda Item 8



Signed off by	Chief Finance Officer, Head of Corporate Policy, Projects and Performance
Author	David Brown, Finance Manager Luke Harvey, Project & Performance Team Leader Pat Main, Chief Finance Officer
Telephone	Tel: 01737 276519 Tel: 01737 276063
Email	David.Brown@reigate-banstead.gov.uk, Luke.Harvey@reigate-banstead.gov.uk, Pat.Main@reigate-banstead.gov.uk
To	Overview and Scrutiny Committee Executive
Date	Overview and Scrutiny Committee: Thursday, 7 December 2023 Executive: Thursday, 16 November 2023
Executive Member	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation, Portfolio Holder for Corporate Policy and Resources

Key Decision Required	N
Wards Affected	(All Wards);

Subject	Quarter 2 2023/24 Performance Report
----------------	---

Recommendations	
------------------------	--

Agenda Item 8

That the Overview and Scrutiny Committee:

- (i) **Notes the Key Performance Indicators for Q2 2023/24 as detailed in the report and annex 1 and make any observations to the Executive;**
- (ii) **Notes the Revenue Budget and Capital Programme forecasts for Q2 2023/24 as detailed in the report and Annexes 2, 3 and 4 and makes any observations to the Executive;**
- (iii) **Notes the Quarter 2 Treasury Management Performance Update for 2023/24 at Annex 5 and makes any observations to the Executive;**

That the Executive:

- (iv) **Notes the Key Performance Indicators for Q2 2023/24 as detailed in the report and annex 1;**
- (v) **Notes the Revenue Budget and Capital Programme forecasts for Q2 2023/24 as detailed in the report and Annexes 2 and 3;**
- (vi) **Notes the Quarter 2 Treasury Management Performance Update for 2023/24 at Annex 5;**

Reasons for Recommendations

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

Executive Summary

This report provides an overview of the Council's performance for Q2 2023/24, including Key Performance Indicator (KPI) reporting, as well as revenue and capital budget monitoring and treasury management. It also includes a progress update on the Financial Sustainability Programme.

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

Statutory Powers

1. Following the abolition of Best Value Performance Indicators (BVPI) in 2008 and the National Indicator Set (NIS) in 2010, there is no statutorily imposed framework for local authorities to manage performance.
2. The Local Government Act 1972 requires the Council to set the associated annual budget as part of proper financial management. This monitoring report is part of that process.
3. The Chief Finance Officer has a key role to play in fulfilling the requirements of the statutory duty under the Local Government Act 2003 to keep the authority's finances under review during the year and act if there is evidence that financial pressures will result in a budget overspend or if there is a shortfall in income.

Background

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

Key Information

Key Performance Indicators

8. Ten KPIs are reported on in Q2, the full detail of which is provided in annex 1.
9. Of the ten KPIs reported on, eight are on target or within their agreed tolerance.
10. The following are off target:
 - KPI 6 – housing completions.
 - KPI 7 – affordable housing.
11. Additional information is provided in annex 1.
12. We were unable to report on KPI 8 in Q1 reporting. However, the issue preventing reporting has now been rectified, with reporting resuming in Q2.

Revenue Budget Forecast

13. The 2023/24 Original Revenue Budget approved by Council in February 2023 was £23.194 million.
14. At 30 September, the forecast outturn for Services and Central Budgets is £21.911 million against a management budget of £23.194 million, resulting in an overall forecast net underspend of £1.283 million (5.5%).

Table 1: REVENUE BUDGET MONITORING at 30 September 2023	Original Budget £m	In-Year Adjustments £m	Management Budget £m	Forecast Outturn £m	Forecast Year-end Variance £m
Service Budgets	20.611	(0.441)	20.170	19.967	(0.203)
Central Budgets	2.583	0.441	3.024	1.944	(1.080)
Revenue Budget Forecast at 30 September	23.194	0.00	23.194	21.911	(1.283)

Agenda Item 8

Service Budgets

15. The 2023/24 Original Budget for Services approved by Council in February 2023 was £20.611 million.
16. At 30 September, the full year outturn is forecast to be £19.987 million against a Management Budget of £20.170 million resulting in an underspend of £0.203 million (1%).
17. The key variances are:

Organisation:

- Property & Facilities - £0.355m overspend due to higher maintenance costs at properties including The Harlequin and Clarendon Road Car Park
- Organisational Development & Human Resources - £0.142m overspend driven by higher interim pay costs to support the service restructure.
- ICT - £0.124m overspend due to higher consultancy costs and contract renewals.
- Energy Costs – £0.497m underspend due to renegotiation of energy contract.

Place

- Refuse & Recycling - £0.210m overspend driven by lower recycle prices partially offset by a higher number of garden waste subscribers and lower pay costs due to vacancies.
- Car Parking - £0.121m underspend driven by historic budget not yet adjusted following termination of the on-street parking contract. An adjustment will be made in the 2024/25 budget.

People

- No significant variances at Q2.

Further detail is provided at Annex 2.

Central Budgets

18. The Original Budget for Central budgets approved by Council in February 2023 was £2.583 million.
19. At 30 September, the forecast outturn is £1.944 million against a Management Budget of £3.024 million resulting in an underspend of £1.080 million (55.7%).
20. This underspend is mainly a result of favourable interest rates, more funds on deposit and lower than budgeted borrowing. Further detail is provided at Annex 2.

Investment Income

21. Forecast income from property rents at Quarter 2 is £3.722 million compared to the £4.218 million that was received in 2022/23. This represents 16% of the net revenue budget for 2023/24.

Capital Programme Monitoring

22. At 30 September, the Capital Programme Budget was £36.840 million, including £24.120 million of approved carry-forward capital allocations from 2022/23, £8.380 million of CIL allocations and a £0.150 million addition approved by Full Council in March 2023.
23. The forecast outturn position is £27.074 million which is £9.752 million (26%) below the approved Programme for the year. The variance reflects £9.752 million of slippage.
24. The main reasons for the slippage at the end of Quarter 2 were:
 - Beech House (£3.000m slippage) with expenditure now expected in 2024/25, subject to business case approval.
 - Merstham Recreation Ground (£2.570m) slippage with procurement of works underway and construction expenditure now expected in 2024/25.
 - Car Park Capital Works (£0.760m) slippage with expenditure now expected in 2024/25.

Further detail is provided at Annex 3.

Financial Sustainability Programme (FSP) Update

25. Annex 4 provides an update on the range of projects and activities that have taken place in the Financial Sustainability Programme up to the end of Q2.

Treasury Management

26. This report confirms compliance with the requirements of the regulatory framework for treasury management.
 - Annex 5.1 sets out the Quarter 2 Treasury Management Performance Update and Prudential Indicators for 2023/24.
27. The Council is required to receive and approve three treasury reports each year, plus quarterly performance updates:
 - (i) **Annual Treasury Management Strategy, Investment Strategy and Capital Strategy (in combination referred to as 'the Strategy')** – sets the framework for treasury management activities in the following financial year.
 - (ii) **Mid-Year Treasury Management Report** – update on the current borrowing and investment position, with recommendations for amended prudential indicators and revised policies where necessary.

Agenda Item 8

- (iii) **Prudential and Treasury Management Indicators and Treasury Management Outturn Report** – a backward-looking review, focussing on the previous year's performance.

Options

28. The Overview and Scrutiny has two options:

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

29. The Executive has two options:

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

Legal Implications

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

Financial Implications

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

Equalities Implications

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

Communication Implications

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

Environmental Sustainability Implications

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

Risk Management Considerations

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

Procurement/Contract Management and Subsidy Considerations

36. There are no procurement, contract management and/or subsidy considerations arising from this report.

Other Implications

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

Consultation
38. The report has been reviewed by the Council's Corporate Governance Group.
Policy Framework
39. Robust performance management is integral to measuring the extent to which policy objectives have been achieved.
Background Papers
None.
Annexes:
Annex 1 – Q2 2023/24 Key Performance Indicators
Annex 2 – Q2 2023/24 Revenue Budget Monitoring
Annex 3 – Q2 2023/24 Capital Budget Monitoring
Annex 4 – Q2 2023/24 FSP Update
Annex 5.1 – Q2 2023/24 Treasury Management Report
Annex 5.2 – Q2 2023/24 Prudential Indicators

This page is intentionally left blank

Q2 2023/24 Key Performance Indicators

KPI	Status	Portfolio Holder
<u>KPI 1 – Council Tax collection</u>	AMBER	Cllr Lewanski
<u>KPI 2 – Business Rates collection</u>	GREEN	Cllr Lewanski
<u>KPI 3 – Staff turnover</u>	GREEN	Cllr Lewanski
<u>KPI 4 – Staff sickness</u>	GREEN	Cllr Lewanski
<u>KPI 5 – Homelessness positive outcomes</u>	GREEN	Cllr Neame
<u>KPI 6 – Housing completions</u>	RED	Cllr Michalowski
<u>KPI 7 – Affordable housing completions</u>	RED	Cllr Michalowski
<u>KPI 8 – Local Environmental Quality Surveys</u>	GREEN	Cllr Avery
<u>KPI 9 – Missed bins</u>	GREEN	Cllr Avery
<u>KPI 10 – Recycling</u>	AMBER	Cllr Avery

KPI 1 – The % of Council Tax collected

	TARGET	ACTUAL	STATUS
Q1	29%	29.34%	GREEN
Q2	57%	56.64%	AMBER
Q3	85%		
Q4	98.80%		

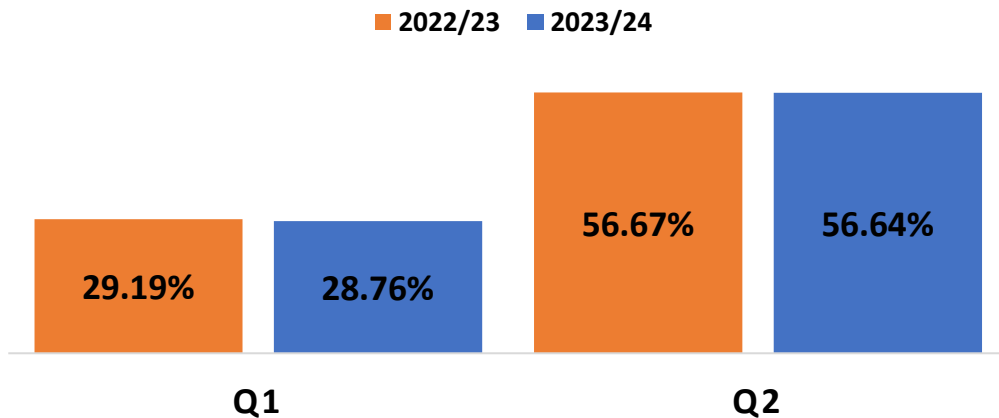
Description

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

Narrative

Council Tax collection has fallen just under target at the end of Q2, though within the agreed tolerance. Collection levels tend to increase as the year progresses, with it therefore expected that the overall target will be met by the end of the year.

Council Tax collection



KPI 2 – The % of Business Rates collected

	TARGET	ACTUAL	STATUS
Q1	31%	33.29%	GREEN
Q2	58%	59.18%	GREEN
Q3	85%		
Q4	99.8%		

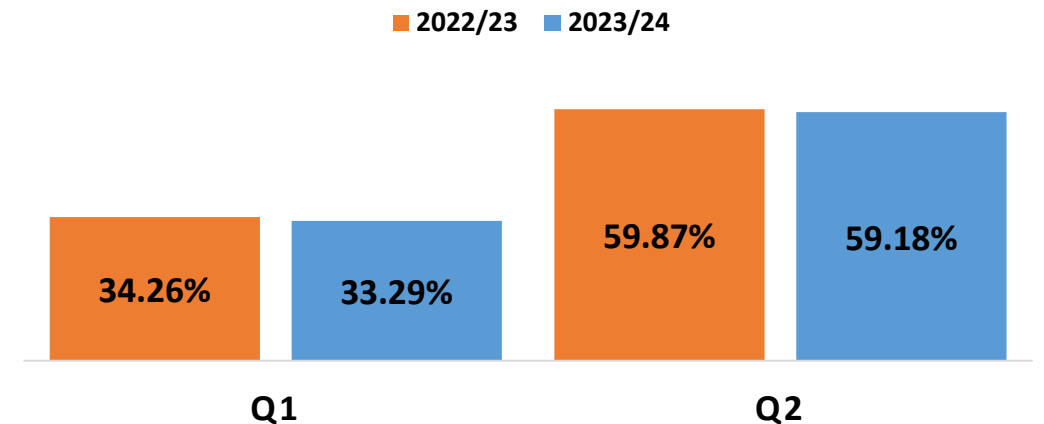
Description

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

Narrative

The Council's collection of Business Rates has exceeded the target for Q2.

Business Rates collection



KPI 3 – Staff turnover

	TARGET	ACTUAL	STATUS
Q1	12%	3.46%	GREEN
Q2	12%	11%	GREEN
Q3	12%		
Q4	12%		

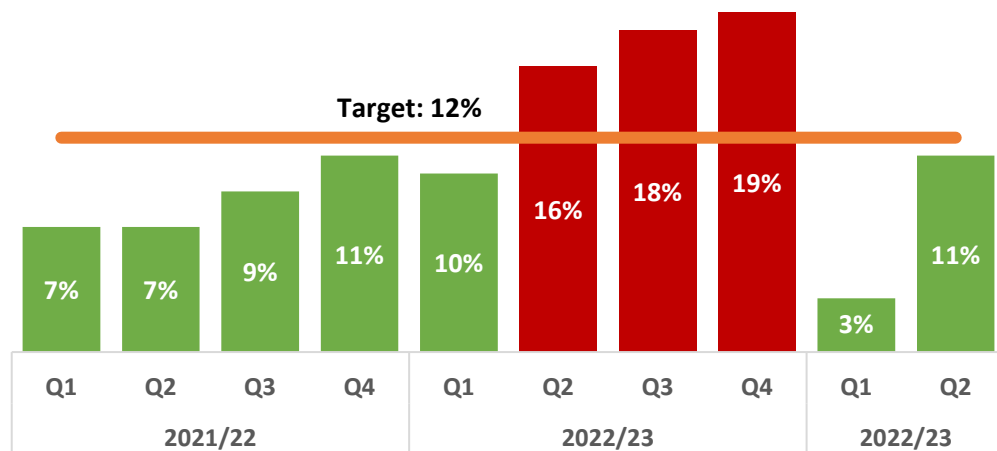
Description

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

Narrative

Following the high levels seen in 2022/23, staff turnover continues to be within target.

Staff turnover



KPI 4 – Staff sickness absence

	TARGET	ACTUAL	STATUS
Q1	4 days	4.15 days	AMBER
Q2	4 days	3.39 days	GREEN
Q3			
Q4			

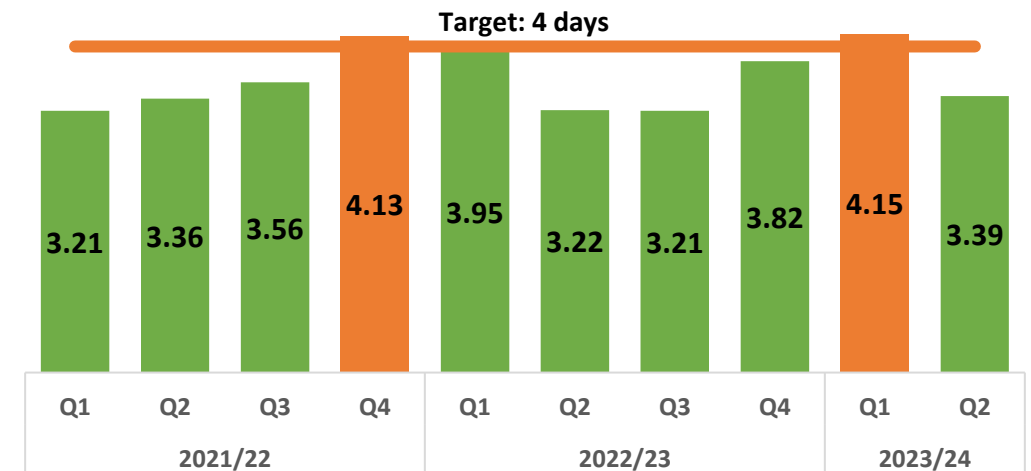
Description

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

Narrative

Q2 has seen staff sickness levels move back to within target.

Staff sickness absence (days)



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

	TARGET	ACTUAL	STATUS
Q1	55%	49%	AMBER
Q2		62%	GREEN
Q3			
Q4			

Description

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

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

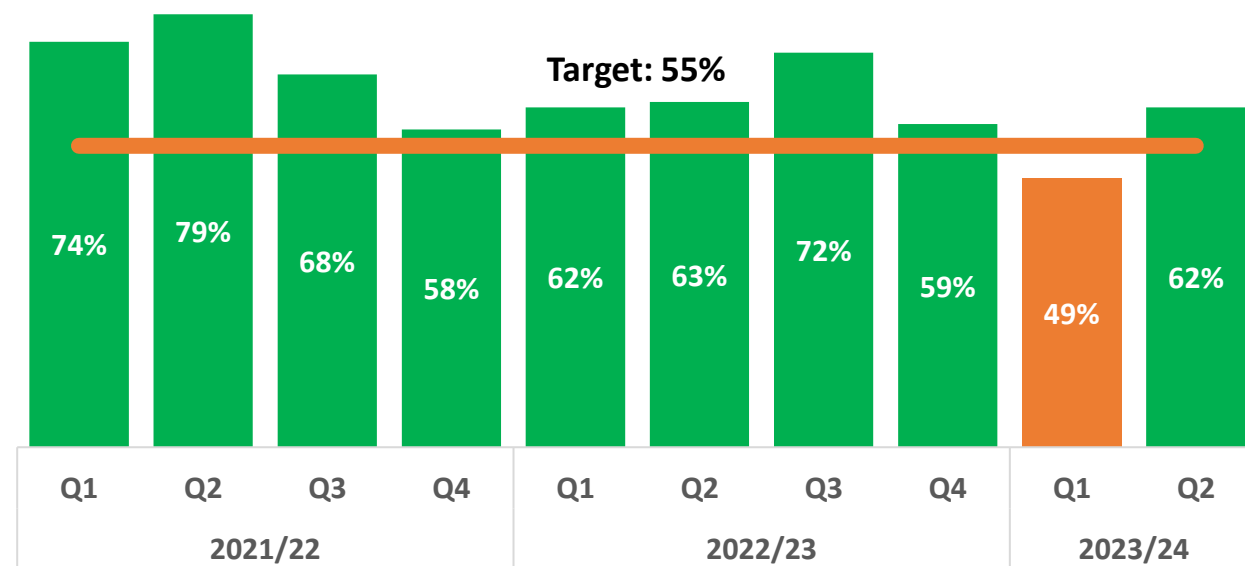
Narrative

In Q2 there were 458 homelessness approaches made to the Council, which is the highest number of approaches recorded in the last three years. Of these, 139 (30%) cases met the threshold where the Council is required to provide support.

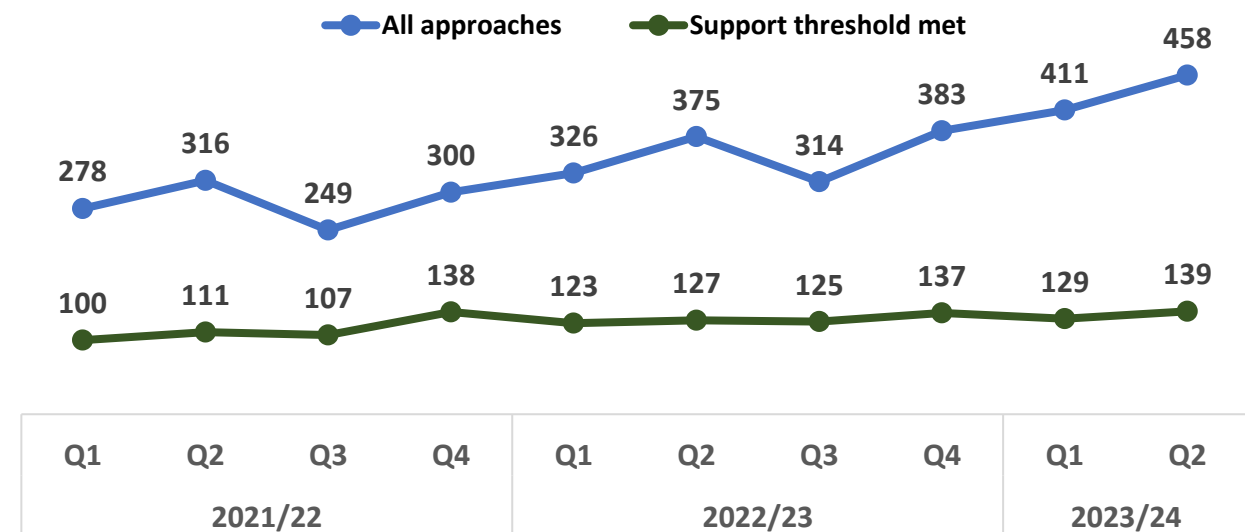
86 positive outcomes were achieved in Q2.

The homelessness support provided by the Council often straddles quarters as the Housing team work with clients to prevent and relieve homelessness in accordance with the timescales set in the Homelessness Reduction Act. Not all cases presented to the Council in Q2 that meet the support threshold will have concluded by the end of the quarter, with outcomes following later in the year.

% of positive homeless prevention and relief outcomes

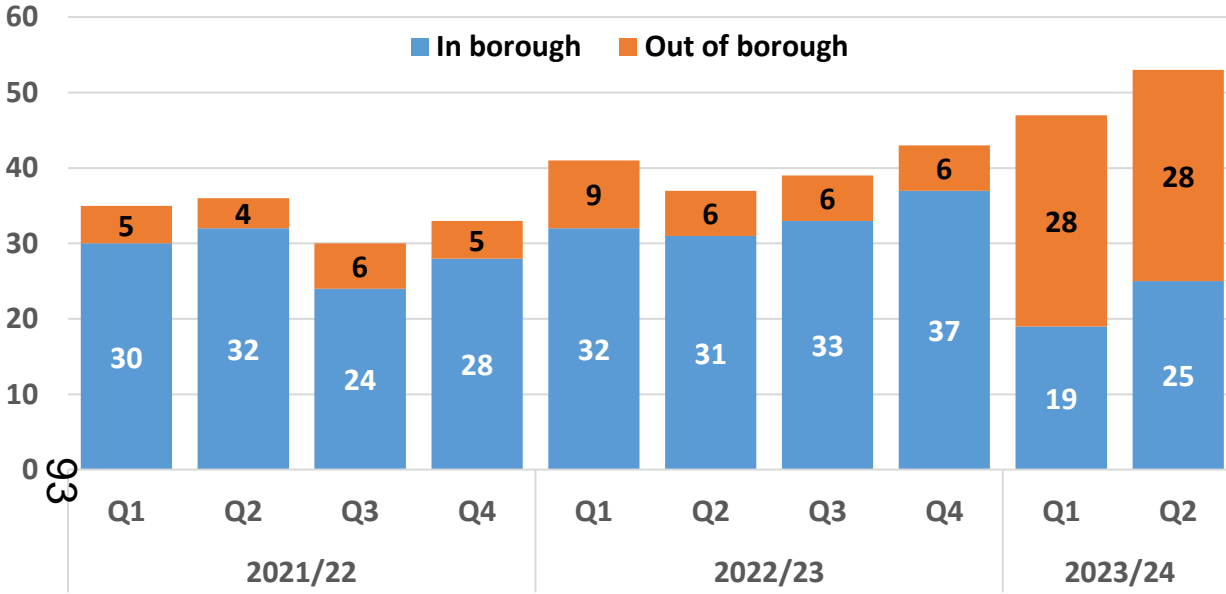


Homeless approaches (contextual)



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

Average number of households in temporary emergency accommodation (contextual)



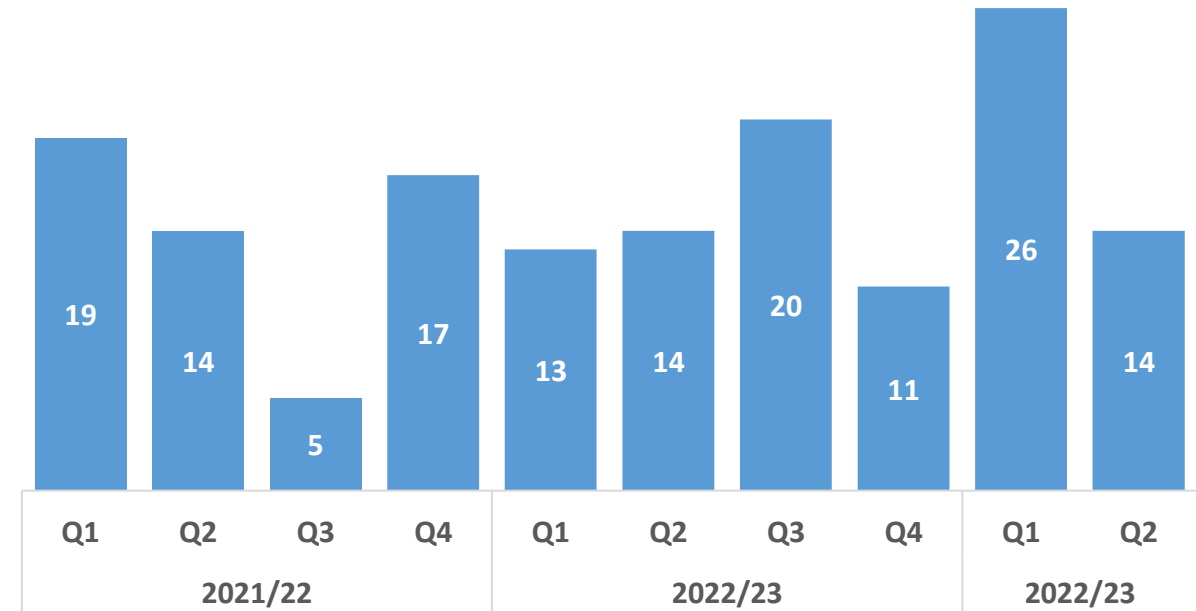
Temporary emergency accommodation

The average number of households in temporary emergency accommodation has increased in Q2, though out of borough placements have remained the same as Q1.

Limited available social housing and affordable private rental options locally continue to be a driving factor behind the elevated levels of temporary emergency accommodation usage.

The Housing service is implementing a scheme for the purchase of additional Council owned and operated temporary emergency accommodation. Likewise a pilot scheme has been introduced for social tenants under-occupying their tenancy the opportunity to downsize, making larger social housing premises available for other, larger, households.

Main duty acceptances (contextual)



Main duty acceptances

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

At the close of Q2 there were 14 main duty homelessness acceptances, a decrease on that seen in Q1.

KPI 6 – Net housing completions

	TARGET	ACTUAL	STATUS
Q1	115	72	AMBER
Q2	230	124	RED
Q3	345		
Q4	460		

Description

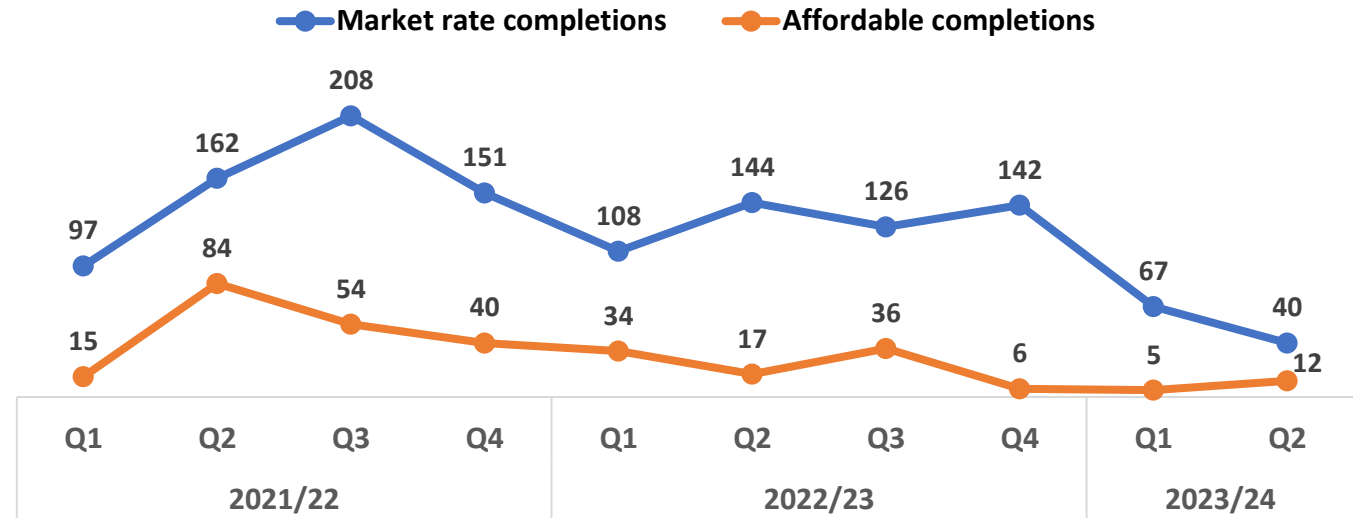
This indicator measures the net number of residential housing completions that have taken place in the borough. It includes all completions – i.e. at both market and affordable rates. The targets mirror those set in the Council’s local plan. Performance reported is cumulative for the year. Given the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

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

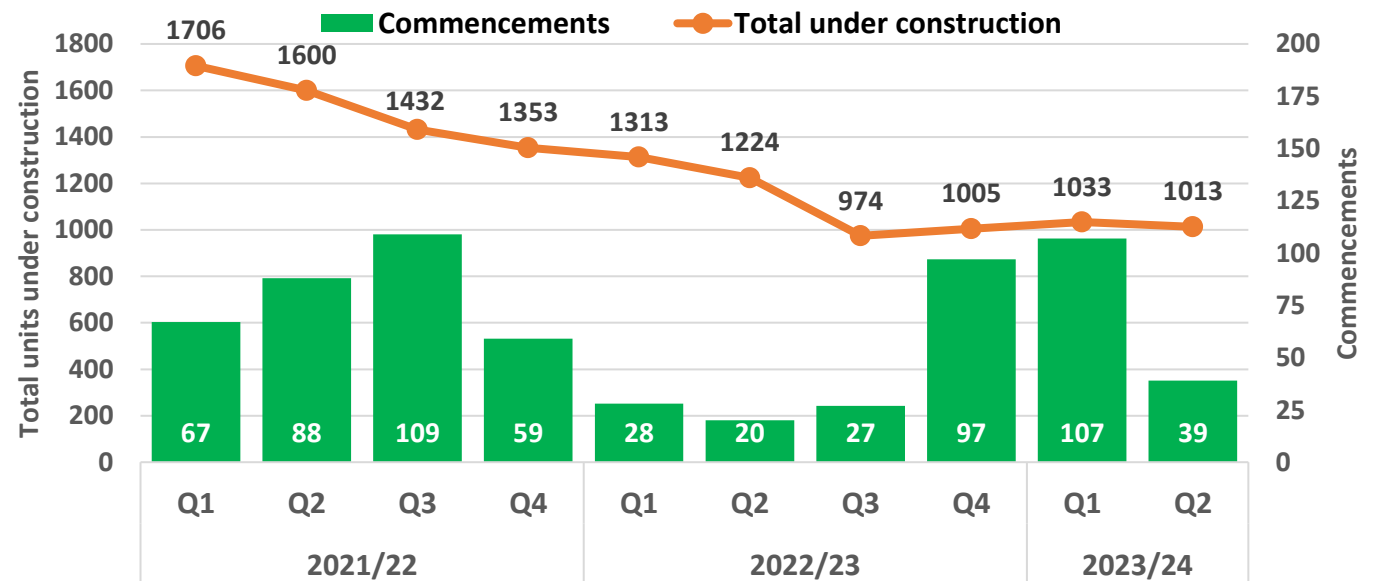
Narrative

In Q2, 52 dwellings were completed, with 40 of these at market rate and 12 affordable. The majority of completions have come from developments at the Horley North West Sector and 136 Brighton Road, Hooley.

Housing completions by quarter and type



Units under construction and commencements (contextual)



KPI 7 – Net affordable housing completions

	TARGET	ACTUAL	STATUS
Q1	25	5	RED
Q2	50	17	RED
Q3	75		
Q4	100		

Quarter	Shared ownership	Social rent	Affordable rent	Total
Q1	0	5	0	5
Q2	9	3	0	12

Description

KPI 7 measures the number of net affordable housing completions in the borough. Whilst the target is derived from the Council’s local plan, the plan does not set an annual target, but instead a total of 1,500 affordable units over the period. The annual target is therefore set by dividing this total target by the plan period. Performance reported is cumulative for the year. Given the fluctuations in housing completions, a tolerance of 10 applies each quarter.

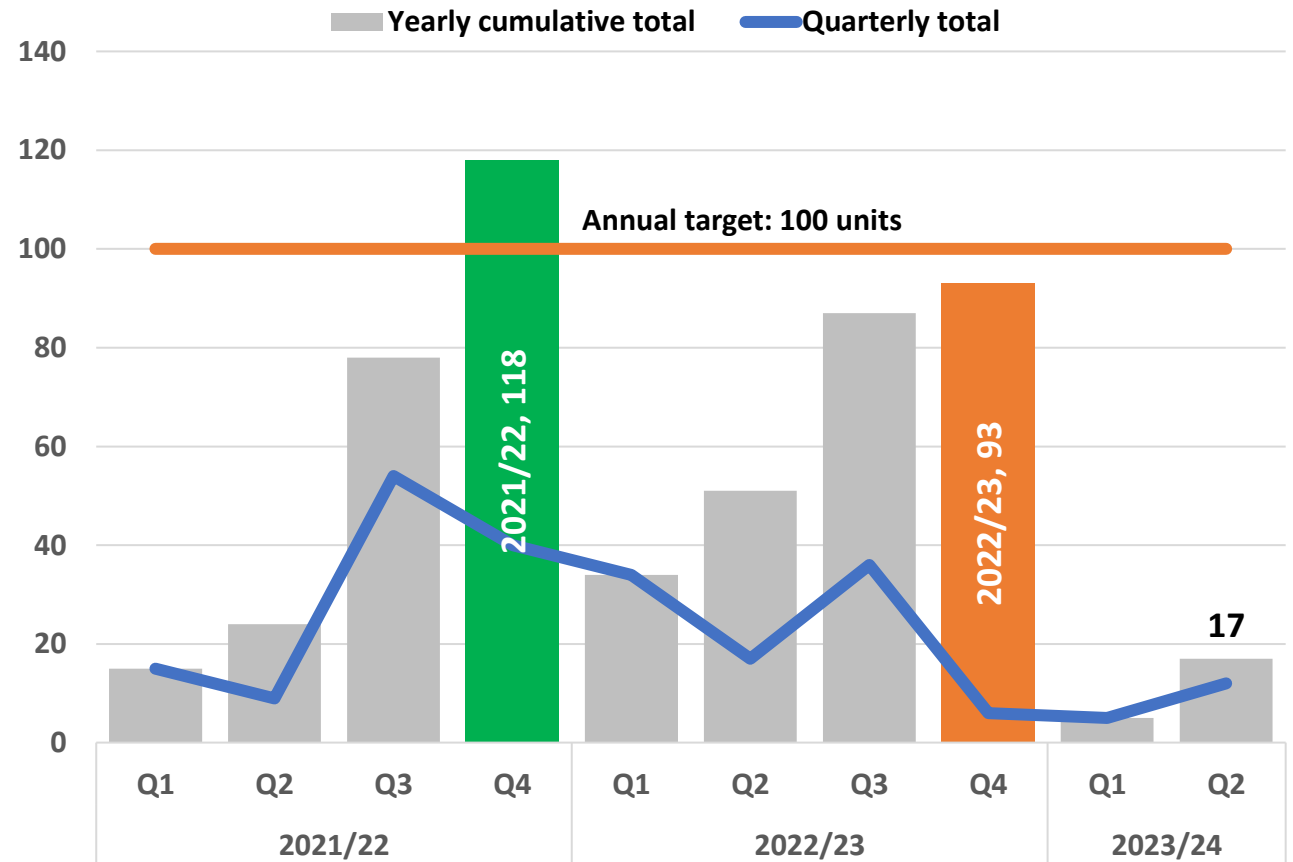
Narrative

In Q2 12 affordable units were delivered, all of which came from the Horley North West Sector.

While off target so far this year, it should be noted that 1151 affordable units have been delivered in the borough against a target of 1100 over 2012 to 2027.

Of the 1,013 dwellings under construction at the end of Q2, 100 are affordable units. In Q2 no further affordable dwellings commenced construction.

Affordable housing delivery



KPI 8 – Local Environmental Quality Surveys

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

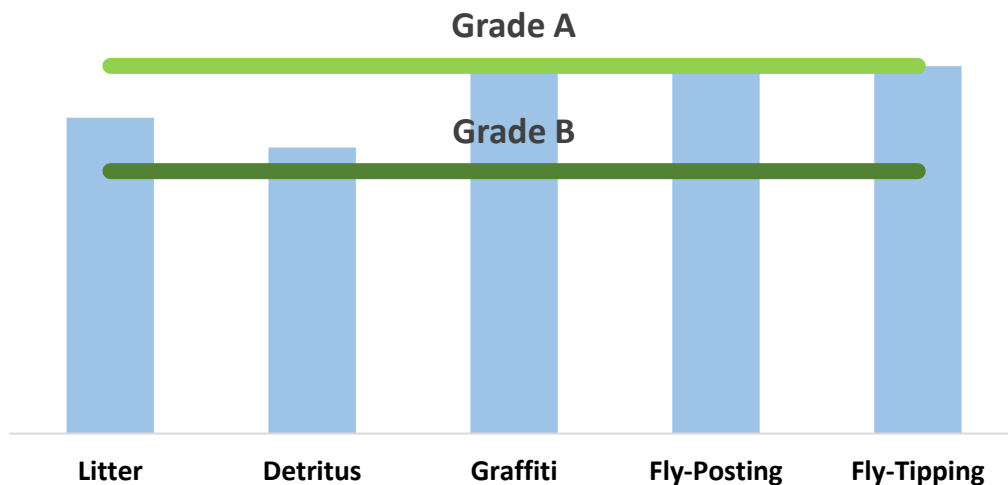
Description

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

Narrative

Of the 174 surveys carried out in Q2, all scored grade B or higher.

LEQ average site scores by category



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

	TARGET	ACTUAL	STATUS
Q1	10 per 1,000 collected	1.08	GREEN
Q2		1.07	GREEN
Q3			
Q4			

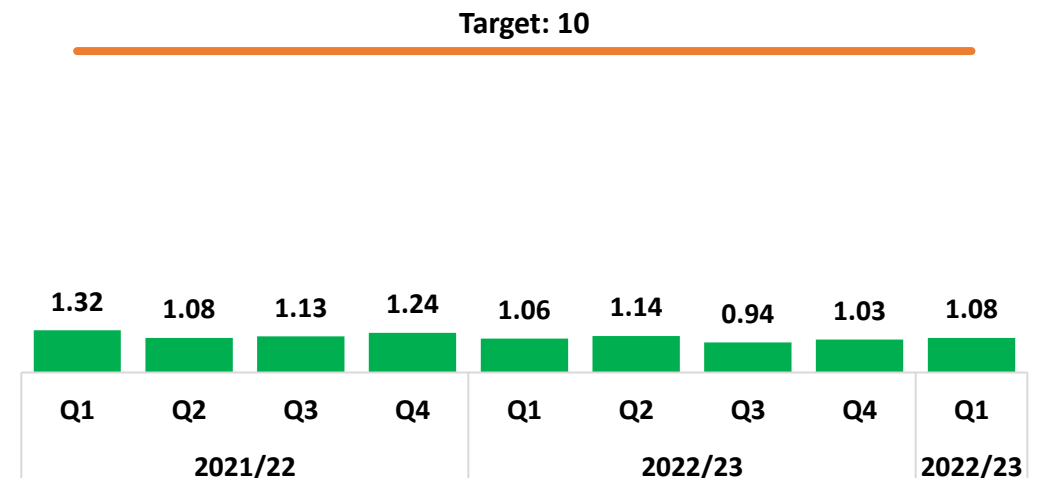
Description

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

Narrative

The Council continues to deliver a reliable waste collection service for residents, with the number of bins missed per 1,000 collected standing at 1.07 at the end of Q2.

Number of missed bins per 1,000 collected



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

		TARGET	ACTUAL	STATUS
23/24	Q1	60%	57.1%	AMBER
	Q2			
	Q3			
	Q4			

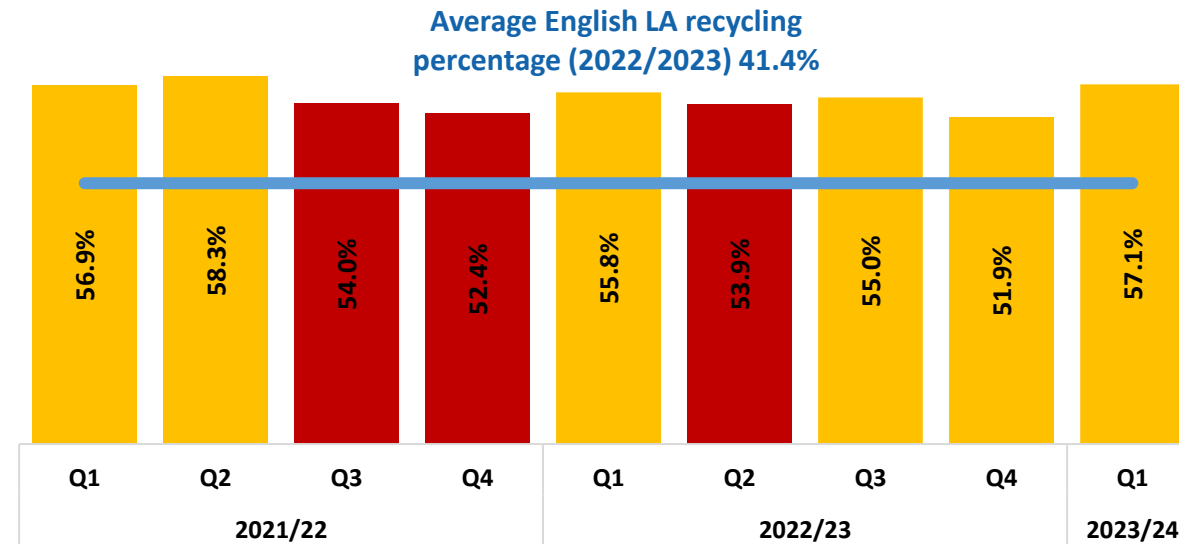
Description

This indicator measures the percentage of household waste collected by the Council that is recycled or composted. **Performance is reported one quarter in arrears.** The target for this indicator is a stretch goal, set in the Surrey Joint Waste Management Strategy.

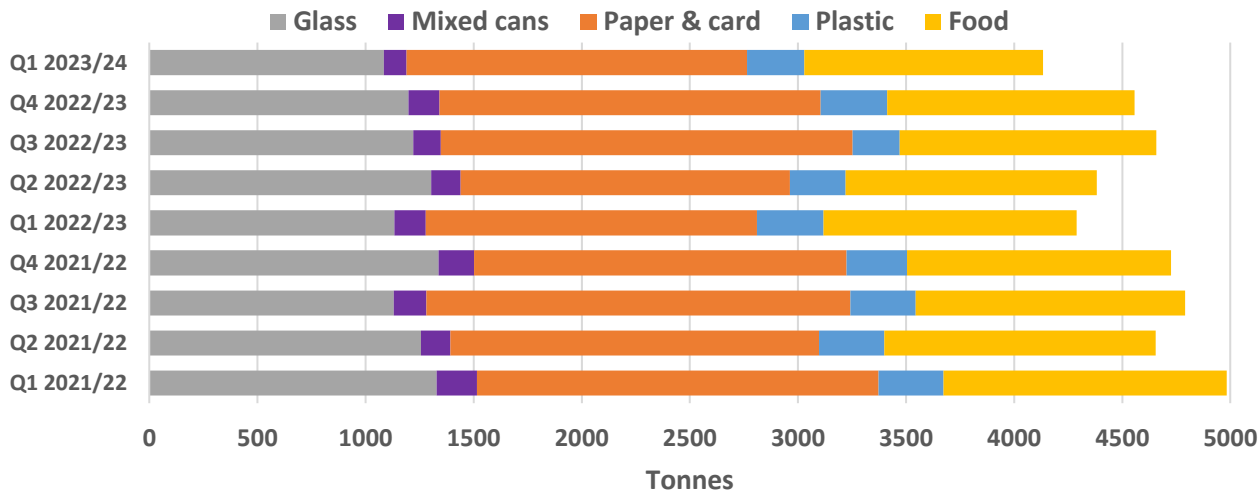
Narrative

Despite being off target, Q1 quarter has seen a strong recycling performance, the best Q1 result recorded by the Council in the last five years. Garden waste tonnage was a key driver of performance in Q1. Yields of all other recycling materials have fallen, however, which may be due to changing resident purchasing habits. Residual waste levels remain broadly consistent with previous quarters at 96.95kg per household.

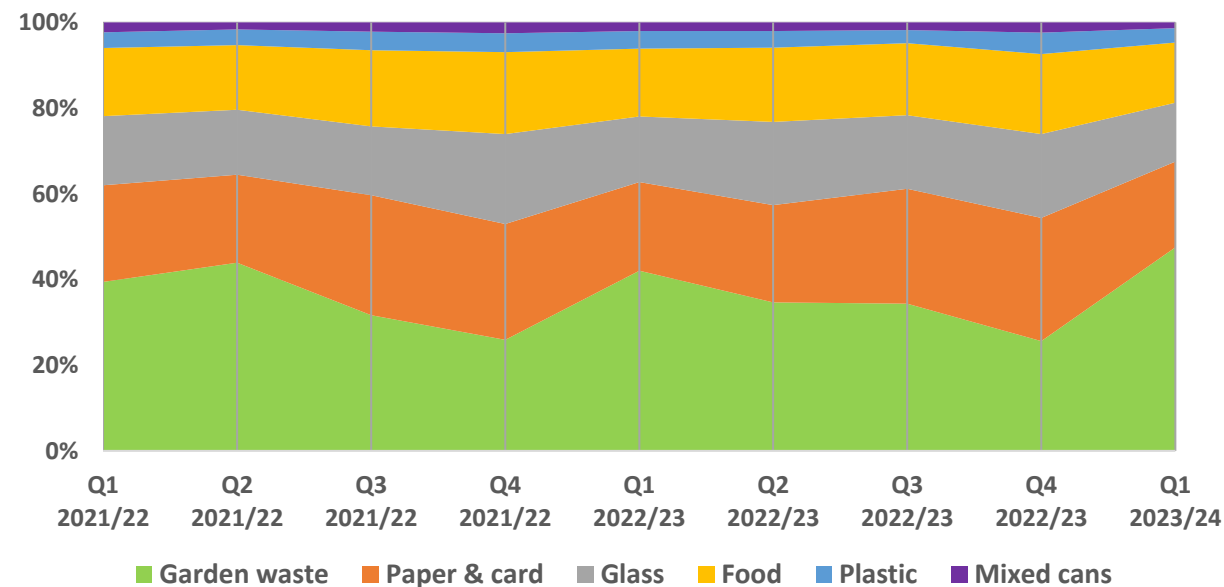
The % of household waste that is recycled and composted



Recyclate tonnage collected - without garden waste (contextual)



Composition of recyclates collected (contextual)



This page is intentionally left blank

2023/24 Quarter 2: Revenue Budget Monitoring

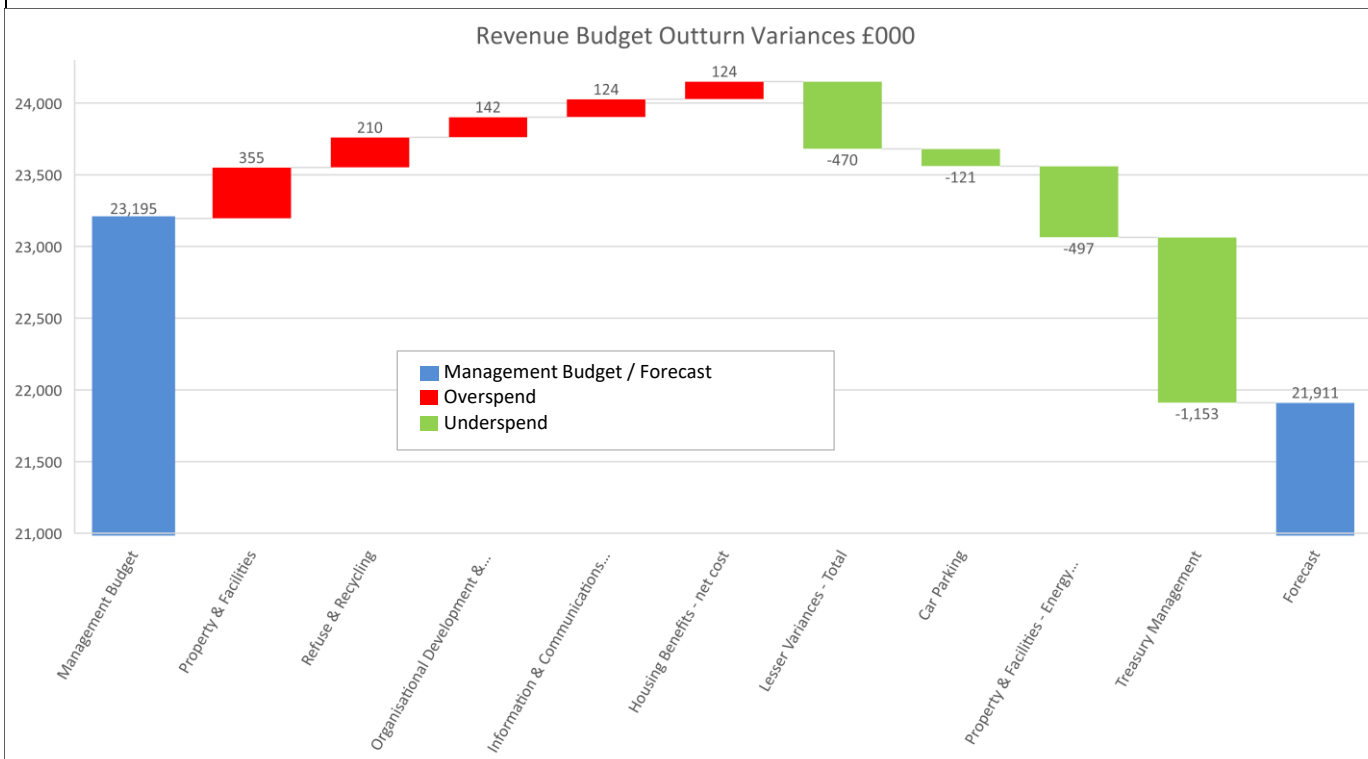
Summary

The full year forecast at the end of Quarter 1 for underlying Service budgets is -£203k (1%) lower than the management budget; the Central budgets are forecast to be -£1,080k (55.7%) lower than budget, resulting in an overall forecast of -£1,283k (5.5%) lower than budget.

Headline Revenue Budget Information 2023/24

£000

Management Budget	23,195
Year End Forecast	21,911
Projected underspend	-1,283 (-5.5% of the budget)



Forecast for Services is £203k under budget. Significant variances are summarised below:

- Property & Facilities: £355k overspend** driven by higher maintenance costs at properties including The Harlequin and Clarendon Road Car Park
- Refuse & Recycling: £210k overspend** driven by lower recycle costs, partially offset by a higher number of Garden Waste subscribers and lower pay costs due to vacancies.
- Organisational Development & Human Resources: £142k overspend** driven by higher interim pay costs to support the service restructure. An adjustment will be made in the 2024/25 budget.
- ICT: £124k overspend** driven by higher consultancy costs and contract renewals.
- Car Parking: £121k underspend** driven by historic budget not yet adjusted following termination of SCC on-street parking contract.
- Property & Facilities - Energy Costs: £497k underspend** driven by renegotiation and renewal of new contract.

Forecast for Central Budgets is £1,080k under budget. Significant variances are summarised below:

- Housing Benefits - net cost: £124k overerspend.** Benefits payments continue to exceed the subsidy and grant receipts from DWP.
- Treasury Management: £632k underspend.** Higher than budgeted interest income due to favourable rates, more funds on deposit and lower than budgeted borrowing.

1. General Fund Reserve		£000	£000
Balance at start of year			3,476.9
Add: Projected underspend	at 31 March 2024		1,283.2
Anticipated balance at End of Year before Reserves Review/Reallocations*			4,760.1
*Maximum General Fund Balance Required (2023/24)		3,500.0	

Responsible Officer	Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Outturn £000	Year End Variance £000	Commentary
1a. Organisation							
Catherine Rose	Corporate Policy	224.2	0.0	224.2	230.0	5.8	Minor Variance
	Projects & Business Assurance	223.2	0.0	223.2	199.8	-23.4	Savings in paycosts due to vacancy.
Carys Jones	Communications	753.8	62.0	815.8	781.6	-34.2	Savings in paycosts due to vacancy partially offset by temporary cover.
	Customer Contact	415.8	0.0	415.8	411.5	-4.3	Minor Variance
Darren Wray	Information & Communications Technology	2,395.9	0.0	2,395.9	2,520.0	124.1	£250k overspend on consultancy and contract renewals, partially offset by £121k underspend on ICT Strategy
Kate Brown	Organisational Development & Human Resources	733.0	0.0	733.0	875.4	142.4	Higher interim pay costs to support the 23/24 restructure
Joyce Hamilton	Legal Services	816.0	-136.0	680.0	595.2	-84.8	Savings in paycosts due to vacancies in Legal and Procurement are partially offset by higher external support costs.
	Democratic Services	894.8	46.0	940.8	943.3	2.5	Minor Variance
	Electoral Services	646.9	28.0	674.9	674.9	0.0	
Pat Main	Corporate Support	174.6	-26.0	148.6	122.2	-26.4	Savings in paycosts
	Finance	1,253.4	0.0	1,253.4	1,260.4	7.0	Minor Variance
	Property & Facilities	-1,270.7	26.0	-1,244.7	-889.3	355.4	Higher than budgeted maintenance costs at properties including The Harlequin & Clarendon Road.
	Property & Facilities - Energy Costs	1,377.6	0.0	1,377.6	881.1	-496.5	Renegotiated and renewed energy contract
	Commercial & Investment	149.3	0.0	149.3	149.3	0.0	
1b. Place							
Simon Bland	Economic Prosperity	288.3	0.0	288.3	328.5	40.2	£50k income budgeted from Market Operator will not be received, partially offset by higher than budgeted sponsorship income.
Morag Williams	Fleet	1,457.7	0.0	1,457.7	1,407.9	-49.8	£46k lower fuel costs and £51k lower forecast pay costs due to vacancies, partially offset by higher uninsured costs and fleet tracking system and equipment costs.
	Refuse & Recycling	948.2	0.0	948.2	1,158.1	209.9	£368k lower income due to reduced recycle prices is partially offset by £106k higher income generated by extra subscribers to the Garden Waste service. Paycosts are lower than budget due to vacancies, but this is largely offset by increased overtime and temporary staff costs.
	Engineering & Construction	83.1	0.0	83.1	84.6	1.5	Minor Variance
	Environmental Health & JET	1,167.7	45.0	1,212.7	1,211.7	-1.0	Minor Variance
	Environmental Licencing	-138.2	-45.0	-183.2	-281.3	-98.1	£120k higher income due to increased private hire applications and lower forecast pay costs due to a vacancy, partially offset by a £30k legal settlement payment.
	Greenspaces	1,453.5	-2.5	1,451.0	1,469.6	18.6	£90k lower income due to loss of the SCC Verges contract and £20k higher Playgrounds maintenance is partially offset £70k lower paycosts due to vacancies and £21k higher income.
	Car Parking	-1,175.9	0.0	-1,175.9	-1,296.5	-120.6	Historic budget not yet adjusted to take account of the transfer of the SCC on-street parking contract or the new reality post pandemic..
	Street Cleansing	1,006.6	0.0	1,006.6	932.4	-74.2	Lower forecast pay costs due to vacancies
Peter Boarder	Place Delivery	334.0	0.0	334.0	363.5	29.5	Saving in paycosts due to vacancy.
Andrew Benson	Building Control	0.0	0.0	0.0	-9.0	-9.0	Minor Variance
	Planning Policy & Development Services	693.4	0.0	693.4	746.1	52.7	Lower forecast pay costs due to vacancies, offset by higher overtime and temporary staff costs and lower planning income due to fewer applications.
	Land Charges	-98.5	0.0	-98.5	-133.6	-35.1	Higher than budgeted income.

Responsible Officer	Service	Original Budget £000	Total Variations £000	Management Budget £000	Year End Outturn £000	Year End Variance £000	Commentary
1c. People							
Justine Chatfield	Community Development	385.3	-29.3	356.0	356.5	0.5	Minor Variance
	Partnerships	323.1	0.0	323.1	323.1	0.0	
	Community Centres	413.6	29.3	442.9	420.0	-22.9	Increase in income partially offset by higher one-off costs
	Voluntary Sector Support	184.1	0.0	184.1	184.1	0.0	
Richard Robinson	Housing Services	897.9	0.0	897.9	908.2	10.3	£433k net overspend on provision of Bed & Breakfast accommodation offset from Homelessness Prevention reserve.
Simon Rosser	Revenues, Benefits & Fraud	2,161.2	-441.0	1,720.2	1,718.6	-1.6	Minor Variance
Duane Kirkland	Supporting People	148.6	0.0	148.6	148.6	0.0	
	Supporting Families	84.0	0.0	84.0	40.0	-44.0	Higher than budgeted income is partially offset by higher paycosts.
	Harlequin	311.4	0.0	311.4	237.4	-74.0	Harlequin budgets currently under review due to identification of RAAC and the requirement to close the building pending further investigation.
	Leisure Services	-135.8	2.5	-133.2	-137.0	-3.8	Minor Variance
1d. Management Team							
Mari Roberts-Wood	Management Team	945.6	0.0	945.6	945.6	0.0	
Laura McCartney	Emergency Planning	84.7	0.0	84.7	84.7	0.0	

Total Services	20,611.4	- 441.0	20,170.5	19,967.2	(203.3)	-1.01%
-----------------------	-----------------	----------------	-----------------	-----------------	----------------	---------------

2. Central Budgets

Pat Main	Insurance	467.0	0.0	467.0	415.5	-51.5	Commercial Property premium lower than budgeted.
	External Audit Fees	150.0	0.0	150.0	150.0	0.0	
	Internal Audit Fees	65.0	0.0	65.0	65.0	0.0	
	Housing Benefits - net cost	-714.7	441.0	-273.7	-149.6	124.1	Benefits payments continue to exceed the subsidy and grant receipts from DWP.
	Treasury Management	-87.0	0.0	-87.0	-1,239.5	-1,152.5	Higher than budgeted interest income due to favourable rates, more funds on deposit and lower than budgeted borrowing.
	Employer Pension Costs	2,240.0	0.0	2,240.0	2,240.0	0.0	
	Central Pay Cost Provision	252.0	0.0	252.0	252.0	0.0	
	Central Vacancy Turnover Provision	-150.0	0.0	-150.0	-150.0	0.0	Offset against forecast service pay savings
	Preceptor Grants – Horley Town Council Double Taxation	43.5	0.0	43.5	43.5	0.0	
	Funding Contribution - Banstead Commons Conservators	110.5	0.0	110.5	110.5	0.0	
Kate Brown	Central Recruitment & Visa Expenses	45.0	-5.0	40.0	40.0	0.0	
	Central Training Budget	81.8	5.0	86.8	86.8	0.0	
	Apprenticeship Levy	80.0	0.0	80.0	80.0	0.0	

Total Central Items	2,583.1	441.0	3,024.1	1,944.2	(1,079.9)	-35.71%
----------------------------	----------------	--------------	----------------	----------------	------------------	----------------

Grand Total	23,194.5	0.0	23,194.5	21,911.4	(1,283.1)	-5.53%
--------------------	-----------------	------------	-----------------	-----------------	------------------	---------------

HOUSEHOLD SUPPORT FUND ROUNDS 1 TO 4 Expenditure & Funding @ P6 2023/24	Round #1 <small>(period covered- 06.10.21 - 31.03.22)</small>		Round #2 <small>(period covered- 01.04.22 - 30.09.22)</small>		Round #3 <small>(period covered- 01.10.22 - 31.03.23)</small>		Round #4 <small>(period covered- 01.04.23 - 31.03.24)</small>	
	Funding £m	Expenditure £m	Funding £m	Expenditure £m	Funding £m	Expenditure £m	Funding £m	Expenditure £m
	(actuals)	(actuals)	(actuals)	(actuals)	(actuals)	(actuals)	(actuals)	(forecast)
The Household Support Fund is a Government scheme aimed at alleviating the financial pressures falling on households as a result of the cost of living crisis. There is a specific focus on supporting households with energy, food & water bills.								
Initial Grant Allocation (received via Surrey County Council)	(0.383)		(0.324)		(0.302)		(0.512)	
Support Issued To Households								
Council Tax Reduction Strand (pro-active payments made to CTR recipients)		0.181		-		-		-
Referral Strand (referrals made to us from 3rd parties)		0.103		-		-		-
Fuel Vouchers (distributed via VCS partners)		0.019		0.025		-		-
Food Vouchers (distributed via VCS partners)		-		0.053		0.069		0.096
Water Vouchers (distributed via SES Water)		-		-		-		0.009
Cash Payments (made to pensioner households on Council Tax Support)		-		0.188		0.002		-
		0.303		0.266		0.071		0.105
Contributions To Voluntary/Community Sector Partners								
Stripey Stork		0.008		-		0.012		0.030
Fuel Grants		0.008		-		0.035		0.015
East Surrey Domestic Abuse Service		0.006		-		0.020		0.031
'I Choose Freedom' (previously known as Reigate & Banstead Women's Aid)		0.006		-		0.020		0.018
Food Clubs		0.005		-		0.023		0.030
Renewed Hope Trust		0.002		-		-		0.003
Gateway Allotment Project		0.002		-		-		-
Merstham Mix		0.001		-		-		-
Surrey Community Action		0.001		-		-		-
Mole Valley Lifeline Alarms (energy efficiency measures)		-		-		-		0.035
Citizen's Advice Reigate & Banstead (advice line for residents)		-		-		-		0.031
Methodist Homes Association		-		-		-		0.014
East Surrey YMCA		-		-		0.005		0.015
Age Concern		-		-		0.002		0.009
Money Support Team		-		-		0.010		0.036
		0.039		0.000		0.127		0.266
Housing Support								
Contributions Towards Rent Arrears		0.023		0.020		0.021		0.040
Rent Assistance / Rehoming Of Donyings Cabin Occupants		0.008		-		-		-
Contribution To ESDAS Sanctuary		0.005		0.005		-		-
Energy, Food & Essentials For Specific Housing Clients		-		-		0.003		0.010
		0.036		0.025		0.024		0.050
Other Support								
Warm Hubs		-		-		0.012		-
Mayor's Trust Fund		-		-		0.005		0.014
RBBC Community Centres - Hot Meals		-		-		-		0.006
		0.000		0.000		0.017		0.020
Administration Costs								
RBBC Staff Costs (costs falling outside BAU)		0.003		0.009		0.016		0.030
Admin Contributions Claimed By VCS Partners		0.005		0.001		0.009		0.020
Software & Administration Services (NEC Software Solutions)		-		0.015		-		-
		0.008		0.025		0.025		0.050
		(2.20% of spend)		(8.08% of spend)		(9.58% of spend)		(9.78% of spend)
Grant Closure/Reconciliation								
Grant Top-Up To Eliminate Overspend (received from Surrey County Council)	(0.003)							
Recoupment Of Unspent Grant (excess funding returned to Surrey County Council)				0.008		0.023		0.020
Repurposed By Surrey County Council (extra support made by upper-tier for carers, free school meals etc)						0.015		(contingency)
No. Of Households Supported		4,294		2,451		2,745		tbc
Total Funding & Expenditure	(0.386)	0.386	(0.324)	0.324	(0.302)	0.302	(0.512)	0.512

2023/24 UKRAINIAN REFUGEE SCHEMES Expenditure & Funding @ P6 2023/24	22/23 Funding Received £m	22/23 Total Expenditure £m	23/24 Funding Received £m	23/24 Total Expenditure £m
Ukraine Family Scheme	(actuals)	(actuals)	(forecast)	(forecast)
Funding Received/Expected (costs are reimbursed in arrears by SCC)	(0.006)		(0.005)	
Refugee Accommodation Costs		0.005		0.004
Interpretation/Translation Costs		0.001		0.001
Total Expenditure / (Funding)	(0.006)	0.006	(0.005)	0.005
Reimbursement Outstanding / (Funding Received In Advance)	0.000		0.000	
Homes For Ukraine Scheme				
Funding Brought Forward From Previous Years	-		(1.202)	
In-Year Funding Received/Expected (costs are reimbursed in arrears By SCC)	(1.707)		(1.045)	
Sponsorship Payments (increase from £350/mth to £600/mth after 12 mths sponsorship)		0.431		0.870
Refugee Accommodation Costs		0.011		0.125
Interpretation & Translation Services		0.001		0.005
Other Costs		0.001		0.005
Staffing Costs (dedicated staff, overtime, additional hours etc)		0.058		0.120
Staff Travel Costs		0.003		0.005
Total Expenditure / (Funding)	(1.707)	0.505	(2.247)	1.130
Reimbursement Outstanding / (Funding Received In Advance)	(1.202)		(1.117)	
Total Expenditure / (Funding) - Both Schemes	(1.713)	0.511	(2.252)	1.135
Reimbursement Outstanding / (Funding Received In Advance) - Both Schemes	(1.202)		(1.117)	

Breakdown Of Funding Received In Advance:-	(actuals)	(forecast)
Homelessness Contingency Funding	(0.257)	(0.132)
General / Core Funding	(0.945)	(0.985)
Funding Received In Advance (amounts carried forward until they become repayable)	(1.202)	(1.117)

Note:-

23/24 Costs & Funding are very hard to predict as they depend upon a variety of factors including:-

1. potential reductions in the tariff payable by central government
2. how, and to what extent local housing pressures might arise from (say) future breakdowns in sponsor/refugee relationships
3. the extent to which refugees choose to self-integrate into society (e.g finding work and funding their own private housing)
4. the potential end to the war in Ukraine and/or refugees deciding to return home for their own reasons

The above forecasts are therefore best estimates based on both historic costs and anecdotal evidence.

2023/24 SYRIAN REFUGEES SCHEME	Forecast Expenditure £m	Forecast Funding £m
Expenditure & Funding 2023/24		
<u>Refugee Family Support</u>		
Grant		(0.008)
Local Auth. Funding		(0.053)
Staff Costs	0.099	
Travel Costs	0.001	
Refugee Accommodation Costs	0.075	
Refugee Nursery Fees	0.005	
Miscellaneous Expenditure	0.007	
Forecast Expenditure and Income 2023/24	0.187	(0.061)
Forecast Net Expenditure	0.126	

2023/24 AFGHAN REFUGEES SCHEME	Forecast Expenditure £m	Forecast Funding £m
Expenditure & Funding 2023/24		
<u>Afghan Refugees Scheme</u>		
Grant		(0.028)
Local Auth. Funding		(0.025)
Staff Costs	0.039	
Refugee Accommodation Costs	0.010	
Miscellaneous Expenditure	0.002	
Forecast Expenditure and Income 2023/24	0.051	(0.053)
Forecast Net Expenditure	(0.002)	

This page is intentionally left blank

2023-24 Outturn Capital Programme Monitoring

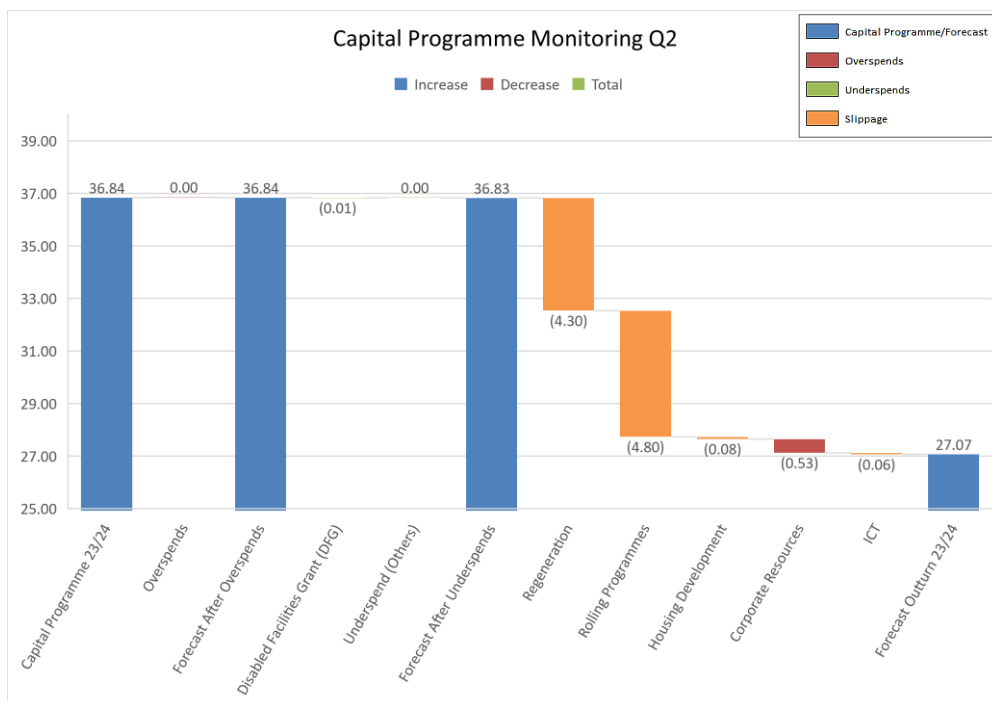
Summary

Full year forecast expenditure against the Capital Programme at the end of Quarter 2 is £27.074m which is £9.752m (26%) below the approved Programme for the year. The variance is predominantly a result of forecast slippage, with several significant programmes not expected to commence in 2024/25.

Headline Capital Budget Information 2023-24

£m

Current Budget (Section 1):	36.836
Projected Net Overspends	0.000 (or 0 % of Programme)
Projected Net Underspends	-0.010 (or 0 % of Programme)
Projected Slippage	-9.752 (or 26 % of Programme)
Total Capital Expenditure	27.074



Slippage and significant variances:

Regeneration	Merstham Recreation Ground - (£2.57m slippage) - Main works will now commence in April 2024, with minimal spend forecast in 2023/24.
	Horley Public Realm Improvements - (£0.87m slippage) - Main works will now start in January/February 2024, with remainder of expenditure taking place in 2024/25.
	Preston Regeneration (£0.46m slippage) - Skate park construction will be completed in 2023/24, with remainder of expenditure taking place in 2024/25.
Strategic Property	Beech House, London Road, Reigate - (£3.00m slippage) pending decision on plans for investment in the asset.
	Car Park Capital Works - (£0.76m slippage) - Expenditure now expected in 2024/25.
Corporate Resources & Organisational Development	Environmental Strategy Delivery - (£0.56m slippage) - Original budget allocation will be spent over multiple financial years, the CIL allocation profile will be provided in Q3
	Great Workplace Programme - (£0.25m slippage) - Expenditure subject to outcome of Town Hall occupancy review.
Other	Vehicle Wash Bay Replacement - (£0.35m slippage) - Expenditure now expected in 2024/25.
	Harlequin Service Development - (£0.16m slippage) - Expenditure now expected in 2024/25.

Capital ANNEX 3: Section 1

Reconciliation of Capital Programme to Approved Budgets 2023-24

	£000
Original Capital Budget	4,339.0
Budget approved but not yet released ¹	0.0
	<hr/> 4,339.0
Additions	
Carry Forwards from previous year	24,116.2
Budgets released during the year ¹	8,381.1
Current Capital Budget	<hr/> 36,836.2 <hr/>

Notes

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

Capital ANNEX 2: Section 2

Capital Budget Monitoring: Summary by Programme and Project 2023-24

Programme/Project	Year to Date	Original Budget	Carry Forwards	Released In Year	Current Budget	Year End Outturn	Year End Variance	Scheme Controller	Quarter 2: Explanation of Significant Variances
	£000	£000	£000	£000	£000	£000	£000		
Temporary Accommodation – Cyclical Repairs & Improvement	11.8	40.0	-	-	40.0	-	40.0	Dan Jones	
Temporary Accommodation - New Pond Flat Works	56.1	-	95.0	-	95.0	-	95.0	Dan Jones	
Massetts Road	-	21.0	21.0	-	42.0	-	42.0	Dan Jones	
Operational Buildings	-	95.0	370.0	-	465.0	465.0	-	Dan Jones	
Community Centre Programme	2.0	67.0	81.4	-	148.4	148.4	-	Dan Jones	
Existing Pavilions Programme	36.3	50.0	97.5	-	147.5	147.5	-	Dan Jones	
Leisure Centre Maintenance	6.0	190.0	158.7	-	348.7	348.7	-	Dan Jones	
Harlequin Property Maintenance	95.1	120.0	270.0	-	390.0	390.0	-	Dan Jones	
Tenanted Properties	-	100.0	166.6	-	266.6	266.6	0.0	Dan Jones	
Crown House	-	75.0	285.0	-	360.0	360.0	-	Dan Jones	
Units 1-5 Redhill Dist Centre Salfords	-	17.0	114.5	-	131.5	-	131.5	Dan Jones	Expenditure will now take place in 2024/25. Negotiations underway to extend the lease to existing tenants.
Linden House, 51B High Street Reigate	-	12.0	-	-	12.0	68.8	56.8	Dan Jones	
Unit 61E Albert Road North	0.1	12.0	74.2	-	86.2	86.2	-	Dan Jones	
Forum House, Brighton Road Redhill	-	150.0	270.0	-	420.0	420.0	-	Dan Jones	
Beech House, London Road Reigate	-	-	3,000.0	-	3,000.0	-	3,000.0	Dan Jones	The reason for the potential underspend is that several options for Beech Housiue are still being reviewed and the outcome will be presented to PSTESC when the final business case for investment is confirmed.
Regent House, 1-3 Queensway Redhill	-	90.0	175.0	-	265.0	445.0	180.0	Dan Jones	
Tenanted Property Assets	0.8	76.0	135.4	-	211.4	211.4	-	Dan Jones	
Infra-structure (walls)	18.8	10.0	31.4	-	41.4	41.4	-	Dan Jones	
Car Parks Capital Works Programme	-	195.0	562.7	-	757.7	-	757.7	Dan Jones	Expenditure will now take place in 2024/25. Awaiting carparking review outcomes.
Earlswood Depot/Park Farm Depot	-	20.0	60.7	-	80.7	-	80.7	Dan Jones	Expenditure will now take place in 2024/25. Multiple strands of work are in the planning phase following the handover to Property
Public Conveniences	4.0	10.0	21.0	-	31.0	10.0	21.0	Dan Jones	Remaining expenditure will now take place in 2024/25. Planned works reallocated due to other higher priorities
Cemeteries & Chapel	-	20.0	80.0	-	100.0	50.0	50.0	Dan Jones	Remaining expenditure will now take place in 2024/25, Conditions surveys are being collated
Allotments	-	12.0	42.0	-	54.0	-	54.0	Dan Jones	Minor Variance
Building Maintenance - Capitalised Staff Costs	14.2	28.0	28.0	-	56.0	56.0	-	Dan Jones	Minor Variance
Pavilion Replacement - Woodmansterne	-	-	20.0	-	20.0	-	20.0	Dan Jones	Expenditure will now take place in 2024/25, Boiler works specification needs to be programmed in line with the tenants operational activity
Priory Park	66.1	10.0	223.0	-	233.0	323.0	90.0	Dan Jones	
Strategic Property	311.1	1,420.0	6,383.0	-	7,803.0	3,837.8	- 3,965.2		
ICT Replacement Programme	18.7	200.0	-	-	200.0	200.0	-	Darren Wray	
Replacement Printers and Photocopiers	-	60.0	-	-	60.0	-	60.0	Darren Wray	The project for Printer replacement will now take place in 2024/25.
Council Chamber IT Project	79.5	-	-	150.0	150.0	150.0	-	Alex Vine	Budget approved by Council after April 2023 and the project is now complete.
Environmental Strategy Delivery	7.9	-	236.0	290.3	526.3	-	526.3	Catherine Rose	This is comprised of two elements. First, a general Environmental Sustainability (ES) capital fund (£236k) that is used on an adhoc basis for smaller ES projects or to provide 'top up' funding to other projects to make them more sustainable – therefore this will not all be spent in this financial year as it will effectively cover a multi-year requirement of funding for the respective projects. The second element is the first phase of strategic CIL funding associated with sustainability improvements to Council buildings. A further update on the spend profile of this scheme and related CIL funding will be provided next quarter and if a re-profiling adjustments is required for the capital programme then this will be adjusted in the January Budget report which will recommend the 2024/25 capital programme to Council.
Corporate Resources	106.1	260.0	236.0	440.3	936.3	350.0	- 586.3		
Great Workplace Programme - Phase 2	-	250.0	-	-	250.0	-	250.0	Dan Jones	This budget was created to ensure best utilisation of office space before the pandemic. Decision on use going forward is still awaited, and expenditure is expected in 2024/25
Organisational Development	-	250.0	-	-	250.0	-	- 250.0		
Organisation Capital Budget	417.1	1,930.0	6,619.0	440.3	8,989.2	4,187.8	- 4,801.4		

Capital ANNEX 2: Section 2

Capital Budget Monitoring: Summary by Programme and Project 2023-24

Programme/Project	Year to Date	Original Budget	Carry Forwards	Released In Year	Current Budget	Year End Outturn	Year End Variance	Scheme Controller	Quarter 2: Explanation of Significant Variances
	£000	£000	£000	£000	£000	£000	£000		
Home Improvement Agency & Handy Person Scheme	60.0	125.0	-	-	125.0	120.0	- 5.0	Katie Jackson	Minor variance
Disabled Facilities Grant	669.2	1,287.0	-	-	1,287.0	1,281.5	- 5.5	Katie Jackson	Minor variance
Temporary Accommodation – Stirling House	120.0	-	120.0	-	120.0	120.0	-	Richard Robinson	
Temporary Accommodation – Mitchell Court	240.0	-	240.0	-	240.0	240.0	-	Richard Robinson	
Purchase of Temporary & Emergency Accommodation	2,792.3	-	3,996.6	-	3,996.6	3,996.6	-	Richard Robinson	
Purchase of Temporary Accommodation - Local Authority Housing Fund (Round 1)	669.8	-	2,967.5	-	2,967.5	2,967.5	-	Richard Robinson	
Purchase of Temporary Accommodation - Local Authority Housing Fund (Round 2)	-	-	-	1,857.8	1,857.8	1,857.8	-	Richard Robinson	
Octavia Court (Lee Street Bungalows)	-	-	20.0	-	20.0	20.0	-	Richard Robinson	£20k will be spent for release of retention within the next few weeks - so I have changed this to a spend for year with zero variance now.
Development of Court Lodge Residential Site	0.6	-	-	-	-	-	-	Peter Boarder	
Wheatley Court (Cromwell Road Development)	- 82.3	-	100.0	-	100.0	100.0	-	Richard Robinson	£100k will be fully spend on consultants costs and retention and this has been goods receipted already - so changing this to a zero variance now.
Housing	4,469.7	1,412.0	7,444.1	1,857.8	10,713.9	10,703.4	- 10.5		
Harlequin - Service Development	- 1.2	100.0	64.0	-	164.0	-	- 164.0	Duane Kirkland	Harlequin budgets currently under review due to identification of RAAC and the requirement to close the building pending further investigation.
Leisure & Intervention	- 1.2	100.0	64.0	-	164.0	-	- 164.0		
CCTV Rolling Programme	56.6	-	104.6	-	104.6	97.3	- 7.3	Justine Chatfield	Minor variance
UKSPF - Digital Connectivity for Local Community Facilities	-	-	3.0	-	3.0	3.0	-	Justine Chatfield	
Community Partnerships	56.6	-	107.6	-	107.6	100.3	- 7.3		
People Services Capital Budget	4,525.1	1,512.0	7,615.7	1,857.8	10,985.5	10,803.7	- 181.8		

Capital ANNEX 2: Section 2

Capital Budget Monitoring: Summary by Programme and Project 2023-24

Programme/Project	Year to Date	Original Budget	Carry Forwards	Released In Year	Current Budget	Year End Outturn	Year End Variance	Scheme Controller	Quarter 2: Explanation of Significant Variances
	£000	£000	£000	£000	£000	£000	£000		
Vehicles & Plant Programme	20.5	582.0	1,022.3	-	1,604.3	1,604.3	-	Morag Williams	
Fleet Vehicle Wash-Bay Replacement	-	-	350.0	-	350.0	-	350.0	Morag Williams	Expenditure not expected until 2024/25
Workshop Refurbishment	-	-	160.0	-	160.0	160.0	-	Morag Williams	
Play Area Improvement Programme	-	230.0	-	-	230.0	225.0	5.0	Morag Williams	Minor variance
Parks & Countryside - Infrastructure & Fencing	-	45.0	-	-	45.0	45.0	-	Morag Williams	
Air Quality Monitoring Equipment	2.6	40.0	-	-	40.0	35.0	5.0	Katie Jackson	Minor variance
Contribution to Surrey Transit Site	-	-	127.0	-	127.0	-	127.0	Pat Main	
Neighbourhood Operations	23.0	897.0	1,659.3	-	2,556.3	2,069.3	487.0		
Pay-on-Exit Car Parking at Central Car Park and Victoria Road Car Park, Horley	10.8	-	45.6	273.0	318.6	128.0	190.6	Peter Boarder	CIL grant of £120k was approved in August 2023. £23k SCC grant expected as well as £130k LEP grant funds. This is for the delivery and installation of electric vehicle charging points. The service will have a clearer view on the anticipated cost of the wider works and programme by the end of the calendar year as we will be going out to tender for the contractor soon. If the works start before the end of the financial year, the expenditure will be higher than this estimate.
Horley Public Realm Improvements - Phase 4	7.0	-	564.9	411.2	976.1	101.0	875.1	Peter Boarder	Significant progress has been made during the year on the detailed design for the High Street Public Realm Improvements, working with the design team, county and town councils and local stakeholders to develop and refine the proposals. On the completion of the current design stage, anticipated to take place in September 2023, the project will transition to Surrey County Council to deliver. The completion of the detailed design and transition to county has taken longer than anticipated but is being actively progressed by all involved. Surrey County Council, working with RBBC, will procure the contractor to implement and programme the public realm improvements with works anticipated to commence in Spring 2024. CIL grant of £370k was approved in Aug 23 plus a further CIL approval of £20k for Signage and Wayfinding for Horley High Street. Another £21k to recognise
Subway Refurbishment, Horley	18.3	-	-	234.0	234.0	45.0	189.0	Peter Boarder	RBBC has instructed design stage 3 and SCC are entering into a new Basic Asset Protection Agreement with Network Rail (included in the estimated expenditure) to progress the project.
Marketfield Way Redevelopment	5,645.7	-	5,574.9	-	5,574.9	5,574.9	-	Peter Boarder	
Redhill Public Realm Improvements	-	-	30.0	-	30.0	30.0	-	Peter Boarder	
Merstham Recreation Ground	32.9	-	1,465.0	1,230.0	2,695.0	118.9	2,576.1	Peter Boarder	Our plans to refurbish Merstham Rec have been delayed because of the length of time it took the Council to secure planning consent and because of the need to secure additional funding for the project. The planning application was submitted in March 2022 and Planning Committee resolved in April 2023 to grant permission subject to the application not being called in by the Secretary of State, as a consequence of an objection by Sports England about the loss of a playing pitch. The Secretary of State confirmed that they did not wish to call in the application and as such planning consent was finally granted on 30th May 2023. Applications for additional funding have also been made. Officers have secured a further £443,530 from Surrey County Council and £787,042 from the Community Infrastructure Levy for the project. Tenders for the works have now been prepared and will be issued imminently, with an expected start on site in early Spring 2024. CIL grant of £787k was approved in July 23 and £443k SCC grant for
Preston - Parking Improvements	147.7	-	542.0	-	542.0	81.6	460.4	Peter Boarder	The new skate park has been delivered and opened in August 2023. Works to provide new car parking has been delayed due to discussions with the County Council as to how to best deliver the works. Agreement has now been reached to deliver the works through a Section 278 agreement and consequently a planning application has now been submitted. Once planning permission has been secured and the S278 agreement entered into, the works can be tendered and then implemented.
Place Delivery	5,862.4	-	8,222.3	2,148.2	10,370.5	6,079.4	4,291.2		
Place Services Capital Budget	5,885.4	897.0	9,881.6	2,148.2	12,926.8	8,148.6	4,778.2		

111

Capital ANNEX 2: Section 2

Capital Budget Monitoring: Summary by Programme and Project 2023-24

Programme/Project	Year to Date	Original Budget	Carry Forwards	Released In Year	Current Budget	Year End Outturn	Year End Variance	Scheme Controller	Quarter 2: Explanation of Significant Variances
	£000	£000	£000	£000	£000	£000	£000		
Strategic CIL-funded Capital Programme	269.3	-	-	3,934.8	3,934.8	3,934.8	-	Pat Main	£4.8m CIL scheme approved in total. £3.9m relates to spend on assets outside of RBBC and £1.6m relates to RBBC assets.
Strategic CIL	269.3	-	-	3,934.8	3,934.8	3,934.8	-		
Corporate Capital Budget	269.3	-	-	3,934.8	3,934.8	3,934.8	-		
Total Capital Budget	11,096.9	4,339.0	24,116.2	8,381.1	36,836.2	27,074.8	- 9,761.4		

Financial Sustainability Programme: quarterly Update

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

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

	Progress	Next Steps	Financial Benefits
Programme	<ul style="list-style-type: none"> • The programme was audited by the Council’s internal auditors in 2023/24. The audit resulted in an opinion of ‘substantial’ assurance, with one management action resulting, which has now been completed. 	<ul style="list-style-type: none"> • Maintain the programme governance framework which supports the delivery of programme objectives and outcomes. 	<ul style="list-style-type: none"> • Not applicable.
Service & Financial Planning – 2024/25	<ul style="list-style-type: none"> • Significant work has taken place throughout the spring and summer to prepare proposals for the draft budget. • There has been a firm focus on identifying service and central budget savings in line with the objectives of the FSP, specifically to generate income, use assets to maximise efficiency and achieve value for money, • The draft budget for 2024/25 was endorsed by the Executive at its meeting on 16 November 2023. 	<ul style="list-style-type: none"> • Further work will take be undertaken over the coming weeks to test and refine the proposals, including consultation with the Overview & Scrutiny Committee’s Budget Scrutiny Panel and other stakeholder groups. • Final budget proposals will be presented in January 2024. 	<ul style="list-style-type: none"> • A total of £2.259m savings have identified from services areas and from fees and charges. • Of the total above, £0.540m are specifically from additional fees and charges income which have been achieved in line with the Council’s fees and charges policy. • In addition to the £2.259m service savings, a further £0.200m of treasury management savings have been identified plus other net central budget savings of £0.176m • Included within the overall service savings of £2.259m, are specific

	Progress	Next Steps	Financial Benefits
			<p>savings from assets and property including income from the Rise at Redhill of £0.700m plus new café leases income of £0.100m, plus a further £0.104m from new properties such as Reading Arch Road.</p> <ul style="list-style-type: none"> • Also included in the service savings is a post reduction from deleting a vacant post with a saving of £0.044m. • A further service saving is an efficiency savings of £0.025m for CIL funded solar compacting bins which are being introduced. • Finally, external grants have been maximised where possible and £0.050m of additional income has been achieved from the Homelessness Prevention Government Grant.
Standalone projects and activities	<ul style="list-style-type: none"> • Project and activity scoping (ongoing) • Activities to deliver 'quick wins' being progressed (ongoing) • Projects being progressed through established project management framework (ongoing) 	<ul style="list-style-type: none"> • Activities to deliver 'quick wins' continue to be progressed by relevant service areas (ongoing) • Projects being progressed through established project management framework (ongoing) 	<ul style="list-style-type: none"> • Small scale for 2023/24 from 'quick win' activities were incorporated within the agreed budget for the current year. These savings, alongside the total savings (generated under FSP) delivered a total budget benefit of £2m for 2023/24 summarised as £1.23m of additional income and £0.79m of cost savings. • Financial benefits from projects are be confirmed on a case by case basis
Vacancy Control Mechanism and Pay Budgets	<ul style="list-style-type: none"> • New vacancy control mechanism introduced (June 2022) • Senior Officer Panel established to review business cases for recruitment to vacant posts (July 2022) 	<ul style="list-style-type: none"> • Changes and improvements to the process to be implemented as they are identified (ongoing) 	<ul style="list-style-type: none"> • Pay costs budgets for 2024/25 are being reduced by £0.243m to reflect elements of the pay award budget that did not have to be fully utilised last year after final pay negotiations.

	Progress	Next Steps	Financial Benefits
	<ul style="list-style-type: none"> • Vacancy control mechanism now operational; recruitment to vacant posts being reviewed by senior management on a case-by-case basis 		<ul style="list-style-type: none"> • A proposed post deletion of 1 FTE in the draft 2024/25 budget will result in a saving of £0.044m.
Third Party Funding Opportunities	<ul style="list-style-type: none"> • £0.5m secured from health partners towards Council community development and partnerships work Investment plan submitted in respect of £1m UK Shared Prosperity Fund funding (July 2022) • Council services as well as third parties were invited to submit Strategic CIL bids in 2022. Circa £7.5m of funding was awarded to Council projects. • £0.089m secured from Surrey County Council for sustainability activities 	<ul style="list-style-type: none"> • Opportunities for further third party funding continue to be explored (ongoing) 	<ul style="list-style-type: none"> • For the 2024/25 to 2027/28 Capital Programme there is Strategic CIL Funding of £0.754m being applied to fund the Environmental Stability upgrades for the Council which will cost £1.145m in total over the period of the full capital programme. • Capital Grants and other funding opportunities such as the £0.089m contribution from Surrey County Council to fund solar panels as part of the sustainability work have been included in the Capital Programme which will go forward to the January Budget meeting for approval.

This page is intentionally left blank

TREASURY MANAGEMENT STRATEGY

2023/24

Mid-year

1. Introduction

The Council has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Council to approve, as a minimum, treasury management semi-annual and annual outturn reports.

This report satisfies the new requirement in the 2021 Code, mandatory from 1 April 2023, of quarterly reporting of the treasury management prudential indicators.

The non-treasury prudential indicators are incorporated in the Council's quarterly revenue and capital monitoring update.

The Treasury Management Strategy for 2023/24 was approved by Council on 20 July 2023.

The Council has invested significant sums and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates.

The successful identification, monitoring and control of risk therefore remains central to the Council's treasury management strategy.

2. External Context

(provided by the Council's Treasury Management Advisor, Arlingclose)

Economic background: *UK inflation remained stubbornly high over much the period compared to the US and euro zone, keeping expectations elevated of how much further the Bank of England (BoE) would hike rates compared to the regions. However, inflation data published in the latter part of the period undershot expectations, causing financial markets to reassess the peak in BoE Bank Rate. This was followed very soon after by the BoE deciding to keep Bank Rate on hold at 5.25% in September, against expectation for another 0.25% rise.*

Economic growth in the UK remained relatively weak over the period. In calendar Q2 2023, the economy expanded by 0.2%. However, monthly GDP data showed a 0.5% contraction in July, the largest fall to date in 2023 and worse than the 0.2% decline

predicted which could be an indication the monetary tightening cycle is starting to cause recessionary or at the very least stagnating economic conditions.

July data showed the unemployment rate increased to 4.3% (3mth/year) while the employment rate rose to 75.5%. Pay growth was 8.5% for total pay (including bonuses) and 7.8% for regular pay, which for the latter was the highest recorded annual growth rate. Adjusting for inflation, pay growth in real terms were positive at 1.2% and 0.6% for total pay and regular pay respectively.

Inflation continued to fall from its peak as annual headline CPI declined to 6.7% in July 2023 from 6.8% in the previous month against expectations for a tick back up to 7.0%. The largest downward contribution came from food prices. The core rate also surprised on the downside, falling to 6.2% from 6.9% compared to predictions for it to only edge down to 6.8%.

The Bank of England's Monetary Policy Committee continued tightening monetary policy over most of the period, taking Bank Rate to 5.25% in August. Against expectations of a further hike in September, the Committee voted 5-4 to maintain Bank Rate at 5.25%. Each of the four dissenters were in favour of another 0.25% increase.

Financial market Bank Rate expectations moderated over the period as falling inflation and weakening data gave some indication that higher interest rates were working. Expectations fell from predicting a peak of over 6% in June to 5.5% just ahead of the September MPC meeting, and to then expecting 5.25% to be the peak by the end of the period.

Following the September MPC meeting, Arlingclose, the authority's treasury adviser, modestly revised its interest forecast to reflect the central view that 5.25% will now be the peak in Bank Rate. In the short term the risks are to the upside if inflation increases again, but over the remaining part of the time horizon the risks are to the downside from economic activity weakening more than expected.

The lagged effect of monetary policy together with the staggered fixed term mortgage maturities over the next 12-24 months means the full impact from Bank Rate rises are still yet to be felt by households. As such, while consumer confidence continued to improve over the period, the GfK measure hit -21 in September, it is likely this will reverse at some point. Higher rates will also impact business and according to S&P/CIPS survey data, the UK manufacturing and services sector contracted during the quarter with all measures scoring under 50, indicating contraction in the sectors.

The US Federal Reserve increased its key interest rate to 5.25-5.50% over the period, pausing in September following a 0.25% rise the month before, and indicating that it may have not quite completed its monetary tightening cycle.

Having fallen throughout 2023, annual US inflation started to pick up again in July 2023, rising from 3% in June, which represented the lowest level since March 2021, to 3.2% in July and then jumping again to 3.7% in August, beating expectations for a rise to 3.6%. Rising oil prices were the main cause of the increase. US GDP growth registered 2.1% annualised in the second calendar quarter of 2023, down from the initial estimate of 2.4% but above the 2% expansion seen in the first quarter.

The European Central Bank increased its key deposit, main refinancing, and marginal lending interest rates to 4.00%, 4.50% and 4.75% respectively in September, and hinted these levels may represent the peak in rates but also emphasising rates would stay high for as long as required to bring inflation down to target.

Although continuing to decline steadily, inflation has been sticky, Eurozone annual headline CPI fell to 5.2% in August while annual core inflation eased to 5.3% having stuck at 5.5% in the previous two months. GDP growth remains weak, with recent data showing the region expanded by only 0.1% in the three months to June 2023, the rate as the previous quarter.

Financial markets: *Financial market sentiment and bond yields remained volatile, with the latter generally trending downwards as there were signs inflation, while still high, was moderating and interest rates were at a peak.*

Gilt yields fell towards the end of the period. The 5-year UK benchmark gilt yield rose from 3.30% to peak at 4.91% in July before trending downwards to 4.29%, the 10-year gilt yield rose from 3.43% to 4.75% in August before declining to 4.45%, and the 20-year yield from 3.75% to 4.97% in August and then fell back to 4.84%. The Sterling Overnight Rate (SONIA) averaged 4.73% over the period.

Credit review: *Having completed a review of its credit advice on unsecured deposits at UK and non-UK banks following concerns of a wider financial crisis after the collapse of Silicon Valley Bank purchase of Credit Suisse by UBS, as well as other well-publicised banking sector issues, in March Arlingclose reduced the advised maximum duration limit for all banks on its recommended counterparty list to 35 days. This stance continued to be maintained at the end of the period.*

During the second quarter of the period, Moody's revised the outlook on Svenska Handelsbanken to negative from stable, citing concerns around the Swedish real estate sector.

Having put the US sovereign rating on Rating Watch Negative earlier in the period, Fitch took further action in August, downgrading the long-term rating to AA+, partly around ongoing debt ceiling concerns but also an expected fiscal deterioration over the next couple of years. Following the issue of a Section 114 notice, in September Arlingclose advised against undertaking new lending to Birmingham City Council,

and later in the month cut its recommended duration on Warrington Borough Council to a maximum of 100 days.

Arlingclose continued to monitor and assess credit default swap levels for signs of ongoing credit stress and although no changes were made to recommended durations over the period, Northern Trust Corporation was added to the counterparty list.

Heightened market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

3. Local Context

On 31 March 2023, the Council had net investments of £9.0 million arising from its revenue and capital income and expenditure.

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

These factors are summarised in the table below.

Table 1: Balance Sheet Summary	31/03/2023 Actual £000	31/03/2024 Forecast £000
General Fund CFR	94,300	70,100
External borrowing ¹	(7,000)	-
Internal borrowing	87,300	70,100
Less: Balance sheet resources	103,294	73,300
Investments/ (borrowing)	15,994	3,200

NOTE 1: Loans to which the Council is committed; excludes optional refinancing.

The treasury management position at 30th September and the change over the six months is shown in Table 2 below.

Table 2: Treasury Management Summary	31/03/2023 Balance £000	Movement £000	30/09/2023 Balance £000	30/09/2023 Rate %
Short term Borrowing	(7,000)	7,000	-	-
Cash and cash equivalents	15,994	28,030	44,024	4.65%
Net investments	8,994	35,030	44,024	4.65%

The increase in investment movement is due to expected capital receipts during this period.

Borrowing

CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Council.

PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

The Council has not invested in assets primarily for financial return or that are not primarily related to the functions of the Council. It has no plans to do so in future.

Borrowing Strategy and Activity

At 30 September 2023 the Council held no loans.

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

Loans outstanding as at 30 September 2023 are summarised in the table below.

Table 3: Borrowing Position	31/03/2023 Balance £000	Net Movement £000	30/09/2023 Balance £000	30/09/2023 Weighted Average Rate %	30/09/2023 Weighted Average Maturity (months)
Other Lenders ¹	(7,000)	7,000	-	-	-
Total borrowing	(7,000)	7,000	-	-	-

NOTE 1: Housing Association

The chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should long-term plans change being a secondary objective.

The borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

Treasury Investment Activity

The CIPFA Treasury Management Code now defines treasury management investments as those investments which arise from the Authority's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

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

During the year, investment balances ranged between £11.8 million and £65.9 million due to timing differences between income and expenditure.

The investment position is set out in the table below:

Table 4: Treasury Investment Position	31/03/2023 Balance £000	Net Movement £000	30/09/2023 Balance £000	30/09/2023 Income Return %	30/09/2023 Weighted Average Maturity (Days)
Banks & building societies (unsecured)	8,994	30	9,024	0.95%	1
Government – Debt Management Office (DMO)	-	15,000	15,000	3.98%	117
Money Market Funds	7,000	13,000	20,000	5.30%	1
Total investments	15,994	28,030	44,024	4.65%¹	25¹

NOTE 1: Weighted Average

Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield.

The objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Bank Rate increased by 1%, from 4.25% at the beginning of April to 5.25% by the end of September.

Short-dated cash rates rose commensurately, with 3-month rates rising to around 5.25% and 12-month rates to nearly 6%.

The rates on DMADF deposits also rose, ranging between 5.2% and 5.3% by the

end of September and Money Market Rates from 4.16% and 5.30%.

The progression of risk and return metrics are shown in the extracts from Arlingclose’s quarterly investment benchmarking in the table below.

Table 5: Investment Benchmarking – Treasury investments managed in-house	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
<u>Reigate & Banstead Borough Council</u>					
31/03/2023	4.90	A+	100%	1	4.01%
30/09/2023	4.29	AA-	66%	25	4.65%
Similar Local Authorities	4.43	AA-	56%	63	4.71%
All Local Authorities	4.47	AA-	59%	13	4.79%

Non-Treasury Investments

The definition of investments in the Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) and Welsh Government also includes within the definition of investments all such assets held partially or wholly for financial return.

The Council held:

- £1.1m shares in Pathway For Care Limited;
- £0.652m shared in Greensand Holdings Limited; and
- Loans of £13.258m to Greensand Holdings Limited
- Horley Business Park development LLP is in the process of being liquidated.

Treasury Performance

Treasury investments generated an average rate of return 4.65% in the first half of the financial year.

The Council’s treasury investment income for the year is likely to be above the budget due to the higher interest rates and anticipated capital receipts during the second quarter of the year.

Compliance

The Chief Finance Officer reports that all treasury management activities undertaken during the quarter complied fully with the principles in the Treasury Management Code and the Council's approved Treasury Management Strategy.

Compliance with specific investment limits is demonstrated in the table below.

Table 6: Investment Limits	2023/24 Maximum £000	30/09/2023 Actual £000	2023/24 Limit £000	Complied?
Any single organisation, except the UK Government	10,000	5,000	10,000	Yes
Any group of pooled funds under the same management	0	0	10,000	Yes
Negotiable instruments held in a broker's nominee account	0	0	13,000	Yes
Limit per non-UK country	0	0	5,000	Yes
The UK Government	25,000	15,000	n/a	Yes
Local authorities & other government entities	0	0	Unlimited	Yes
Secured investments	0	0	Unlimited	Yes
Banks (unsecured) (Excluding the Councils Operational bank accounts)	10	10	Unlimited	Yes
Building societies (unsecured)	0	0	10,000	Yes
Registered providers (unsecured)	0	0	13,000	Yes
Money market funds	£41m sector (£10m counterparty)	£20m sector (£5m counterparty)	Unlimited (£10m per counterparty)	Yes
Strategic pooled funds	0	0	25,000	Yes
Real estate investment trusts	0	0	13,000	Yes
Other investments	0	0	5,000	Yes

Treasury Management Prudential Indicators

As required by the 2021 CIPFA Treasury Management Code, the Council monitors and measures the following treasury management prudential indicators.

1. Liability Benchmark

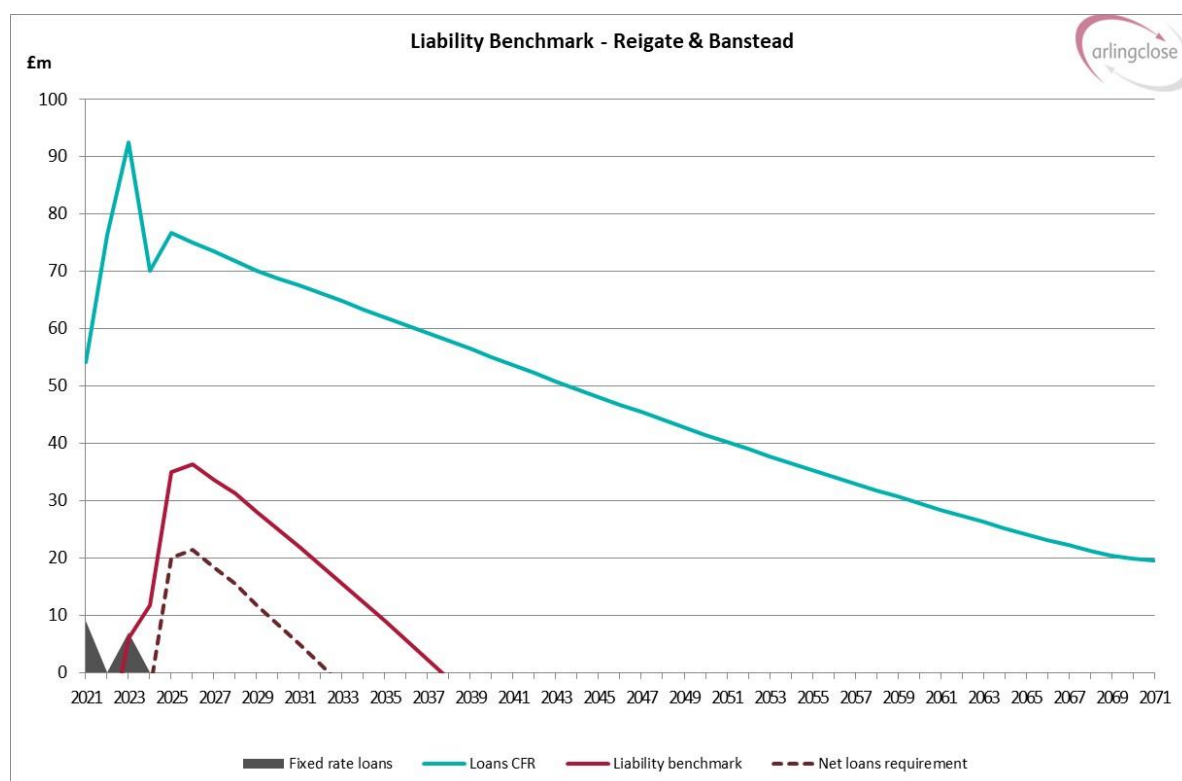
This new indicator compares the Council's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing.

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

It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £15.0 million required to manage day-to-day cash flow.

Table 7: Liability Benchmark	31/03/2023 Actual £000	31/03/2024 Forecast £000	31/03/2025 Forecast £000	31/03/2026 Forecast £000
Loans CFR	94,300	70,100	76,700	75,000
Less: Balance sheet resources	103,300	73,300	56,700	53,700
Net loans requirement	9,000	3,200	(20,000)	(21,300)
Plus: Liquidity allowance	15,000	15,000	15,000	15,000
Liability benchmark	6,000	11,800	35,000	36,300
Existing borrowing	(7,000)	-	-	-

Following on from the medium-term forecast in the table above, the long-term liability benchmark assumes no capital expenditure will be funded by borrowing after 2023-24 and that reserves will increase by 2.5%. This illustrated in the chart below:



A borrowing requirement of £22.3 million is expected by 31 March 2024 and increasing by £35.2million and £36.6 million respectively for 31 March 2025 and 31 March 2026 and declining thereafter from 2027 onwards.

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

The graph represents only a snapshot in time at year end when balances are typically at their lowest and borrowing needs are highest. In year balances are expected to fluctuate to up to £65.3 million.

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

2. Maturity Structure of Borrowing

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

Table 8: Maturity Structure of Borrowing	Upper Limit	Lower Limit	30/09/2023 Actual	Complied?
Under 12 months	100%	0%	-	Yes
12 months and within 24 months	100%	0%	-	Yes
24 months and within 5 years	100%	0%	-	Yes
5 years and within 10 years	100%	0%	-	Yes
10 years and above	100%	0%	-	Yes

Time periods start on the first day of each financial year.

The maturity date of borrowing is the earliest date on which the lender can demand repayment.

As the Council has relatively modest and short term overall borrowing requirement there is no significant refinancing risk associated with having all loans maturing within the timescales shown above.

At present the Council would wish to retain maximum flexibility as to the periods in which it borrows over. If the debt portfolio becomes more extensive, then the indicator will be reviewed to ensure that it remains suitable.

3. Long-term Treasury Management Investments

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

Table 9: Long Term Investments	2023/24	2024/25	2025/26	No fixed date
Limit on principal invested beyond year end	£10.0m	£10.0m	£10.0m	£10.0m
Actual principal invested beyond year end	£0m	£0m	£0m	£0m
Complied?	Yes	Yes	Yes	Yes

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

Additional indicators

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average rating / credit score of its investment portfolio.

This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Table 10: Credit Risk	2023/24 Target	30/09/2023 Actual	Complied?
Portfolio average credit	A	AA-	Yes

Liquidity: The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period.

Table 11: Liquidity Risk	2023/24 Target	30/09/2023 Actual	Complied?
Total cash available within 3 months	£5.0 million	£29.024 million	Yes

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. Bank Rate rose by 1.00% from 4.25% on 1st April to 5.25% by 30th September 2023.

Table 12: Interest rate risk indicator	2023/24 Target	30/09/2023 Actual ¹	Complied?
Revenue impact of a 1% change in interest rates	£0.078 million pa	£0.369 million pa	No

Note 1 the figure is higher due to no loans taking out during this period and therefore figure is related to investment interest with no loan interest payable to the comparable target figure.

For context, the changes in interest rates during the quarter were:

	<u>31/3/23</u>	<u>30/9/23</u>
Bank Rate	4.25%	5.25%
1-year PWLB certainty rate, maturity loans	4.78%	5.69%
5-year PWLB certainty rate, maturity loans	4.31%	5.22%
10-year PWLB certainty rate, maturity loans	4.33%	5.26%
20-year PWLB certainty rate, maturity loans	4.70%	5.64%
50-year PWLB certainty rate, maturity loans	4.41%	5.43%

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

Prudential Indicators

2023/24

Quarter 2

The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and produce prudential indicators. Each indicator either summarises the expected activity or introduces limits upon the activity and reflects the outcome of the Council's underlying capital appraisal systems.

The Prudential Code requires authorities to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are being made with sufficient regard to financing implications and potential risks to the authority.

The Council measures and manages its capital expenditure, borrowing and commercial and service investments with references to the following indicators.

It is now a requirement of the CIPFA Prudential Code that these are reported on a quarterly basis.

1. Capital Expenditure

This indicator requires reasonable estimates of the total capital expenditure to be incurred. The Council's planned capital expenditure is summarised below. The 2023/24 forecast at 30 September 2023 is set out in the table below.

	2022/23 actual £000	2023/24 forecast ¹ £000	2024/25 budget £000	2025/26 budget £000
General Fund services	21,154	27,074	4,322	3,805
Capital investments	-	1,308	-	-

NOTE 1: Approved slippage from 2022/23 of £24,116 has been included in the above figure.

The Council is planning to incur £1.3m of capital expenditure on investments by 31 March 2024.

2. Capital Financing Requirement

The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure (that is not financed by grants, capital receipts or direct revenue contributions) and reduces with MRP (minimum revenue provision) and capital receipts used to replace debt.

	31/03/2023 actual £000	31/03/2024 forecast £000	31/03/2025 budget £000	31/03/2026 budget £000
General Fund Services	94,300	70,100	76,700	75,000
Capital Investments	-	1,308	-	-
TOTAL CFR	94,300	71,408	76,700	75,000

The CFR for has reduced to reflect capital receipts in the second quarter of the current financial year.

3. Gross Debt and the Capital financial Requirement

Statutory guidance is that debt should remain below the capital financing requirement, except in the short term. The Council has complied and expects to continue to comply with this requirement in the medium term as is shown below.

	31/03/2023 actual £000	31/03/2024 forecast £000	31/03/2025 budget £000	31/03/2026 budget £000	Debt at 30/09/2023 £000
Debt (incl. PFI & leases)	7,000	-	-	-	-
Capital Financing Requirement	94,300	71,408	76,700	75,000	

4. Debt and Authorised Limit and Operational Boundary

The Council is legally obliged to set an affordable borrowing limit (also termed the Authorised Limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

	Maximum debt Q2 2023/24 £000	Debt at 30/09/2023 £000	2023/24 Authorised Limit £000	2023/24 Operational Boundary £000	Complied? Yes/No
Borrowing	11,000	-	40,000	35,000	Yes

Since the Operational Boundary is a management tool for in-year monitoring it is not significant if the Boundary is breached on occasions due to variations in cash flow; this is not counted as a compliance failure.

5. Net Income from Service and Commercial Investments Compared to Net Revenue Stream

The Council's income from commercial and service investments as a proportion of its net revenue stream is forecast to be as set out below.

	2022/23 actual £000	2023/24 forecast £000	2024/25 budget £000	2025/26 budget £000
Total net income from service and commercial investments	2,013	2,085	2,397	2,757
Proportion of net revenue stream	13.52%	9.39%	10.93%	12.57%

6. Proportion of Finance Costs to Net Revenue Stream

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue.

This net annual charge is known as financing costs and is compared to the net revenue stream i.e., the amount funded from council tax, business rates and general government grants.

	2022/23 actual £000	2023/24 forecast £000	2024/25 budget £000	2025/26 budget £000
Financing costs (£m)	606	794	1,825	1,840
Proportion of net revenue stream	4.07%	3.58%	8.32%	8.39%

Treasury Management Indicators: These indicators (Liability Benchmark, Maturity Structure of Borrowing and Long-Term/Short Term Treasury Management Investments) are set out within the Treasury Management Report Q2 2023/24 above.

This page is intentionally left blank

Overview and Scrutiny Committee – 7 December 2023

Draft Minute 48 – Quarter 3 2023/24 performance report

The Committee received the Performance Reports for Quarter 2 2023/24 including the Key Performance Indicators (KPIs) and Budget Monitoring forecasts Quarter 2 2023/24, both for revenue and capital. The reports were due to be presented to the Executive on 14 December 2023.

Key Performance Indicators

Of the ten KPIs reported on, eight were on target or within agreed tolerances. Two KPIs were off target: KPI 6 – housing completions, and KPI 7 – Net affordable housing completions. Although Affordable housing completions had not met their target within this quarter, in Quarter 2, 52 dwellings were completed, 40 at market rate and 12 affordable. The majority of completions had come from the developments at the Horley North West Sector and 136 Brighton Road, Hooley.

Advance Questions

Several advance questions on the Key Performance Indicators had been submitted prior to the meeting. The advance questions and their responses can be viewed here:

[Document Advance Questions and Answers OS 7 December 2023 | Reigate and Banstead Borough Council \(modern.gov.co.uk\)](#)

The following clarifications were provided:

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

Although the target for KPI 10 had not been met for several quarters, it was explained that this target was set by the Surrey Environmental Partnership and was a stretch target, which the Council aspires to achieve. The Council was currently reviewing how the service is delivered and considering how to best make changes to ensure that the new Government waste and recycling guidelines will be met. This includes a full recycling roll-out to all households in the borough. The Chair added that this was one of the uncertainties identified by the Budget Scrutiny Panel.

Finance

Councillor Lewanski, Deputy Leader and Portfolio Holder for Finance, Governance and Organisation, gave an overview of the Quarter 2 Budget Monitoring set out in the report, which also included an update on the quarter's treasury management activities.

At Quarter 2 the projected full year outturn is £21.911m against a management budget of £23.194m resulting in an underspend for the year of £1.283m (5.5%).

Details of the more significant budget variances were set out in the report.

At this stage in the year there were no significant areas of concern, but further work is being carried out to look into the adverse variances.

The full year Capital Programme forecast at the end of Quarter 2 of £27.074m is 26% below the approved Programme for the year.

The variance is predominantly as a result of £9.752m slippage.

The reasons for the slippage at this stage were primarily because of updated forecasts of the time required to deliver the larger programmes.

Capital spending plans were based on information available at the start of 2023 and, six months later, some timescales have been revised.

The Portfolio Holder also confirmed that the balance of the £30.0 million that was previously approved for investment in Housing schemes remains available but not yet committed. Reference to this was omitted in the report; that would be corrected in the next update.

Annex 5.1 sets out the treasury management position to the end of September 2023. It confirms that treasury activities are in line with the Strategy that Council approved in July 2023 and that was reported to O&S and Executive in June 2023 following a Member briefing with the Council's treasury advisors Arlingclose.

The Portfolio Holder highlighted the fact that the return on the Council's investments continued to outperform similar authorities, and this was a key factor contributing to the favourable revenue budget outturn forecasts.

Several advance questions on the Revenue Budget, Capital Expenditure and Treasury Management updates had been submitted prior to the meeting. The advance questions and their responses can be viewed here:

[Document Advance Questions and Answers OS 7 December 2023 | Reigate and Banstead Borough Council \(moderngov.co.uk\)](#)

The Deputy Leader and Executive Member for Finance and Governance, Councillor Lewanski invited Members to ask questions and comment on the Quarter 2 2023/24 Performance Report provided in the agenda pack.

In response to the questions raised, the following clarifications were provided:

Capital Programme

The Chief Finance Officer confirmed that slippage had been higher in previous years due to the challenges of delivering complex large-scale projects, such as The Rise, and the pandemic had also had an impact on general delivery of capital programme projects. Project managers were learning and improving. The budget is a financial representation of plans and intended activities; budget holders are consulted in detail and challenged as part of annual budget-setting to set realistic timeframes for procurement of goods and services.

Summary

The Chair summarised that there were some substantial favourable revenue variances and some one-off items in the current year, which had been discussed by the Budget Scrutiny Panel. Uncertainties remain but they would be reviewed again in the January budget report.

RESOLVED that the Overview & Scrutiny Committee:

- i) Noted Key Performance Indicator (KPI) performance for Q2 2023/24 as detailed in the report and at Annex 1 and made observations to the Executive.
- ii) Noted the Revenue Budget and Capital Programme forecasts for Q2 2023/24 as detailed in the report and at Annexes 2, 3 and 4 and made observations to the Executive.

iii) Noted the Quarter 2 Treasury Management Performance Update for 2023/24 at Annex 5 and made observations to the Executive.

This page is intentionally left blank



Signed off by	Head of Corporate Policy, Projects and Performance
Author	Luke Harvey, Project & Performance Team Leader
Telephone	Tel: 01737 276519
Email	Luke.Harvey@reigate-banstead.gov.uk
To	Audit Committee Executive
Date	Audit Committee: Wednesday, 6 December 2023 Executive: Thursday, 14 December 2023
Executive Member	Portfolio Holder for Corporate Policy and Resources

Key Decision Required	N
Wards Affected	(All Wards);

Subject	Risk management - Q2 2023/24
----------------	------------------------------

Recommendations
<p>That the Audit Committee:</p> <p>(i) Note the Q2 2023/24 update on risk management provided in the report and make any observations to the Executive.</p> <p>That the Executive:</p> <p>(i) Notes the Q2 2023/24 update on risk management provided in the report.</p>
Reasons for Recommendations
The Audit Committee and the Executive’s constitutional responsibilities require the regular receipt of updates on risk management.
Executive Summary
This report provides an update on risk management in Q2 2023/24. Additional detail is provided in the report as well as in the supporting annexes.

Agenda Item 9

The Audit Committee and Executive have the authority to approve their respective recommendations.

Statutory Powers

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

Background

4. Reigate and Banstead Borough Council recognises that risk management is of fundamental importance to effective corporate governance, leadership and the direction, control and management of the organisation. Effective risk management is an integral part of all Council activities and the Council is committed to ensuring that risk is considered in all aspects of informed decision making.
5. The risk management strategy sets out how the Council identifies, assesses, manages and reports on the risks that it faces in delivering its objectives.
6. The Council maintains two corporate level risk registers: strategic and operational risks. Strategic risks are risks that, should they materialise, could have a negative impact on the Council's medium to long term objectives and priorities as set out in the Corporate Plan or other corporate level policies and strategies, including the Medium-Term Financial Plan (MTFP).
7. Operational risks are risks that are encountered in the delivery of services and which affect service objectives. These risks are ordinarily managed as part of the usual course of management. However, if the operational risk cannot be managed within the service or if it is outside of the Council's risk appetite, then it should be considered for inclusion in the operational risk register.
8. The Audit Committee has a constitutional responsibility to provide independent assurance to the Council on the adequacy of the risk management framework and internal control environment.
9. In so doing, the Committee receives quarterly updates on risk management. The Committee reviews the strategic risk register and any red rated operational risks.

Key Information

Q2 2023/24 risk management update

10. The Q2 strategic risk register is available at annex 1 of this report.

11. In summary, in Q2 no new strategic risks have been identified and no strategic risks are recommended for closure. Strategic risk scores remain as per Q1.

Red rated operational risk

12. In Q2 there was one RED rated operational risk, the detail of which is set out in the part 2 exempt annex, available at annex 2.

Audit Committee observations to the Executive

13. As the agenda for the meeting where the Executive considers risk management is published before the Audit Committee meets, any observations made by the Audit Committee will be tabled at the meeting of the Executive.

Options

14. The Audit Committee has two options:
- Option 1 – note this report and make any observations to the Executive.
 - Option 2 – note this report and make no observations to the Executive.
15. The Executive has one option:
- Option 1 – note this report, consider any observations made by the Audit Committee and, if necessary, make any observations to the Head of Corporate Policy, Projects and Performance.

Legal Implications

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

Financial Implications

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

Equalities Implications

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

Communication Implications

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

Environmental Sustainability Implications

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

Risk Management Considerations

22. The Council's risk registers inform the development of the risk based internal audit plan, progress against which is reported separately to the Audit Committee.

Agenda Item 9

23. The Council's approach to managing risk is a core component of the Code of Corporate Governance.

Procurement/Contract Management and Subsidy Considerations

24. There are no procurement, contract management and/or subsidy considerations arising from this report.

Other Implications

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

Consultation

26. The risk registers have been considered by the Council's Corporate Governance Group as part of its governance role.

Policy Framework

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

Background Papers

1. Risk management strategy: https://www.reigate-banstead.gov.uk/info/20090/council_policy/929/risk_management

Risk management

Strategic risk register

Quarter 2 – April to June 2023

Strategic risks

Strategic risks are risks that could have a negative impact on the Council's medium to long term objectives and priorities as set out in the Corporate Plan or other corporate level policies and strategies, including the Medium-Term Financial Plan (MTFP). Strategic risks typically originate from the environment within which the Council operates, though may also stem from an internal source – such as major project – if the impact merits its categorisation as a strategic risk.

Members of the Council's Senior Management Team and Executive members have shared responsibility for strategic risks.

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

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

Scoring risks

Each risk on the risk register is assessed using a likelihood and impact matrix.

The likelihood and impact scores are then combined to give an overall risk score. This is done by multiplying the likelihood score by the impact score.

The total risk score is then plotted on a scoring matrix to illustrate the risk scoring visually:

IMPACT						
Grave	(5)	5	10	15	20	25
Significant	(4)	4	8	12	16	20
Moderate	(3)	3	6	9	12	15
Minor	(2)	2	4	6	8	10
Almost none	(1)	1	2	3	4	5
LIKELIHOOD		(1)	(2)	(3)	(4)	(5)
		Rare	Unlikely	Possible	More than likely	Almost certain

Risk treatment

Risk treatment is the collective term that refers to the various options that management have at their disposal to manage a risk. These are:

Avoidance	<p>Simply stop doing the activity that creates the risk, or elements therein. This may not be possible or desirable, however, particularly where the risk is unavoidable or arises from activity that the Council is obliged to undertake.</p> <p>Risk avoidance must also be balanced against the effect of doing so on the Council's objectives and how this reconciles with the wider risk appetite.</p>
Transfer	Transfer all or part of the risk to another party. For example, to insurance or to other agencies/contractors.
Reduce	Take steps to reduce the likelihood and/or impact of the risk, such as introducing new or modifying existing controls and mitigations.
Accept	Accept the risk and take no measures to reduce the likelihood and/or impact. This is not ordinarily a recommended course of action, though if the risk is outside of the Council's control it then it may be the only option available.

RISK RATINGS

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

The below table provides an overview of the current open strategic risks on the register and tracks the overall risk score for the time period that the risk has been open. It is intended to provide a visualisation of the journey of the risk over the time period that it has been open to provide context to its current score.

Year	2021/22			2022/23				2023/24	
Quarter	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
SR1: Financial sustainability	16	16	16	16	16	16	16	16	16
SR2: Commercial investment				6	6	6	6	6	6
SR3: Challenging economic conditions for residents and businesses				16	16	16	16	16	16
SR4: Organisational capacity and culture	12	12	12	12	12	12	12	12	12
SR5: Cost pressures affecting the viability of Council developments				12	12	12	12	12	12
SR6: Local government reorganisation, devolution and Levelling Up	12	12	12	12	12	12	12	12	12
SR7: ICT network capacity and resilience			8	8	8	8	12	6	6
SR8: Fraud	12	12	12	12	12	12	12	12	12
SR9: Gatwick airport	16	9	9	9	9	9	9	9	9
SR10: Planning system reform and the Local Plan	9	9	9	9	9	6	6	9	9
SR11: Climate change impact				12	12	12	12	12	12

SR1	Financial sustainability		RED
Description	<p>A combination of current adverse macroeconomic conditions and the wider local government funding context have created conditions of unprecedented financial uncertainty and challenge for the Council.</p> <p>The Council is therefore increasingly reliant on generating additional income and identifying savings and efficiencies from existing budgets. If not mitigated, these financial challenges risk an adverse impact on the Council's ability to deliver its Corporate Plan objectives.</p>		
Owners	Portfolio Holder: Cllr Lewanski		
	Officer: Pat Main		
Controls	<p>Implemented Controls:</p> <p>The Council has strong financial management arrangements in place with continual 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. The budget pressures identified by the MTFP will be addressed by the Council's Financial Sustainability Programme.</p> <p>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 Commercial Strategy, parts 1 and 2, both set 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 has been utilised to review the approach taken to secure financial sustainability.</p>		
Mitigating actions/progress	<p>Implemented Mitigations:</p> <p>The Council has established a Financial Sustainability Programme, an initiative that is intended to reduce costs and/or increase income reducing the need to draw on reserves. Updates on the programme are reported quarterly to the Overview and Scrutiny Committee and Executive.</p> <p>An updated MTFP forecast was reported to Overview and Scrutiny Committee and Executive in July 2023. This update included an assessment of the latest position regarding the risk of increasing costs, in particular where driven by inflationary pressures in the wider economy.</p> <p>Ongoing Mitigations:</p> <p>Work has continued throughout the summer to prepare draft budget forecasts for consideration by the Executive and Budget Scrutiny Panel in November. The draft budget will be consulted on (publicly and with the Overview & Scrutiny Committee) before being presented to Full Council in February 2024.</p>		
Inherent Score	RED (20)		Likelihood: 5 Impact: 4

Current Score	RED (16)	Likelihood: 4 Impact: 4
Target Score	AMBER <i>Likelihood controlled to a score of 3 or below AND Impact mitigated to a score of 3 or below</i>	
Status	Reduce	
Last update	12 October 2023	

SR2	Commercial investment	AMBER
Description	<p>The generation of income from commercial investment is a contributor to the Council's financial sustainability. Following several high-profile commercial investment failures by local authorities, the ability to invest for a commercial purpose is being further restricted by changes in legislation, regulations, and codes of practice.</p> <p>Moreover, investing for commercial purposes – either in assets or in trading services – is not without risk due to market fluctuations and factors outside of the Council's control. The risks associated with commercial investment range from the non-achievement of budgeted income to significant capital and revenue losses, as well as governance, legal and reputational issues.</p>	
Owners	<p>Portfolio Holders: Cllrs A King and Lewanski</p> <p>Officers: Mari Roberts-Wood, Joyce Hamilton, and Pat Main</p>	
Controls	<p>Implemented Controls:</p> <p>Commercial opportunities will be considered on a case-by-case basis with up-to-date market intelligence used to inform decisions. Investments will be predicated on robust, stress-tested business cases and financial assessments which consider risks and benefits. Benefits will be monitored via established governance and reporting processes.</p> <p>Evidence of compliance with relevant Government and CIPFA guidance will be confirmed when business cases are approved.</p> <p>The Partnership, Shareholder and Trustee Executive Sub-Committee will approve and oversee commercial projects.</p> <p>The Council has now adopted parts 1 and 2 of the Commercial Strategy including an action plan which is reported on annually.</p>	
Mitigating actions/progress	<p>Ongoing Mitigations:</p> <p>Work is underway to review the future plans and direction for the Council's company investments.</p> <p>Action is underway to close down the Horley Business Park LLP following signature of the Settlement Deed by all parties.</p> <p>Action is also in progress to seek redemption of the authority's investment in Pathway for Care Limited.</p> <p>Officers and members of the Partnership, Shareholder and Trustee Executive Sub-Committee are considering options for the future operation of Greensand Holdings Limited.</p> <p>The 2023 annual report will be considered by the Overview & Scrutiny Committee in December 2023.</p>	
Inherent Score	RED (20)	Likelihood: 5 Impact: 4
Current Score	AMBER (9)	Likelihood: 3 Impact: 3
Target Score	GREEN <i>Impact mitigated to a score of 2 or below</i>	
Status	Reduce	
Last update	12 October 2023	

SR3	Challenging economic conditions for residents and businesses	RED
Description	<p>A prosperous economy is essential for the wellbeing of the borough, creating employment and wealth that benefits local people and businesses.</p> <p>Prevailing economic conditions have a direct impact on the Council's financial position and likewise impacts upon the demand for Council services, particularly in terms of income derived from fees and charges and the collection of monies owed.</p> <p>Challenging financial circumstances for residents may also increase their reliance on Council services which could result in cost pressures on the Council. The risk of the latter is exacerbated by household budgets being stretched by current elevated levels of inflation and rising consumer prices.</p>	
Owners	<p>Portfolio Holders: Cllrs Biggs, Neame and Ashford</p> <p>Officers: Mari Roberts-Wood, Pat Main, Duane Kirkland, Richard Robinson, Simon Bland, and Justine Chatfield</p>	
Controls	<p>Implemented Controls:</p> <p>The economic factors affecting the local economy are largely outside of the Council's direct control.</p> <p>The Council regularly engages with local businesses and residents to understand the challenges they face, and to provide advice, support, and networking opportunities where possible.</p> <p>The Council's homelessness service is fully compliant with the Homelessness Reduction Act (2018). This includes a significant focus on preventing homelessness in the first place, thereby reducing the demand for emergency accommodation.</p>	
Mitigating actions/progress	<p>Implemented Mitigations:</p> <p>The government's Household Support Fund was introduced in September 2021. Three rounds of funding have been distributed by the Council to directly support vulnerable households with meeting daily needs, such as food, clothing, utilities, and advice to help with the cost of living.</p> <p>The Council supports a range of voluntary sector partners in the provision of local support services such as 'Food Clubs', 'Community Fridges' and 'Healthy Start' to assist vulnerable residents with access to affordable food locally.</p> <p>The Council continues to apply for Business Support grants as and when they are available to support local employment and businesses.</p> <p>The recent challenging economic conditions, especially for private renters, and additional challenges stemming from a vulnerable migrant cohort have placed additional strains on the service. In response the Housing service has increased its officer resourcing to assist with the increasing number/complexity of approaches and elevated levels of those in emergency temporary accommodation.</p> <p>Ongoing Mitigations:</p> <p>A fourth round of the Household Support Fund funding is providing approximately £700k of support through to 31 March 2024. The fund will allow the Council to further support residents most affected by cost-of-living pressures. We are distributing the funding through local partners to target help where its most needed, including areas such as income and disability benefits, bills and allowances, childcare, housing, and travel.</p> <p>The Housing service has developed a proposal for the purchase of additional Council owned and operated temporary emergency accommodation to reduce budget pressures from the use of third-party accommodation. Securing these accommodation units has already commenced, with some offers already completed and accepted on a number of local properties.</p> <p>Current economic conditions have resulted in increased referrals to the Council's Money Support service stemming from inflationary pressures. Additional resource to</p>	

SR3	Challenging economic conditions for residents and businesses	RED
	the Money Support service has been identified, and the Council is facilitating closer collaboration with other money/debt advice services operating locally.	
Inherent Score	RED (25)	<i>Likelihood: 5 Impact: 5</i>
Current Score	RED (16)	<i>Likelihood: 4 Impact: 4</i>
Target Score	AMBER <i>Impact mitigated to a score of 3 or below</i>	
Status	Reduce/accept	
Last update	8 November 2023	

SR4	Organisational capacity and culture		AMBER
Description	<p>An effective and efficient organisational capacity and culture is key to the Council's ability to deliver on its corporate objectives.</p> <p>A combination of strong labour market conditions and associated higher turnover of staff nationwide, increasing move to a 'Hybrid Working Culture,' and the requirement by the council to comply with the objectives of the financial sustainability programme have introduced new complexities.</p> <p>These factors underscore the importance of the Council prioritising its activities and being sustainably and efficiently resourced to meet the challenges ahead. The embedding of a robust and resilient organisational culture that successfully supports officers and members and makes the Council an attractive place to work is similarly key. The failure to do will risk the delivery of the Council's objectives.</p>		
Owners	Portfolio Holder: Cllr Lewanski		
	Officer: Mari Roberts-Wood and Kate Brown		
Controls	<p>Implemented Controls:</p> <p>The Council has an embedded Establishment Management Process alongside service and financial planning.</p> <p>Ongoing consultation and engagement with staff. Including wellbeing check-ins, surveys, and engagement checks across the organisation.</p> <p>The Council has comprehensive succession planning in place to ensure minimal disruption during transitional periods at the Council.</p> <p>The Corporate Pay Board oversees all aspects of employee pay costs, benefits mapping, pay modelling and negotiation with staff representatives for the annual cost of living award.</p>		
Mitigating actions/progress	<p>Ongoing Mitigations:</p> <p>The development of the HR and OD strategy continues to progress.</p> <p>The strategy will provide the background context and identifies long term recommendations for the resourcing of the Council.</p>		
Inherent Score	RED (16)	<i>Likelihood: 4 Impact: 4</i>	
Current Score	AMBER (12)	<i>Likelihood: 3 Impact: 4</i>	
Target Score	<p>AMBER</p> <p><i>Likelihood Controlled to a score of 3 or below Impact mitigated to a score of 2 or below</i></p>		
Status	Reduce		
Last update	9 November 2023		

SR5	Cost pressures affecting the viability of Council developments		AMBER
Description	<p>The UK construction sector has seen an increase in building material and labour costs arising from uncertainties in the global supply chain and inflationary pressures. This disruption and increase in costs may impact the Council's ability to deliver economically viable development projects, where tenants may increasingly seek higher capital investment. It is now increasingly important that the council has appropriate funding/incentives to encourage commercial tenants for the lettings.</p> <p>The effects of this are multifaceted but could result in negative financial implications as well as jeopardising the delivery of strategic corporate objectives.</p>		
Owners	Portfolio Holder: Cllr A King		
	Officer: Mari Roberts-Wood, Luci Mould, Pat Main, Richard Robinson and Peter Boarder		
Controls	<p>Implemented Controls:</p> <p>As standard all development projects are subject to regular stress tested business cases which are reported and monitored via established governance arrangements.</p> <p>The Council considers cost pressures on its development schemes as part of its annual service and financial planning and budgeting monitoring processes. Cost pressures are also considered as part of business case development and are closely monitored throughout a project's lifecycle.</p> <p>Rigorous change management processes are in place for all development projects.</p> <p>Budget monitoring reports are reported on a regular basis to officer Boards, Overview & Scrutiny Committee and Executive.</p> <p>Ongoing Controls:</p> <p>The Council will pursue external grant funding opportunities as and when they are available.</p>		
Mitigating actions/progress	<p>Implemented Mitigations:</p> <p>The Council collaborates with and seeks advice from external professional teams (quantity surveyors, employers' agents, etc.) to confirm the impact of cost pressures and options for addressing them.</p>		
Inherent Score	RED (20)	<i>Likelihood: 5 Impact: 4</i>	
Current Score	AMBER (12)	<i>Likelihood: 3 Impact: 4</i>	
Target Score	<p>AMBER</p> <p><i>Likelihood Controlled to a score of 2 or below AND Impact mitigated to a score of 3 or below</i></p>		
Status	Reduce		
Last update	12 October 2023		

SR6	Local government reorganisation, devolution and Levelling Up		AMBER
Description	A reorganisation of local government could be prompted by a range of scenarios and circumstances, including the financial failure of an authority within Surrey or as part of the government's devolution and 'Levelling Up' agenda. The uncertainty surrounding, and subsequent results of, any local government reorganisation could adversely affect the Council and the delivery of services for residents.		
Owners	Portfolio Holder: Cllr Lewanski		
	Officer: Mari Roberts-Wood		
Controls	<p>Implemented Controls:</p> <p>This risk is largely outside of the Council's ability to directly influence although some control can be placed on likelihood via influencing and consultations.</p> <p>The Council works closely with neighbouring and partner authorities to develop alternative proposals for the future of local government in Surrey.</p> <p>Ongoing Controls:</p> <p>The Council will continue to lobby central government where appropriate and necessary on reorganisation, devolution and levelling up at the local level.</p>		
Mitigating actions/progress	<p>Implemented Mitigations:</p> <p>Surrey County Council has developed a 'level 2' proposal to secure a county deal. Under Level 2, there are unlikely to be significant changes to the existing local government structure, with most powers and functions devolved to the upper-tier authority and incorporated into existing structures.</p> <p>The Council has engaged with Surrey CC as it progresses its proposal and will continue to proactively influence the debate on devolution deals as well as the future structure of local government in Surrey.</p> <p>Ongoing Mitigations:</p> <p>The government has published its Levelling Up and Regeneration Bill. The bill is currently at the report stage in the House of Lords and received royal assent in Q3. Any implications arising will be reported in Q3.</p>		
Inherent Score	RED (16)	<i>Likelihood: 4</i> <i>Impact: 4</i>	
Current Score	AMBER (7)	<i>Likelihood: 3</i> <i>Impact: 4</i>	
Target Score	GREEN <i>Impact mitigated to a score of 2 or below</i>		
Status	Reduce		
Last update	24 October 2023		

SR7	ICT network capacity and resilience	AMBER
Description	<p>There has been a significant shift in the way that the Council works over the last few years, with increasing demands placed on technology and the underlying supporting ICT infrastructure as part of business-as-usual activities.</p> <p>As the reliance and demands placed upon technology continues to increase, there is a risk of significant disruption to service delivery in the event of network disruption and/or outage, particularly following a cyber-attack.</p> <p>It is therefore imperative that the Council continues to invest in robust systems, infrastructure, network security and disaster recovery capabilities to manage this risk and maintain the delivery of services</p>	
Owners	<p>Portfolio Holder: Cllr J King</p> <p>Officer: Darren Wray</p>	
Controls	<p>Implemented Controls:</p> <p>Since the Covid-19 pandemic, there has been investment in improved network infrastructure and resilience, including increased cyber security capability and back-up solution size. The Council has multiple layers of defences protecting core data and systems that are regularly reviewed and systems updated. A programme of cyber security training is regularly provided to keep staff informed of these cyber threats.</p> <p>The Council is in active contract with NCCGroup, a cyber security specialist, to investigate any incidents that may arise. The Council can instantly access NCCGroup's expertise in the event of an incident.</p> <p>Ongoing Controls:</p> <p>Implementation of the ICT strategy to further enhance the Council's network resilience and cyber security capabilities.</p>	
Mitigating actions/progress	<p>Implemented Mitigations:</p> <p>Implementation of the ICT strategy commenced in 2022/23. Procurement for the supplier of the new back-up and disaster recovery system has concluded, with a supplier now appointed.</p> <p>Ongoing Mitigations:</p> <p>Implementation of the new back-up and disaster recovery system is expected in quarter 3 and will significantly mitigate the impact of this risk.</p>	
Inherent Score	RED (15)	<i>Likelihood: 3 Impact: 5</i>
Current Score	AMBER (6)	<i>Likelihood: 2 Impact: 3</i>
Target Score	GREEN <i>Impact mitigated to a score of 2 or below</i>	
Status	Reduce	
Last update	19 October 2023	

SR8	Fraud	AMBER
Description	Due to the wide range of activities undertaken by the Council, there is a risk of fraud being committed. The risk of the latter is exacerbated from both legacy areas of activity and changes and additions to areas in which the council operates where fraud may be committed.	
Owners	Portfolio Holder: Cllr Lewanski	
	Officers: Pat Main and Simon Rosser	
Controls	<p>Implemented Controls:</p> <p>The Council maintains robust control measures to protect public funds from fraudulent activity, including Counter Fraud, Corruption and Bribery Policy, Whistleblowing Policy, and Prosecution Policies. The Fraud and Financial Investigations Team carries out investigations which cover all areas of corporate fraud.</p> <p>Staff induction includes fraud awareness training, as well as awareness of established policies and procedures.</p> <p>The Council is subject to regular internal audit reviews of potential fraud risk areas.</p>	
Mitigating actions/progress	<p>Implemented Mitigations:</p> <p>The Council continues proactive fraud checks on all housing applications and action will be taken where appropriate. These are reported annually as part of the Councils Key Performance Indicator contextual indicators.</p> <p>Staff wide fraud awareness programme with training of the relevant teams continues to take place.</p> <p>The Council cooperates with Surrey County Council and other Local Authorities to review council tax single occupancy discounts to identify and decrease council tax fraud.</p> <p>Ongoing Mitigations:</p> <p>The Council's fraud team continues to see elevated levels of fraudulent activity, such as in housing benefit and council tax. Although levels of activity are elevated, both in these new and legacy areas, fraud activity remains controlled and mitigated within existing structures.</p>	
Inherent Score	RED (15)	<i>Likelihood: 5 Impact: 4</i>
Current Score	AMBER (6)	<i>Likelihood: 4 Impact: 3</i>
Target Score	GREEN <i>Impact mitigated to a score of 2 or below</i>	
Status	Reduce	
Last update	24 October 2023	

SR9	Gatwick airport	AMBER
Description	Gatwick Airport has indicated its commitment to pursue its plans for expansion. Whilst the airport is a key local employer and its operations and supply chains have a significant bearing on the borough's economy, its expansion risks local environmental and infrastructural issues if not appropriately planned for and outcomes managed.	
Owners	Portfolio Holder: Cllr Biggs	
	Officer: Luci Mould and Andrew Benson	
Controls	<p>Implemented Controls:</p> <p>The decisions made around the expansion of Gatwick Airport are largely outside of the Council's control.</p> <p>However, the Council will continue to regularly engage throughout the planning process to mitigate negative outcomes and maximise benefits. This includes cooperation with neighbouring Local Authority partners affected by the expansion.</p> <p>Following submission of the development consent order (DCO) application the Council sought to raise concerns over the adequacy of the consultation undertaken by Gatwick Airport, which was not accepted by the Planning Inspectorate.</p> <p>Ongoing Controls:</p> <p>The Council continues to engage with Gatwick throughout the planning process to mitigate negative outcomes and maximise benefits from the Airports expansion.</p>	
Mitigating actions/progress	<p>Implemented Mitigations:</p> <p>Gatwick submitted their application for a Development Consent Order (DCO) for the conversion of the emergency runway into a second runway in early Q2. The Council has already responded to the consultation in 2022/23 for the expansion, and this is expected to inform the Council's response to the formal DCO. The Council will submit its Relevant Representation, summarising the main issues, by 29 October 2023.</p>	
Inherent Score	RED (16)	<i>Likelihood: 3 Impact: 4</i>
Current Score	AMBER (9)	<i>Likelihood: 3 Impact: 3</i>
Target Score	GREEN <i>Impact mitigated to a score of 2 or below</i>	
Status	Reduce/Accept	
Last update	24 October 2023	

SR10	Planning system reform and the Local Plan	AMBER
Description	<p>The Council is in the process of implementing a new Local Plan, which will outline the delivery of housing, both affordable and private, within the borough.</p> <p>The Department for Levelling Up, Housing and Communities published proposals that seek to alter the overarching National Planning Policy Framework.</p> <p>These plans would also introduce controversial national development management policies (NDMPs) intended to help slim down local plans.</p> <p>There is currently a great deal of uncertainty and lack of clarity over what the revised planning policy framework will change. If radical changes are introduced this may create additional complexity which could lead to delays in implementation of the new local plan and/or impact on the Council's ability to achieve the objectives set out in the new Local Plan.</p>	
Owners	<p>Portfolio Holder: Cllr Michalowski</p> <p>Officer: Andrew Benson</p>	
Controls (Likelihood)	<p>Implemented Controls:</p> <p>The Council's local plan will respond to any changes to the requirements set out in the National Planning Policy Framework and the Levelling Up and Regeneration bill (once enacted) accordingly.</p>	
Mitigating actions/progress	<p>Implemented Mitigations:</p> <p>The Council has received and responded to the National Planning Policy Framework consultation paper and submitted it back to central government.</p> <p>The latest round of consultations includes radical changes to the way that sustainability appraisals and habitats regulation will be undertaken. If these changes were carried through into the final draft, any work under the current system would be potentially negatively impacted.</p> <p>The Council will continue to respond to the consultations, attended working groups and generally offer its opinion on any changes to legislation as and when it occurs</p> <p>Until there is further detail on how changes in legislation will impact upon the local plan, it is difficult to put measures in place although Members have been briefed and discussions sought with government departments.</p> <p>Ongoing Mitigations:</p> <p>New policy and legislation will be reviewed as it is published to consider what actions are required to mitigate against any harm to the plan making process or its outcomes, including the Levelling Up and Regeneration Act enacted in Q3.</p>	
Inherent Score	RED (16)	<i>Likelihood: 3 Impact: 4</i>
Current Score	AMBER (9)	<i>Likelihood: 3 Impact: 3</i>
Target Score	GREEN <i>Impact mitigated to a score of 2 or below</i>	
Status	Reduce	
Last update	3 November 2023	

SR11	Climate change impact	AMBER
Description	<p>It is widely recognised that the Earth’s climate is changing, with this forecast to result in more extreme weather. This could have negative impacts, including on the built and natural environment, with vulnerable residents likely to be most severely impacted.</p> <p>In response, the Council may encounter difficulties in delivering services and may similarly have additional demands placed upon it, particularly as climate change adaptation and mitigation becomes increasingly necessary.</p>	
Owners	<p>Portfolio Holders: Cllr Lewanski</p> <p>Officers: Cath Rose, Andrew Benson, and Laura McCartney</p>	
Controls	<p>Implemented Controls:</p> <p>The Council’s multi-agency adverse weather emergency plan and service level business continuity plans.</p> <p>Internal Sustainability Team and the associated implementation of the Environmental Sustainability Strategy.</p> <p>Supplementary planning document detailing climate change and sustainable construction for new developments.</p> <p>Ongoing Controls:</p> <p>Consideration of climate change impacts requirements under both existing and new local plan.</p>	
Mitigating actions/progress	<p>Implemented Mitigations:</p> <p>The Household Emergency Plan has been introduced on the Council’s website. This plan details what activities households can take to minimise impact from flooding or other extreme weather events.</p> <p>The Council’s Emergency Planning team proactively engages the Surrey Local Resilience Forum to prepare for and respond to extreme weather events.</p> <p>Ongoing Mitigations:</p> <p>Ongoing Partnership work with Surrey County Council and Environment Agency to identify opportunities to mitigate flooding impacts in local developments.</p> <p>Work is ongoing with SCC and other local authorities to implement a county-level climate change adaptation strategy. This is due to be considered by SCC Cabinet in Q3 2023/24. Once adopted this will identify specific mitigation actions and timeframes to address local climate risks.</p> <p>A recently commenced review of the Council’s Environmental Sustainability Strategy (described at paragraph 33 here) will give greater consideration to climate change adaptation recognising the progress that is also being made at a county level (see above). The reviewed Strategy will be taken to the Executive in Spring 2024 for agreement.</p>	
Inherent Score	RED (16)	<i>Likelihood: 4 Impact: 4</i>
Current Score	AMBER (12)	<i>Likelihood: 4 Impact: 3</i>
Target Score	GREEN <i>Impact mitigated to a score of 2 or below</i>	
Status	Reduce/Accept	
Last update	24 October 2023	

This page is intentionally left blank



SIGNED OFF BY	Director
AUTHOR	Peter Boarder, Head of Place Delivery
TELEPHONE	Tel: 01737 276201 Tel: 01737 276063
EMAIL	peter.boarder@reigate-banstead.gov.uk
TO	Overview & Scrutiny Executive
DATE	Thursday, 7 December 2023 Thursday 14 December 2023
EXECUTIVE MEMBER	Portfolio Holder for Place, Planning & Regulatory Services

KEY DECISION REQUIRED	Y
WARDS AFFECTED	Redhill East, Redhill West & Wray Common

SUBJECT	Marketfield Way Update - December 2023
----------------	--

RECOMMENDATIONS
<p>That Executive:</p> <ul style="list-style-type: none"> (i) Note the progress that has been made to deliver Stage 4 of the project, in relation to scheme implementation, construction, residential sale and commercial lettings; (ii) Note the initial economic, social and environmental benefits that have been derived; (iii) Note the details set out in the Part 2 report; (iv) Authorise the Head of Place Delivery, in consultation with the Leader, Deputy Leader and Executive Member for Finance & Governance, Executive Member for Place, Planning & Regulatory Services and Chief Finance Officer to settle the final account with the Council's contractor VINCI Construction UK in line with the recommendations set out in Part 2 of this report.

Agenda Item 10

- (v) **Approve the inclusion of £4,297,682 million Capital Programme growth for completion of the development, funded from prudential borrowing, in the final budget report to Executive on 1 February 2024.**

REASONS FOR RECOMMENDATIONS

Significant progress has been made to bring forward Marketfield Way in relation to Stage 4 of the project including scheme implementation, construction, residential sale and commercial lettings.

While the build is complete and The Rise has opened, the Council now needs to settle its final account with our contractor; undertake additional landlord works; and complete the letting of the remaining three commercial units.

To do this an increase in the Capital Programme budget is required.

EXECUTIVE SUMMARY

This report provides an update on the progress this Council has made to bring about Stage 4 of the Marketfield Way project since the last report to Executive in December 2019.

The Marketfield Way project has been a long-term ambition for the Council. Acting as developer, the Council has sought to bring about the comprehensive redevelopment of a large and underutilised brownfield site at the heart of Redhill and to transform it into a landmark mixed-use development that has place shaping at its heart.

Since 2019 the Council has:

- ✓ Successfully assembled the site
- ✓ Completed construction
- ✓ Sold the residential part to our private sector partner Kooky Redhill Limited
- ✓ Let over three quarters of the commercial floorspace
- ✓ Opened our scheme, The Rise, to the general public
- ✓ Worked with our anchor tenant - The Light – to open their cinema and leisure venue
- ✓ Secured major new tenants to the scheme including Loungers and Creams and
- ✓ Obtained over £2m of grant funding towards the costs of the scheme.

The project is a clear example of how the Council is delivering on the corporate policy commitment it made in the 'Reigate & Banstead 2025' corporate plan, to take an active role in working with our partners to invest in our town centres.

Specifically, the project delivers on the Council's commitment within the Plan that we would "use our own assets to provide new retail, leisure, business space and new homes in our town centres, including through the delivery of the Marketfield Way development in Redhill."

This flagship mixed use scheme is also helping to deliver on the Council's Local Plan vision that by 2027, Redhill will be an attractive sub-regional centre and a vibrant place to live, work and spend time. To that end, it is intended that Marketfield Way is a gamechanger for Redhill.

The report highlights some of the significant economic, social and environmental benefits that have been derived to date, now the development is complete and The Rise, has opened.

People are very satisfied with The Rise as a place

- ✓ 84% of people say the leisure facilities at The Rise are either brilliant (45%) or very good (39%) reflecting a high level of satisfaction.
- ✓ 82% of people say they would be extremely likely (54%) or very likely (26%) to recommend The Rise to friends and family.
- ✓ Visitor numbers to the Light are exceeding initial forecasts and are set to top 400,000 visits this year.

People think The Rise has had a really positive impact on Redhill town centre

- ✓ 60% of people think Redhill is either significantly better (27%) or better (33%) since The Rise opened, with only 7% saying that they had seen no improvement and 2% worse.
- ✓ The overwhelming majority of people (92%) think The Rise has been either very important or important in improving leisure activities in Redhill.
- ✓ Since The Rise opened 54% of people are using the town centre more often at the weekends and in the evenings (16% saying a lot more and 48% more frequently now)
- ✓ Since The Rise opened 40% of people are using the town centre shops and businesses more than they did before with 10% saying much more and 30% a bit more.

There is evidence of a real positive impact on Redhill town centre

- ✓ Footfall through the Belfry shopping centre has seen a 20% increase since the opening of The Light in June.
- ✓ Since July footfall through the Belfry is now ahead of 2019 (pre-pandemic) levels.
- ✓ The Belfry's busiest weeks this year have all corresponded with school holidays with footfall bucking national trends.
- ✓ In the first and last weeks of the Summer holidays footfall in the Belfry was up 40% and 23% respectively on last year, compared to a national average of just 2.8% in August. Autumn half term week saw a 28% increase in footfall on last year in contrast to a 2% decline nationally.
- ✓ In September 2022 visitors to Redhill town centre originated from 117 postcodes, however in September 2023 this had increased to 141 postcodes.
- ✓ People are spending more time in Redhill with just under one third of people (31.5%) now spending over 60 minutes or more in Redhill town centre.
- ✓ 183 new jobs have been created so far in the venues.

This report seeks authority to authorise the settling of the final account with the Council's contractor VINCI Construction UK Ltd and to provide additional capital funding to conclude landlord works and to enable the letting of the remaining three commercial units.

Executive has authority to approve the above recommendations

Agenda Item 10

STATUTORY POWERS

1. The Council has wide ranging powers to promote the economic, environmental and social well-being of the borough. These powers are derived from the Local Government Act 2000 and also include the powers of general competence under section 1 of the Localism Act 2011 to do anything that individuals with full capacity generally may do, subject to the provisions of the Act.

BACKGROUND

Changing Redhill

2. Working with our private and public sector partners the Council has been instrumental in helping to bring about major change for many years within Redhill which is our Primary town centre.
3. This investment has included the transformation of Memorial Park into a high-quality open space; the redevelopment of the Warwick Quadrant with a new supermarket and hotel; and significant changes to the transport network to facilitate new development, enhance sustainable transport, and create a high-quality public realm.
4. Simultaneously private sector investment has brought about major housing growth, providing a mixture of units, tenures and housing products, to meet local need.
5. Through this combination of public and private investment we are now beginning to see major transformation of the town centre and a renewed confidence in Redhill as a place.
6. The Council has however held a long-term ambition to do more, so that we can fully realise the potential of Redhill as a prosperous urban centre within our region, a major transport hub, and a dynamic retail, leisure and business destination, where local people choose to visit and to live and where businesses want to invest and grow.
7. In delivering this ambition, the Council has long recognised the importance of:
 - Ensuring Redhill is well placed to adapt to the structural change that is happening on our High Streets and to strengthen the role that it has within the hierarchy of centres in our Borough and in the wider region. A role that does not seek to compete but is complementary to other centres.
 - Positioning Redhill so it becomes the town centre of choice for more people to visit and to spend time, particularly those who live locally but also from a wider catchment. So rather than visiting other locations like Brighton or London, that people will instead chose to visit Redhill.
 - Diversifying the offer so that Redhill is less reliant on shopping and has a range of other uses that provide reasons for people to visit and to stay longer: places to eat and drink, spend leisure time, use community services and attend activities and events in local venues and outside spaces; as well as providing homes.

Our Scheme

8. The Council's Marketfield Way scheme has provided a significant opportunity for the Council, acting as developer, to take a proactive and ambitious role in place making within Redhill, by utilising our assets to bring about change to help realise our ambition for the town.
9. The scheme has sought to bring about the comprehensive redevelopment of a large (0.59ha) and prominent underutilised brownfield site, that was in multiple land ownership, at the heart of the town centre.
10. From its inception, the ambition was to create a landmark place shaping mixed use scheme, with a leisure anchor, at the heart of the town centre.
11. Central to the scheme was the provision of a multi-screen cinema, along with accompanying ground and first floor commercial space; high quality public realm; and 150 new studio, one- and two-bedroom apartments.
12. While the primary objective of the scheme has always been to bring about regeneration and growth, as a major place shaping project, the Council has also sought to generate a revenue income stream from commercial leases, that will help the local authority to become more financially resilient and therefore aid service delivery.

Previous reports to Executive

13. The project has been subject to a number of previous reports to Executive from 2015 onwards, with the most recent in December 2019 and it was also considered by the Commercial Ventures Executive Sub Committee in July 2020.
14. The project has been brought forward in a managed and phased way, with key stage sign off by Executive and its sub committees, when milestones have been achieved.
15. In summary these stages have been:
 - Stage 1 related to establishing scheme viability.
 - Stage 2 related to proof of viability, scheme design to planning, commence land assembly activity, Stage 1 tenders.
 - Stage 3 comprising confirmation of land assembly, detailed design and letting of construction tenders and continuing with pre let activities.
 - Stage 4 comprising scheme implementation and construction.
16. Since the last report to Executive in December 2019 Stages 3 and 4 are now complete.

KEY INFORMATION

PROGRESS

17. Since December 2019 the Council has made significant progress to realise the scheme.

Agenda Item 10

Land Assembly

18. To bring about the redevelopment of the site, the Council has undertaken a complex process of land assembly to acquire all land and property interests.
19. To do this the Council has acquired a range of interests by mutual agreement, over a number of years.
20. All the remaining land and property interests that could not be acquired had to be secured by way of a Compulsory Purchase Order (CPO) and Extinguishment Order.
21. All land and property rights specified in the CPO were vested to the Council on 23rd December 2019 and the local authority took vacant possession immediately after.
22. When the CPO was confirmed the Extinguishment Order was advertised and made which removed the public highway rights across the site.
23. Once the land was vested, all land and property rights were extinguished and converted into rights of compensation.
24. The Council has made significant progress in settling claims for compensation; in offering replacement rights of access for those whose rights were removed by the CPO; and in helping those affected by the redevelopment to relocate, such as the Citizens Advice Bureau.
25. Part 2 of this report provides further information on the land assembly.

Construction

26. The Council undertook an OJEU tendering process to select a contractor for the design and build.
27. Following the receipt of Stage 1 tenders, VINCI Construction UK Ltd (VCUK) was selected as the Council's preferred contractor.
28. The Council entered into a Pre-Construction Services Agreement (PCSA) with VCUK to develop the detailed design (up to RIBA Stage 3) and to obtain sub-contract tender prices to establish the Stage 2 contract sum.
29. Tenders were returned in September 2019 and there then followed a period of agreeing the final contract sum and the terms of a building contract.
30. Prior to entering into a building contract, VCUK were instructed under a Letter of Intent to undertake further design and to deliver the enabling work.
31. Once vacant possession of the site was achieved VCUK undertook work to demolish buildings and to begin works to divert services around the site.
32. In July 2020 the Commercial Ventures Executive Sub Committee authorised the Council to enter into a building contract with VCUK. The form of this building contract was a JCT Design and Build Contract (2016 edition) as amended by a schedule of amendments.
33. The construction phase of the project has been complex and extremely challenging.

34. Major services had to be diverted; a power station relocated; and a Thames Water sewer protected and realigned.
35. The build also took place against a background of the Pandemic, Brexit, the Ukraine conflict and consequential rising labour and material costs.
36. These factors have helped to bring about delay in the completion of the project and increased costs.
37. Sectional completion of the Cinema was however achieved in January 2023 and of the residential and retail parts in July 2023.
38. While the build phase has been extremely challenging the Council has made considerate effort to work with VCUK to provide positive outcomes for local people and businesses, through employment, training, promotion of the local supply chain (through a Meet the Buyer Event) and by assisting local organisations to benefit from grant funding from the VINCI UK Foundation (further details are outlined below).
39. Every effort was made to minimise disruption within the town and to communicate clearly. This resulted in the VCUK being awarded a Considerate Contractor award obtaining a maximum score of 45/45.
40. The scheme has been awarded Secure by Design for its commercial and residential part; a BREEAM 'Very Good' for the commercial element; and an EWS1 status for the fire safety of the external parts.
41. Part 2 of the Report provides further information on the proposed final account settlement with VCUK.

Residential

42. The Council completed its sale of the residential part of the scheme – 1 Marketfield Road - to the private rented sector operator Kooky in August 2023.
43. Kooky have bought all 150 apartments on a long lease.
44. Since the sale was completed on 2nd August, Kooky have completed their fit out and have begun letting the flats.
45. 100 apartments are now let and it is anticipated that all 150 apartments will be let and fully occupied in the early new year.

Commercial space

46. The Council has worked with its professional team and commercial agents to reconfigure the ground and first floor commercial space to respond to the changes that have occurred in the market since the scheme's original inception; to feedback from occupiers; and to build in greater flexibility to accommodate future requirements.
47. While the scheme was always leisure led, the previous plans were to attract 'big box' retailers. The commercial strategy that has been implemented has been to refocus the scheme to become almost completely leisure.

Agenda Item 10

48. The changes that the Council has made to the commercial parts has resulted in over 72% of the space now been fully let.
49. The Light is the Council's anchor commercial tenant and has taken over 52% of the available floorspace. Opening in June 2023 The Light offers a six-screen multiplex cinema and a diverse range of leisure activities including bowling, a climbing wall, mini golf, as well as a restaurant and bar.
50. Other key tenants include Loungers, who are the first food and beverage operator; Creams desert parlour; and Tesco who have opened their popular small format store Tesco Express.
51. Feedback from The Light and Loungers are that they are trading well ahead of their forecasts.
52. The Light were originally forecasting 320,000 visitors in the first year, however currently they are on course to exceed this with 400,000 visitors. While the cinema element still needs to grow, the other elements continue to exceed their expectations.
53. Customer reviews for both The Light and Posadero Lounge are extremely positive achieving a 4.5 out of 5 stars and 4 out of 5 google star ratings respectively.
54. The Council has also strong interest in its remaining three units and is currently negotiating terms with potential occupiers.
55. Full details of the commercial lettings are outlined in Part 2 of this report.
56. The Council has also proactively worked with our commercial tenants to help them to successfully recruit local staff in a variety of roles.
57. This has been achieved through introductions to partner organisations directly and via the multi-organisational Reigate & Banstead Employment & Skills Group. Employers have been featured in blogs and jobs have been directly promoted on the Council's employment website rb-works.co.uk and opportunities have been promoted through the Council's social media channels.

Property Management

58. The Council reviewed a number of options for the day-to-day management of The Rise.
59. After careful consideration the Council has decided that its in-house Property team will take on the management of the asset.
60. All tenants will pay a service charge for the maintenance and management of the centre.
61. As the project drew to completion a number of additional landlord requirements have been confirmed that did not form part of the original scheme and building contract, which are outlined in Part 2 of this report.

Grant Funding

62. The Council was successful in being awarded grant funding towards the project costs. This included £0.820 million from Coast to Capital's Local Grant Fund and £1.200 million from the Government's Getting Building Fund.

THE BENEFITS OF THE RISE

63. As a major place making project Marketfield Way was always intended to bring about major economic, social and environmental change to Redhill town centre.
64. The following highlights some of the significant benefits that have been derived from the project over time and since it was completed.

Employment and training for local people

65. During the construction phase the Council worked proactively with VCUK and other key stakeholders, to bring about employment and training opportunities for local people.
66. As a consequence of this partnership work the following benefits were derived:
- **25% of all on site labour was local.** A total of 1,030 jobs were provided on site, 262 of which were filled by people living within a 10-mile radius of the site.
 - **79% of operatives employed by VCUK were local.** VCUK employed 53 operatives through agencies, 42 of whom lived within a 10-mile radius of the site.
 - **7 people completed NVQs** and a further 7 people began their studies for an NVQ.
 - **13 apprenticeships were both started and completed** which ranged from management based qualifications across to initial Level 1 trade NVQ's where operatives were starting out in their careers.
 - **41 additional health and safety training courses were undertaken.** This included sub-contractors specialist training, such as first aid, harness awareness, IPAF (mobile elevated working platform) and crane related safety courses.
 - **Three work placements were provided for people who experience barriers to employment and for local students.** One work placement for an ex-military employee; one for an unemployed refugee from Ukraine; and another for a student from St Bedes.
 - **Outreach work and site visits were undertaken with local schools and colleges for young people to gain experience of the industry** including East Surrey College and Carrington School.
67. The Council has also proactively sought to work with our commercial tenants to help them to successfully recruit staff in a variety of roles.

Agenda Item 10

68. **183 jobs have been created to date within the commercial units.** The jobs include a mixture of full time, part time and zero hour contracts and range from managers, supervisors/team leaders and front and back of house staff.
69. The Light employs 99 staff, Loungers 50; Tesco 19 and Creams is recruiting 15 people.

Local business and organisational support

70. The Council worked with VCUK to deliver real benefits to local businesses from contract awards and to local community and voluntary organisations. This resulted in:
71. **A total of £3.15m being spent in the local supply chain** of which three local contractors on the project were awarded larger contracts with a total value of £1.19m.
72. **Three local groups were supported with grants from the VCUK Foundation** including Stripey Stalk, Reigate & Banstead Women's Aid (now East Surrey Domestic Abuse Services) and Renewed Hope.

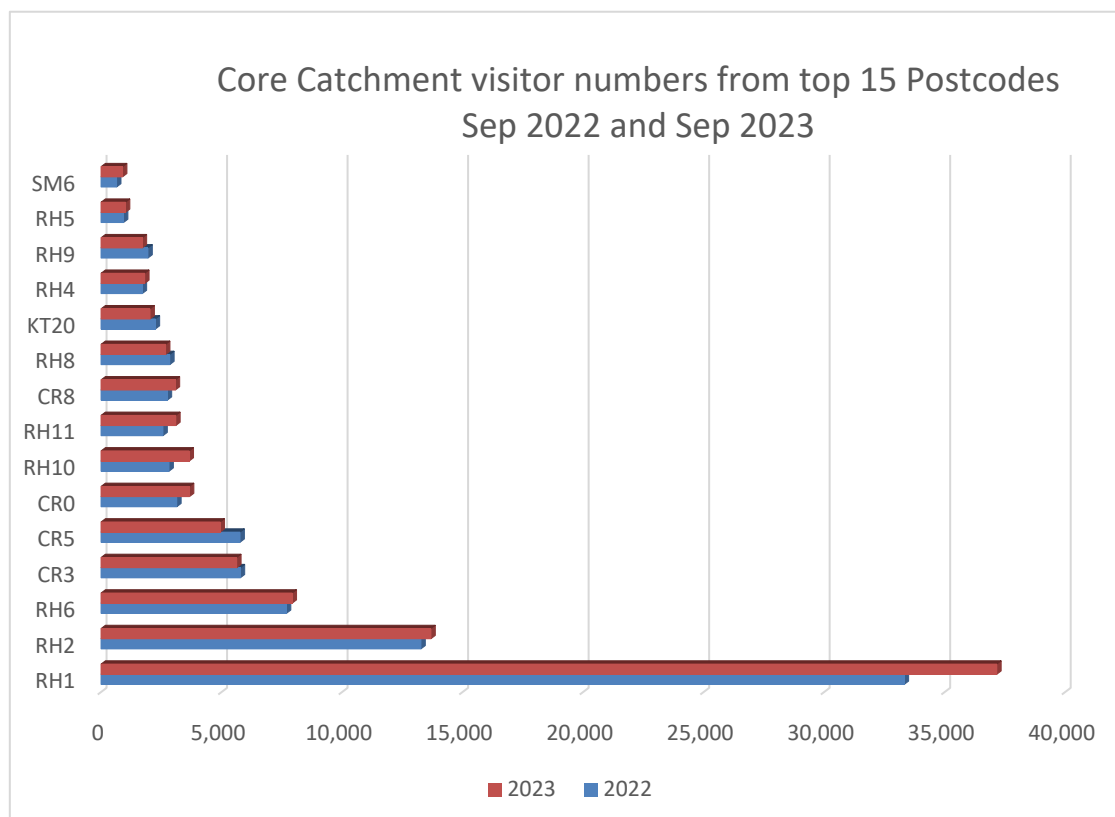
Footfall

73. The Belfry shopping centre has experienced an increase in footfall, as monitored and recorded by MRI Springboard (with National analytics).
74. For the year to date (January to November), the Belfry has had 3.3m visitors, which represents a 14% increase on the previous year like for like and which is some 10% ahead of the National average, which saw a 4% increase.
75. Footfall in the Belfry increased by 9% for the 23wks period to June, before the opening of The Light. However footfall for the subsequent 20 weeks has averaged at a 20% increase since the opening of The Light.
76. Importantly the Belfry is ahead of 2019 (pre-pandemic) visitor numbers since July.
77. The success and attraction of The Rise is most evidenced during the school holidays, which previously has been weaker for the Centre, with office workers away.
78. The three busiest weeks for the Centre year to date (all averaging 92,000 visitors each week) being the first week of the Summer holidays (+40% on last year), the last week of the Summer holidays (+23% on last year) & the Autumn October half term week (a 28% increase on last year. Please note comparative National footfall data saw just a 2.9% increase in August and & October was down 2%.
79. The Belfry also report retail performance measures are also positive and mostly ahead of retailer's comparatives for region &/or national.

Catchment

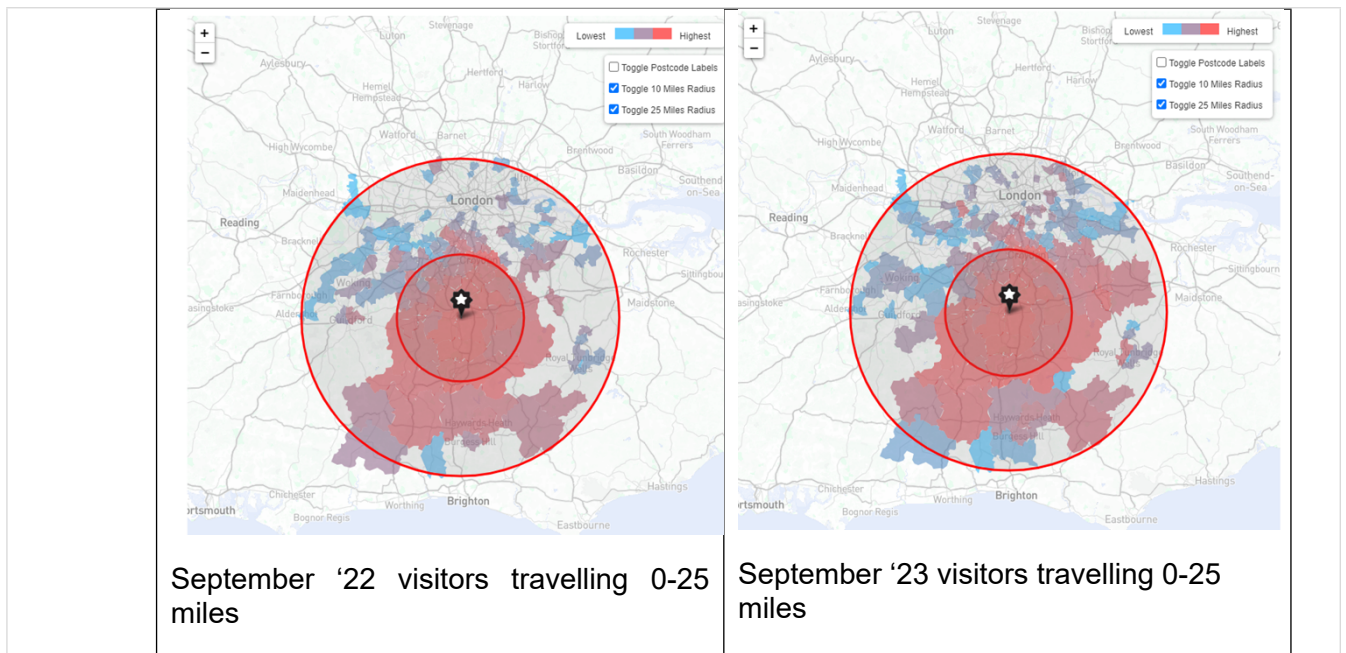
80. Data from Place Informatics has shown the growth in visitors to Redhill from a range of postcodes both inside and outside the Borough since The Rise opened.
81. This increase includes a growth in the number of postcodes from within Redhill's core catchment of 0-10 miles and from 10-25 miles.

- 82. In September 2022 visitors originated from 117 postcodes, however in September 2023 this had increased to 141 postcodes.
- 83. There has been an increase in visitors from postcodes both from within and outside the Borough.
- 84. **There has been a 12% increase in visitors from RH1** and there has been a 3% increase in visitors from RH2 and RH6 which are located within our Borough.
- 85. **To the north there has been a large increase from Carlshalton, Sutton, Epsom and Ewell postcodes, including a 121% increase from SM5; 103% increase from SM1; 51% from both SM2 and SM3 and 39% an increase from both KT17 and KT19.**
- 86. **To the south there has also been a large increase in visitors from Crawley postcodes, including 30% rise from RH10 and 21% in RH11.**



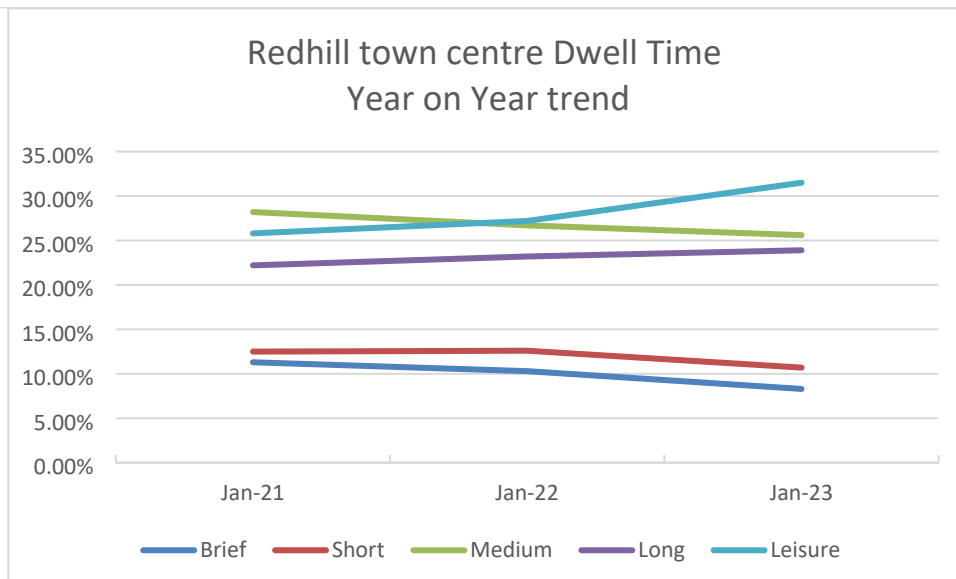
- 87. There has also been a large increase in visitors travelling to Redhill from postcodes within a 10-25 mile radius.
- 88. **There has been a 126% increase in visitors from places to the east of the Borough including Edenbridge, Sevenoaks and Westerham.** The number of visitors from within these postcodes has increased from 1,417 in September 2022 to 3,204 in September 2023.
- 89. **There has also been a 283% increase in visitors from Royal Tunbridge Wells.**

Agenda Item 10



Dwell Time

90. Since the Rise opened **average dwell time has increased with more people spending longer when visiting Redhill** than they did before.
91. **Just under one third of people (31.5%) now spend over 60 minutes or more in Redhill town centre.**
92. As the table below shows there has been a year-on-year increase in the length of time people are spending in the centre and visitors are making less shorter trips.
93. **The largest year on year increase has been in people visiting for 60 minutes or more, referred to as Leisure, which occurred in 2023**, corresponding to when The Rise opened.
94. **People are also spending more time in 40-60 minute trips**, referred to as Long Visits.
95. This contrasts with a reduction in Brief (6-12 minutes); Short (12-20 minutes) and Medium (20-40 minutes) stays.



OPTIONS

96. Executive have the following options.

Option 1: (Recommended)

- 97. To approve the recommendations in this report and to increase the capital funding of the project.
- 98. This option will enable the Council to settle the final account; allocate funding for additional landlord works; and to able to let the remaining commercial space.
- 99. This option will enable the Council to reach agreement with VCUK on the final account, providing certainty in terms of the cost of construction; will enable the Council to attract major businesses with strong covenants to take the additional units; and to undertake landlord works that will enable long term revenue cost savings that may not be otherwise recouped from the service charge.

Option 2: (Not recommended)

- 100. To not approve the recommendation in this report and not to increase the capital funding of the project.
- 101. This option would require the Council to enter into a dispute with our contractor; would not allocate any additional funding for landlord works; and would not make any allowance for any further capital incentives to commercial tenants.
- 102. This option is not recommended for entering into a dispute with our contractor runs a risk of delay and possible additional costs; would likely result in additional management costs that may not be recouped from the service charge and which would be a long term revenue cost for the Council; and would mean that the Council would need to let the commercial units to tenants with less strong covenants.

Agenda Item 10

LEGAL IMPLICATIONS

103. The Council has wide ranging powers to undertake development activity for the well-being of the Borough as outlined above. The recommendations in this report do not conflict with the statutory powers available to the Council.
104. The Executive can be assured that the risks associated with this matter have been fully assessed and mitigated.

FINANCIAL IMPLICATIONS

Capital Programme

105. The budget for the development was approved by Council for inclusion in the Capital Programme in February 2020 following a report to Executive in December 2019.
106. Development costs have been funded in part through a £45.183 million capital receipt from sale of the housing elements. In addition the Council has secured two grants for the scheme:
- £0.820 million from the Coast to Capital Local Enterprise Partnership (LEP); and
 - £1.200 million from the Government's Getting Building Fund.
- The balance will be funded through prudential borrowing, the cost of which is a charge to the Council's revenue budget.

107. The forecast outturn position and final Capital Programme growth requirement to complete the development is summarised below:

	£m	£m
Capital Programme Budget for the Development – approved in December 2019		68.820
Capital Growth Required to Complete the Development ¹	6.961	
<u>Less:</u> Additional Capital Receipts and Grants Received ¹	(2.664)	
Net Capital Growth Required to Complete the Development		4.297
Final Capital Programme Budget for the Development		73.117
Funded by:		
Capital Receipts		(45.183)
Capital Grants		(2.020)
Tenant Variations		(0.096)
Prudential Borrowing		(25.818))
Funding for the Development		(73.117)

Note 1: details in Part 2

108. Further details about development costs, the funding requirement and forecast income streams are set out in the exempt report at Part 2 of the agenda.

Revenue budget implications

Income generation

109. Over the medium-term the development represents a net revenue-generating opportunity after taking into consideration the Council's operating costs and tenant incentives such as rent free periods.
110. The draft Revenue Budget proposals for 2024/25 onwards, as reported to Executive in November 2023, are based on net income forecast of £0.700 million from 2024/25 onwards. This represents a substantial contribution towards funding the Council's £23.194 million annual net budget requirement.

Borrowing costs

111. The updated borrowing cost of funding the development will be taken into account when updating treasury management forecasts in the final budget proposals to Council in February 2024.

Operating costs

112. Day to day management of The Rise asset is now the responsibility of the Council's Property Services Team. The majority of operating costs are recoverable from tenants but it will be necessary to make provision in the Revenue budget for some costs that remain the Council's responsibility as landlord. Further details are provided in the exempt report at Part 2 of the agenda.

Budget implications

113. Executive is asked to approve the inclusion of £4,297,682 Capital Programme growth for completion of the development, funded from prudential borrowing, in the final budget proposals in February 2024.

EQUALITIES IMPLICATIONS

114. An Equalities Impact Assessment screening was undertaken at the beginning of the project.
115. As outlined above, the scheme is having positive impacts on the lives of our residents. Importantly The Rise provides a place for people to come together to meet friends and family and provides a space for social interaction.
116. The Rise has also been constructed to provide ease of access for people whose mobility may be impaired and for people who may be carers. For example lifts are provided to access upper floors and there are level thresholds.
117. The Rise has received a Secured By Design (SBD) award. SBD is the official police security initiative that works to improve the security of buildings and their immediate surroundings to provide safe places to live, work, shop and visit. Safe places are particularly important for women and girls and the for older people who may have a fear of crime.

Agenda Item 10

118. The Light particularly is an accessible venue. This includes:

- A Changing Places Facility which is a larger accessible toilet for people with multiple and complex disabilities, with equipment such as hoists, curtains, adult-sized changing benches and space for carers.
- Autism friendly screenings for people with sensory sensitivities.
- Baby friendly screenings for adults with babies under one year.
- Open captioned (subtitled) screenings, which provide a transcription of the audio from a film, for the deaf and hard of hearing.
- Portable hearing loop facilities and/or infrared systems for those with a hearing impairment.
- Dementia-friendly screening with no adverts or trailers and the lighting remains slightly raised throughout the film.
- Audio description for the blind or partially sighted which provides a commentary that aims to describe body language, expressions and movements.
- Participation in the national CEA car scheme, which allows free entry for a carer or companion accompanying a disabled person to the cinema.

119. There are no equality implications directly arising from the recommendations within this report.

ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS

120. During the construction phase, VCUK's working practices sought to minimise their environmental impact and to promote sustainability.

121. An environmental notice board on site was updated weekly by VCUK's designated environmental champion, and monthly environmental audits were carried out on the project.

122. Some of the measures that were put in place on site included:

- Segregating waste on site which resulted in over 95% of waste being recycled.
- The monitoring of carbon emissions and putting in place measures to reduce them such as tool box talks with subcontractors; actively encouraging car sharing for staff, asking workers to use public transport and cycle and for sub-contractors to use mini buses to bring operatives to site; and the use of suppliers who are helping to reduce their carbon such as London Concrete who part of the world Eco Pact.
- All lighting on site was LED, because it is more energy efficient and has a longer life span, including hoarding and site lighting.

- All heating was thermostatic and electricity usage was actively monitored, together with water and noise.
- All timber used on site was sustainably sourced and the contractor was part of the wood recycling scheme.
- Bird boxes on site.

123. The residential units were all awarded an Energy Performance Certificate (EPC) rating of B, which represents a very high level of energy efficiency and a low environmental impact.

124. A combined heat and power unit for part of the heating and electricity use in the residential areas has been installed

125. The commercial parts of the development achieved BREEAM Very Good. BREEAM is the Building Research Establishment's sustainability assessment method and is an internationally recognised scheme that provides independent certification of the assessment of the sustainability performance of buildings.

126. Attenuation has been put in place for storm water on site; this delays heavy rainfall running off site and reduces the risk of flooding to the wider area

127. The new buildings also have a variety of green and biodiverse roofs, which will host a range of plants that flower from April to September, including wildflowers, sedum, herbs and perennials. The roofs are also excellent habitats for pollinators such as bees, butterflies, birds and invertebrates.

COMMUNICATION IMPLICATIONS

128. During the construction stage VCUK were responsible for putting in place effective communications with the general public, including engagement and stakeholder management with regard to any issues on site. This included face to face meetings with businesses, attendance at the Redhill Business Guild, letters to neighbouring properties at key stages of construction and a dedicated Twitter account. In addition, the Council proactively kept people informed through, an electronic newsletter, information on our web site and posts on a range of social media channels.

129. The Council's communications about the scheme have been successful. The team have prepared press releases at key stages of the scheme as well as media events, such as topping out . Local media coverage has included Surrey Mirror (press); Surrey Live (online); BBC Surrey (radio), Susy Radio and ReigateUK.

130. Trade press releases were prepared by our commercial agents PR team and received coverage in Property Week, CoStar UK Daily Bulletin; Retail Destination; Insider Media; and RLA, Retail & Leisure International.

Agenda Item 10

131. New branding for the development and a dedicated web site [The Rise - Redhill \(therisedhill.co.uk\)](http://therisedhill.co.uk) was launched for Business to Business communications and tenant marketing.
132. All day to day communications regarding any business within The Rise are addressed by the tenant themselves.

RISK MANAGEMENT CONSIDERATIONS

133. The Council must continue to recognise the inherent risks associated with commercial property development.
134. Global issues such as the Pandemic and the Ukraine conflict have resulted in rising costs within the building industry. These cost pressures which have been experienced across the sector have also affects the Council, when it acts as developer and can impact the viability of schemes, as identified in the Council's Strategic Risk Register.
135. Part 2 sets out the risk mitigation used on the project.
136. Project development has inherent risks, such as cost overruns, contract delays and contracting issues, letting issues and vacancy, however in recent years the Council has earned itself a strong reputation in this area.
137. Risks have been managed through careful preparation of the building contract, the use of appropriate consultants and project management of the contractor and quality control through the use of consultants and Clerk of Works.
138. Costs have been managed via key stage sign off.

CONSULTATION

139. The Council has undertaken widespread stakeholder engagement throughout the design and development of the scheme as previously reported in Executive reports.
140. In November 2023 the Council undertook a short survey of local people about The Rise to get a better understanding of their opinions and use, which was promoted through on our social media channels.
141. 1,090 responses to the survey were provided and the main findings were:
- The overwhelming number of respondents (96% of respondents) had visited the Rise with only 4% saying they had not.
 - Of those people who had not visited The Rise before the main reasons were that it didn't appeal to them (41%); they didn't know about it (37%); they felt it was too expensive (16%); or they couldn't travel.
 - When visiting The Rise about one half of people arrived by car (51%) and one half by sustainable forms of transport, the highest being by foot (42%).

Agenda Item 10

- Of the people who had travelled by car to The Rise the vast majority of people parked in the Belfry, (69%) with the second most popular place being the Sainsburys/Warwick Quadrant (19%).
- The introduction of evening parking at the Belfry for visitors to The Rise was very popular with 71% of people saying it was with either very important or important to them (52% and 19% respectively).
- The introduction of free evening parking at the Belfry for visitors to the Light was also very popular with 71% saying it was either very important or important to them (52% and 19% respectively).
- There is a very high level of satisfaction with the activities that have so far opened at The Rise with 84% saying they were brilliant (45%) or very good (39%).
- People's satisfaction with The Rise is borne out by the fact that 82% of people saying that they would be extremely likely (54%) or very likely (26%) to recommend The Rise to friends and family.
- In terms of what people think would improve their experience at The Rise, the main things were more places to eat (70%), more low cost activities (43%) and more leisure activities (25%) and more things on at different times of the day (19%).
- People also think The Rise has had a real positive impact on Redhill town centre.
- 60% of people thought that Redhill was either significantly better (27%) or Better (33%) than before, with only 7% saying that they had seen no improvement and 2% worse.
- The overwhelming majority of people (92%) think that The Rise has been either very important (60%) or important (32%) in improving Redhill as a place to visit for leisure activities.
- Encouragingly The Rise also seems to be encouraging people to visit more and to use other town centre shops and businesses.
- Since The Rise opened 54% of people are using the town centre more often at the weekends and in the evenings, with 16% saying they visit a lot more and 48% more frequently now.
- Since The Rise opened 40% of people are using the town centre shop and businesses more than they did before with 10% saying they are using them much more and 30% a bit more with 57% saying they are using the same as before.

Agenda Item 10

POLICY FRAMEWORK

142. The regeneration of Redhill Town Centre is a key corporate priority for the Council and fully aligns with the strategic priorities and programmes of our partners at a regional, county and local level.

Reigate and Banstead 2025: The Corporate Five Year Plan

143. Reigate & Banstead 2025 provides a commitment that the Council will work with our partners to invest in our town and village centres, so they continue to be places where people choose to live, work, do business and visit.

144. Specifically the plan commits us to “use our own assets to provide new retail, leisure, business space and new homes in our town centres, including through the delivery of the Marketfield Way development in Redhill.”

145. It also recognises the financial challenges that the Council faces, and includes an objective to generate additional income and build our financial resilience, in order to sustain services, through responsible and sustainable commercial activities, and recognises that capital investment in new property assets or developments opportunities can provide a reliable revenue income stream to contribute to our ongoing financial sustainability.

Reigate and Banstead Borough Council Core Strategy (2014)

146. The development of Marketfield Way will assist in the delivery of the Council’s Core Strategy objective SO20 to enhance the role of Redhill town centre as a centre of strategic importance and a safe and attractive retail, cultural and leisure destination with a high quality environment.

147. Given its strong locational advantages and as our principal town centre, the Core Strategy identifies Redhill as the main centre for consolidation and growth.

148. Specifically the Core Strategy designates Redhill as the prime focus for large-scale retail, leisure, office and cultural uses and developments that are appropriate to the role and function that it serves as the borough’s primary town centre.

Reigate and Banstead Development Management Plan (2019)

149. The DMP seeks to protect the vitality and viability of our town centre shopping areas and to ensure that both town and local centres are resilient and able to respond to future changes.

Surrey County Council Community Vision for Surrey in 2030

150. Marketfield Way will help to contribute to the County’s vision for Surrey. By 2030 the County Council wants its economy to be strong, vibrant and successful and Surrey to be a great place to live, work and learn.

151. In so doing key “Place” ambitions for the County include: everyone has a place they can call home, with appropriate housing for all and that businesses thrive.

Surrey County Council Reigate & Banstead Local Transport Strategy

Agenda Item 10

152. Local Transport Strategy forms part of the Surrey Transport Plan and seeks to encourage economic growth for example by improving accessibility to economic regeneration areas and local town centres, such as Redhill.

ANNEXES

1. The Rise - Completed Lettings Schedule at December 2023

BACKGROUND PAPERS

Report to Executive, *Marketfield Way Update*, 5 December 2019

This page is intentionally left blank

Overview and Scrutiny Committee – 7 December 2023

Draft Minute 52 – Marketfield Way Update – December 2023

Councillor Michalowski, Portfolio Holder for Place, Planning and Regulatory Services, gave an update on Marketfield Way as set out in the report.

The report provided an update on progress to deliver the Marketfield Way project since it was last considered by Executive in December 2019.

Acting as developer over the last four years, the Council has overcome numerous challenges to bring this project forward to get to this stage. The most significant challenge had been the huge uncertainty brought about by the pandemic. The Council made a conscious and deliberate decision to press ahead with entering into a building contract shortly after the pandemic hit and, when there was huge global uncertainty. The pandemic resulted in the Council not being able to secure early pre-lets on any of the commercial space; the cinema operator was lost, and complex logistical challenges were faced to ensure safe working on site. While a fixed rate contract was in place, when changes were made, this resulted in cost increases due to high build cost inflation not only because of pandemic but also the Ukraine crisis.

Complex engineering challenges were also faced, including the relocation of a power sub-station, statutory services, and the build over of a large public sewer.

These factors ultimately resulted in delay and consequential cost increases for the project. The pandemic and the cost of living crisis have resulted in much more uncertainty for prospective tenants and has brought about less rental income than originally forecast.

Despite these challenges, this Council has now completed the main build. The residential part has been sold to the Council's private sector partner; over 70% of the commercial floorspace has been let, and letting agreements are currently being secured on the remaining three units.

The new development, The Rise is now well and truly open for business, welcoming thousands of people every day. The Rise is already home to over 100 people who benefit from living in the heart of Redhill with its excellent transport links. The palatable difference this Council's commitment to the project our investments is making to the regeneration of Redhill in line with the Council's corporate objectives is now being realised.

The Rise has become a true leisure destination alongside the Harlequin with a forecast of 400,000 visitors to The Light this year. Residents' views are that they love the new leisure facilities. Footfall in town is substantially increased, bucking national trends. More people are visiting the town from a wider catchment. More people are staying longer, and businesses report that trade is up.

The Portfolio Holder thanked both past and current Members and officers of the Council, as well as the local community, for their continued support in bringing this project forward. He stated that this project is a clear example of how, through intervention, the public sector can deliver a true place-making project that makes a great difference to the lives of local residents and businesses.

Several advance questions on the Marketfield Way Update – December 2023 had been submitted prior to the meeting. The advance questions and their responses can be viewed here:

[Document Advance Questions and Answers OS 7 December 2023 | Reigate and Banstead Borough Council \(moderngov.co.uk\)](#)

The following clarifications were provided:

Surveys and Footfall and Dwell Times

It was confirmed that the surveys had been carried out in-house with over 1,000 responses received.

The Harlequin

It was confirmed that alternative Council venues were being used as much as possible to accommodate community groups displaced from The Harlequin.

This item was scrutinised more fully during the exempt part of the meeting due to the confidential nature of the discussion.

RESOLVED that Overview & Scrutiny Committee:

- i) Noted the progress that has been made to deliver Stage 4 of the project, in relation to scheme implementation, construction, residential sale and commercial lettings;
- ii) Noted the initial economic, social and environmental benefits that have been derived;
- iii) Noted the details set out in the Part 2 report.



Signed off by	Head of Neighbourhood Operations
Author	Anthony Hathaway, Transport Manager
Telephone	Tel: 01737 276614
Email/	Anthony.Hathaway@reigate-banstead.gov.uk
To	Executive
Date	Thursday, 16 November 2023
Executive Member	Portfolio Holder for Neighbourhood Services

Key Decision Required	Y
Wards Affected	(All Wards);

Subject	Contract for Lease Compact Road Sweepers
----------------	--

Recommendations
<p>Executive is recommended to approve:</p> <p>(i) The award of a four-year lease contract to Karcher UK Limited to supply four compact road sweepers. Contract to run from January 2024 to January 2028.</p>
Reasons for Recommendations
<p>The current compact road sweeper lease is due to expire on 19 January 2024. A new lease is therefore required in order to continue to deliver the service and ensure compliance with Section 22.2 of the pollution control act 1974.</p> <p>The previous lease was entered into in January 2020 to run for four years. There is no provision to extend the contract or to purchase the vehicles.</p> <p>The recent tender having been procured in line with EU Procurement Regulations and the Councils procurement procedures and has demonstrated best value.</p>
Executive Summary
<p>The Cleansing department in Neighbourhood Services operates a fleet of four leased compact sweepers that operate throughout the borough.</p>

Agenda Item 11

The lease for these machines is due to end in January 2024. A new lease is therefore required in order to continue to deliver the service and ensure compliance with section 22.2 of the Pollution Control Act 1974.

As set out in this report the recommendation is to enter into a new four-year lease for the supply of four compact road sweepers with Karcher UK Limited at a total cost of £0.471 million over the four-year lease period.

Executive has authority to approve the above recommendations

Statutory Powers

1. Under section 22.2 of the pollution control act 1974 “...*It shall be the duty of each local authority to undertake the cleaning of the highways in its area so far as the cleaning of them appears to the authority to be necessary in the interests of public health or the amenities of the area*”

Background

2. The Cleansing department in Neighbourhood Services currently operates four compact road sweepers as part of a six-vehicle road sweeper fleet. The compact sweepers are used to maintain and clean residential streets, pathways, and pedestrian areas throughout the borough.
3. The compact road sweeper lease is due to expire in January 2024 and a new lease must be entered into in order that the service can continue to operate.

Key Information

Compact road sweeper replacement

4. Replacement of the sweepers is necessary to ensure that reliable and legally compliant vehicles remain available to support ongoing service delivery
5. The current machines are four years old and are becoming unreliable, often breaking down due to their age and the nature of work that they carry out.
6. Officers have explored options for replacement based on entering into another lease, compared with outright purchase, funded through the Capital Program allocation for vehicle replacement.
7. As there is little difference in the overall cost of the two financing options, the recommendation is to enter into a new lease as this better fits the Councils long term strategy to transition to low carbon vehicles as suitable alternatives become available. Often fleet vehicles are kept beyond their ideal replacement date in order to increase resilience, leasing these vehicles commits the service to review the operational and environmental situation relating to the compact sweepers, and to replace them at an appropriate time, with low carbon alternatives.

8. From an operational perspective, leasing is preferable with this type of compact road sweeper due to their specialist nature, and their complex mechanical, hydraulic, and pneumatic systems. The machines work in all weathers, in a great variety of operational situations, and require continual and specialist maintenance. Leasing the sweepers, as opposed to purchase, means that the responsibility for servicing, maintaining, and replacing unserviceable sweepers rests the lease company.
9. The recommended option to enter into a four-year lease in January 2024 allows for exploration of options for procurement of alternatively fuelled low-carbon sweeping vehicles ready for lease expiry in 2028
10. Information about the quotation obtained through The Procurement Partnership Limited's (TPPL) Finance and Lease Dynamic Purchasing (DPS) framework is provided in the exempt Part 2 report.

Options

Executive has three options

Option 1: To enter into a lease for four compact road sweepers with Karcher UK Limited from January 2024 to January 2028.

This is the recommended option.

This Option facilitates continuation of the service and allows for future exploration of low carbon alternatives. The difference in overall cost is negligible but the lease option fits better with the services longer-term strategy as it enables increased flexibility when the Council wishes to purchase EV sweepers in the future.

The lease includes a service and maintenance contract that covers the four year lease term, providing specialist support

Option 2: To purchase four compact road sweepers in January 2024.

This Option was considered and is not recommended for the reasons explained in this report.

It would also depend on approval of Capital Programme growth to fund the cost because it cannot be accommodated within the service's current capital allocation for vehicle replacement.

A maintenance contract would need to be entered into separately from the vehicle purchase.

Option 3: That the compact road sweepers are not replaced.

Agenda Item 11

This Option is not recommended; the service cannot continue to operate without replacement sweepers.

There is no provision in the current lease to allow for the purchase of the machines at the end of the lease term.

Legal Implications

11. Pursuant to section 22.2 of the Pollution Control Act 1974 *“It shall be the duty of each local authority to undertake the cleaning of the highways in its area so far as the cleaning of them appears to the authority to be necessary in the interests of public health or the amenities of the area”*. Performance of this duty will be in accordance with the stated legislation..
12. Pursuant to the Environment Act 1990, section 89 *“It shall be the duty of each local authority, to ensure that the land is, so far as is practicable, kept clear of litter and refuse”*, and, *“to ensure that the highway or road is, so far as is practicable, kept clean”*.

Financial Implications

13. The Council’s 2023/24 revenue budget includes £0.097million to fund the ongoing cost of leasing sweepers.
14. The financial implications of the recommended lease are set out in the exempt report at Part 2 of this agenda.
15. Due to an increase in leasing costs a revenue budget growth of £0.029million is required from 2024/25 and was included in the revenue budget proposals reported to Executive in November 2023. If the growth is not approved Neighbourhood Services will be required to deliver compensating budget savings to fund this additional cost.

Equalities Implications

16. There are no equalities implications resulting from this report

Communication Implications

17. There are no communications implications resulting from this report

Environmental Sustainability Implications

18. The replacement of the current fleet of sweepers with electric versions has been considered but rejected due to the lack of available trial vehicles. It is anticipated that the availability of this type of vehicles will improve in coming years and allow for long

appropriate trials to inform decision making when the next fleet of compact sweepers is required in 2028.

19. However, the vehicles are compatible with fuelling by hydrogenated vegetable oil (HVO). Subject to securing the funding required to use HVO across our fleet (which will be pursued via a separate decision), using HVO in the new sweepers will deliver a CO2 reduction of approximately 76% compared to existing vehicles.
20. The recommended option to enter into a four-year lease in January 2024 allows for exploration of options for procurement of alternatively-fuelled low-carbon sweeping vehicles ready for lease expiry in 2028.

Risk Management Considerations

21. Objective Failure – Failing to enter into a new lease will cause the Council to fail in its obligation under the 5-year plan to “Provide high quality neighbourhood services to ensure that the borough continues to be clean and attractive”

Procurement/Contract Management and Subsidy Considerations

22. The Contract Procedures Rules in the Council’s Constitution require Executive to approve the award of contracts awarded valued above £0.250million.

Consultation

23. The Portfolio Holder for Neighbourhood Services has been consulted on the recommendations in this report.

Policy Framework

24. The report supports delivery of objectives in the Council’s Corporate plan relating to Clean and Green Spaces: to provide high quality neighbourhood services to ensure that the borough continues to be clean and attractive.

Background Papers

None

This page is intentionally left blank



Signed off by	Director of Place
Author	Anthony Hathaway, Transport Manager, Morag Williams, Head of Neighbourhood Operations
Telephone	Tel: 01737 276614, Tel: 01737 276710
Email	Anthony.Hathaway@reigate-banstead.gov.uk, Morag.Williams@reigate-banstead.gov.uk
To	Executive
Date	Thursday, 14 December
Executive Member	Portfolio Holder for Neighbourhood Services

Key Decision Required	Y
Wards Affected	(All Wards);
Subject	Options for the reduction in Carbon emissions from the Council's fleet of diesel-powered vehicles

Recommendations	
That the Executive:	
<ul style="list-style-type: none"> (i) Approve the inclusion of £0.250million Capital Programme growth for the purchase of one electric refuse collection vehicle, funded from prudential borrowing, in the final budget report to Executive on 1 February 2024. (ii) Agree to delegate authority to award the vehicle supply contract(s) for the four refuse collection vehicles identified for replacement in 2023/24 (one EV garden waste vehicle, two diesel garden waste vehicles and one split body waste & recycling vehicle) to the Head of Neighbourhood Services in consultation with the Chief Finance Officer, the Executive Member for Neighbourhood Services and the Executive Member for Finance, Government & Organisation; following the undertaking of a procurement exercise in line with the Council's Contract Procedure Rules. (iii) Endorse the transition of the existing diesel refuse collection vehicle fleet to run on Hydrotreated Vegetable Oil, noting the financial implications 	

Agenda Item 12

that were included within the draft budget proposals reported to Executive on 16 November 2023.

Reasons for Recommendations

The Council's vehicle fleet makes a substantial contribution to the Council's carbon emissions. The purchase of one electric refuse collection vehicle (RCV) as part of our ongoing fleet replacement programme represents a measured approach to beginning to transition to low carbon RCVs recognising the currently high cost of these vehicles.

The use of HVO in the refuse collection vehicle fleet provides a cost effective means of reducing carbon emissions until such time as these existing vehicles can be replaced with low carbon alternatives.

Executive Summary

The Council's Environmental Sustainability Strategy commits the authority to work towards a target of net zero operational carbon emissions by 2030. The Council runs a large fleet of vehicles, which is responsible for a large proportion (55%) of the Council's overall operational carbon emissions. This paper makes two main substantive recommendations to secure a reduction in carbon emissions from our fleet.

Reducing the carbon emissions from our existing vehicle fleet (Recommendation iii)

It is recommended to move from running our existing refuse collection vehicle (RCV) fleet on diesel to running the vehicles on Hydrotreated Vegetable Oil (HVO). This would be used as an interim measure until such time as vehicles in the RCV fleet can be replaced with electric or other low carbon alternatives.

HVO has the potential to reduce carbon emissions from these vehicles substantially. A conservative estimate of 76% reduction has been assumed for the calculations within this report. With our RCVs currently consuming 61% of the diesel used by the Council, running them on HVO instead has the potential to reduce our total Council-wide operational carbon emissions by at least 25%.

While offering the potential for substantial carbon emissions reduction, HVO does come at a higher 'per litre' cost than diesel, although it remains a cost effective means of reducing emissions in the immediate term. It also offers some air pollution reductions over diesel. On this basis, the transition to running our bin lorries on HVO as an interim measure is considered to make this a socially and environmentally appropriate investment for the Council.

Starting to transition our heavier vehicles to alternative fuels via fleet replacement (Recommendation i)

The Council operates a rolling programme of fleet replacement. While this means that moving to low carbon vehicles will take time, it also offers the opportunity to take a measured and phased approach to transition, allowing us to apply real-world experience to inform future decisions.

The Council currently owns and operates 28 RCVs. Four of these vehicles are due for replacement in 2023/34, including three 'single-body' green waste collection vehicles.

Trials have been undertaken which suggest that single body electric RCVs are now available and viable for the collection of green waste. Split body electric RCVs (which we use to collect other waste streams) are not yet available for purchase.

Electric RCVs come at a considerable cost premium to diesel RCVs (costing over 2 times the price). However, they bring advantages over and above using diesel or HVO-fuelled vehicles, emitting zero tail pipe carbon and air pollutant emissions and also bringing noise reduction advantages for operatives and residents.

This report therefore recommends replacing the three garden waste RCVs with one electric RCV and two diesel RCVs (to be run on HVO). The purchase of one, rather than three, electric vehicles is recommended because:

- Taking a precautionary approach is merited as this will be the first EV RCV that the Council will be operating
- There are capacity constraints associated with vehicle charging infrastructure at the Depot currently; and
- Both purchasing and running costs associated with an EV are higher than diesel/HVO vehicles at the moment.

This approach will enable the Council to gain real-world experience of running an electric RCV, and means we will be able to monitor actual (rather than predicted) running and servicing costs; while retaining 'traditional' vehicles at the same time brings greater service resilience in the event of any issues. This real world experience will help inform our future decision-making as more RCVs come up for replacement in the years to come.

The specification for the vehicle meets the service delivery needs of Garden Waste collections in terms of payload, vehicle size, and ability of the vehicle to access all areas of the borough currently serviced.

Recommendation (ii) flows from recommendation (i) and relates to the procurement process for the 3 garden waste RCVs and one waste & recycling RCV identified for replacement in 2023/24.

Statutory Powers

1. The Council is the statutory Waste Collection Authority (WCA) for the borough. The Environmental Protection Act (1990) created a statutory duty for WCAs to arrange for the collection of household waste within their area.
2. The Climate Change Act 2008 and subsequent amendments set out much of the UK's policy response to climate change, including a legally binding target for the UK to reach net zero carbon emissions by 2050.
3. The Government has recently published its final Resources & Waste Strategy approach. Whilst this has longer term implications for the Council's Waste & Recycling operations, it does not impact on the proposals within this report. As part of the announcement, the Government confirmed that Councils can still charge for garden waste collections; therefore we can continue to operate the service as we do currently, bringing in a significant income stream for the Council.

Background

Agenda Item 12

4. The Council runs a large fleet of vehicles, numbering 123 at the time of writing. This includes vehicles used by services including waste & recycling, parking, cleansing, Transport, JET, and greenspaces.
5. The Council's vehicle fleet is responsible for a large proportion of the Council's carbon emissions. The most recent [Environmental Sustainability \(ES\) Annual Report](#) reported that of the Council's operational carbon emissions, our fleet account for 55% (down from 61% in our baseline reporting year of 2019/20).
6. Our adopted Environmental Sustainability (ES) Strategy includes a performance indicator to transition all our vehicles to electric by 2035. This target remains in place despite recent Government announcements about the end date for the sale of new internal combustion engine vehicles.
7. **Approach to fleet replacement:** The Council has in place a Fleet Replacement Strategy which explains the approach taken to replacing and upgrading our fleet. Vehicles are replaced on a rolling basis in line with a Fleet Replacement Schedule maintained by the Council's Transport Team.
8. The Fleet Replacement Strategy explains that:
 - a. the Council will procure vehicles through tender, direct award, purchase under the procurement threshold or lease, and
 - b. in line with the Council's ES Strategy and operational needs, make use of lower carbon solutions where these are widely available and have been market tested.
9. The starting point for fleet replacement is therefore that vehicles with the lowest possible carbon emissions that can practically be used for the functions required will be sought. Having a rolling replacement programme in place means that expenditure is not incurred by replacing vehicles before the end of their useful life - however this also does constrain the Council's ability to make progress on reducing vehicle carbon emissions via vehicle replacement only. This progress is further constrained by the fact that both electric and hydrogen technologies for heavier vehicles are in their infancy and the vehicles that are on the market now are not able to fully deliver against our current operational requirements.
10. This paper therefore considers two opportunities to reduce our vehicle fleet carbon emissions:
 - a. Firstly, the opportunity to reduce emissions from our existing vehicle fleet until such time as they can be replaced by electric or other low carbon equivalents, and
 - b. Secondly, the opportunity to start to transition some of our heavier vehicles to electric as they come up for replacement.

Key Information

Reducing the carbon emissions from our existing vehicle fleet

11. As noted above, vehicle emissions currently make up 55% of the Council's overall operational carbon emissions, and as vehicles are only replaced on a rolling basis, relying on vehicle replacement to reduce those emissions would mean that we would only be able to reduce those emissions slowly over the coming years. Replacement

of the full fleet in order to expedite the reduction in Carbon emissions would only be possible if significant capital allowance was made available.

12. The Transport and Sustainability Teams have therefore explored the alternative of Hydrotreated Vegetable Oil (HVO) as an interim solution. This has the potential to reduce carbon emissions from our existing fleet until such time as vehicles can be replaced with low carbon alternatives.
13. HVO is a type of biofuel created using waste products such as used cooking oil. It is sometimes referred to as renewable diesel, and is a fossil fuel free alternative to mineral diesel, which has the ability to deliver up to 90% reduction in greenhouse gas emissions. It is compatible with most modern diesel engines, although currently comes at a higher cost than diesel.
14. **Options:** All 28 of the Council's 26-tonne refuse collection vehicles (RCVs) have been confirmed as being compatible with HVO without any modification. These vehicles use the greatest proportion of diesel, around 61%. Table 1 below compares two options, running these vehicles on diesel (Option 1) and running them on HVO (Option 2), providing information about both cost and carbon implications.

Table 1: HVO options

	Cost per litre (£) ⁽¹⁾	Fuel consumption (l) (based on 2022/23 figures)	Total cost (£)	Reduction in carbon emissions/yr (tCO₂e) based on an assumed 76% reduction⁽²⁾
Option 1: Continue to run 26t RCVs on Diesel	1.28	288,329	369,061	0
Option 2: Run 26t RCVs on HVO	1.70	288,329	490,159	497
Cost uplift associated with HVO / year	0.42	-	121,098	n/a

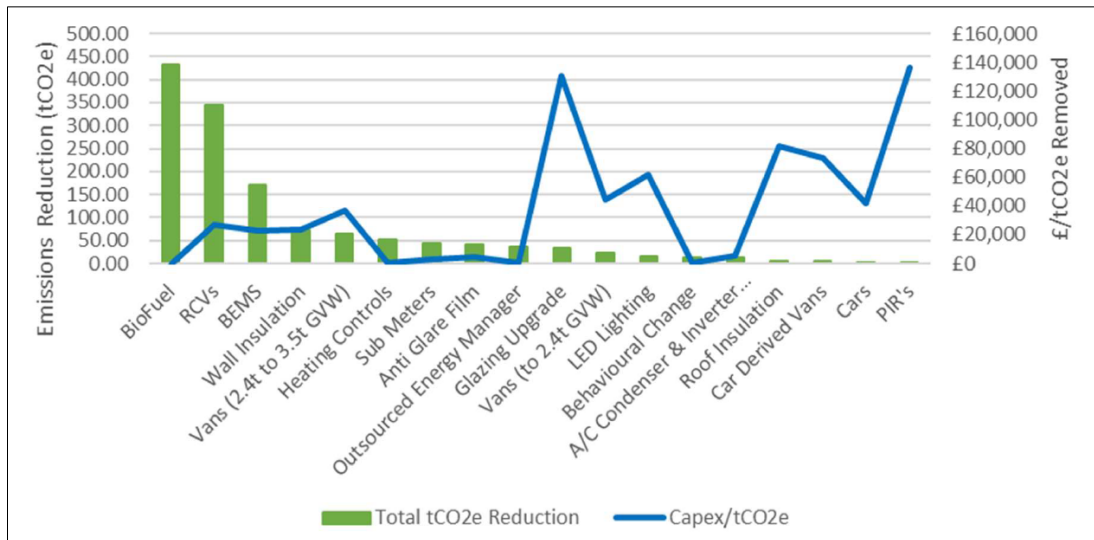
(1) figures correct as of 25/10/23. Note that the HVO figures included are the lowest of those quoted by three suppliers.

(2) A 76% reduction has been recommended as it is the lower end of carbon reduction percentages quoted by suppliers. See also para 18 which provides more information about conversion factors.

15. While HVO comes at a higher cost than diesel, it offers the potential for substantial carbon emissions reductions. Option 2 would require approx. £121,000 additional revenue spend per year. The current revenue fuel budget is £562,200.
16. Assuming that only the 26 tonne RCV fleet is run on HVO, this alone has the potential to reduce the Council's operational carbon emissions by in the region of 25%. In the medium term, we will liaise with manufacturers to explore switching other compatible vehicles in the fleet to HVO, as well as specifying that all new vehicles purchased are HVO compatible.
17. While this reduction in carbon emissions comes at an additional revenue cost, work undertaken by consultants for the Council highlighted that biofuels are an extremely cost effective means of reducing carbon emissions for the Council relating to fleet vehicles. This is illustrated in Graph 1 below (which is based on HVO delivering an estimated carbon reduction of 76%).

Agenda Item 12

Graph 1: Cost effectiveness of different carbon reduction measures (source: Optopia)



18. **Explaining our carbon reduction calculations:** For the purposes of this paper, we have assumed that HVO offers a 76% carbon saving compared to diesel. This is a conservative figure, based on the lower end of carbon reduction percentages quoted by suppliers, and informs our estimate that using HVO in our RCVs will lead to a total reduction in Council carbon emissions of 25%. Government carbon conversion factors (which we use for our annual carbon emissions reporting) assume a greater carbon saving, as follows:

- Diesel: 654 tCO2e
- HVO: 9.1tCO2e

Using *these* figures, the carbon emissions reduction associated with transitioning our RCVs to HVO would be greater, at 33% of the total Council carbon footprint. However, it is also important to note that in applying this reporting methodology, we are required to recognise and be transparent about the impact of the carbon released through combustion of the fuel as an ‘outside of scope’ impact (ie not within the organisation’s emissions total but displayed separately).

19. **Co-benefits:** Adoption of any low carbon fuel option will have benefits to residents in the form of improved air quality. This is particularly salient when we consider that our fleet of RCVs primarily operate in residential areas and are likely to be the only HGVs that regularly enter these areas. HVO has the benefit of reducing particulate matter by around 33% and nitrogen oxides by around 8%.
20. Switching to HVO for some of our most ‘visible’ vehicles – such as RCVs – demonstrates to residents that the Council is investing to make progress towards its net zero by 2030 target. Subject to practical considerations, there may also be the opportunity to work with partner organisations for them to access HVO for their vehicles as well.
21. **Preferred Option:** On the basis of the above, Option 2 – that is, to transition all 28 of the Council’s 26-tonne refuse collection vehicles to running on HVO – is recommended. While representing a more costly fuel option, the carbon reduction

and other benefits are considered to make this a socially and environmentally appropriate investment for the Council. More information about the financial implications of this recommendation are included at paragraph 63-67.

22. **Implementing HVO:** The above options are based on a straightforward switch from diesel to HVO for compatible vehicles requiring no conversion of those vehicles. An allowance has been made in the draft revenue budget proposals for 2024/25 for the uplift in fuel costs associated with HVO of £0.132 million.
23. Capital investment will also be required to install an additional fuel tank to store HVO. The cost of the tank, associated security measures and groundworks is estimated at £0.035 million. This will be funded through a call on the existing capital programme allocation for Environmental Sustainability Projects (of which £0.236 million currently remains).
24. **Managing risks:** Some concerns have been expressed about the use of HVO, particularly in relation to the source of the feedstock and whether increased use of HVO will lead to the conversion of agricultural land and drive deforestation and habitat loss by the planting of palm oil crops. This risk will be mitigated by ensuring that the supplier from which we procure HVO guarantees that the feedstock is only waste products. HVO and other biofuels will have a place for harder-to-decarbonise industries (such as aviation and marine) in the future and as demand from those sectors ramps up, we will be exiting the market by updating our fleet with alternatively fuelled vehicles (see below).
25. At the moment it is planned only to use HVO in our diesel RCVs, as these have been confirmed by the manufacturers as being compatible with the fuel. The compatibility of other diesel vehicles within our fleet has not been confirmed, and using the fuel in non-compatible vehicles may damage the fuel components, so running these other vehicles on HVO at the moment is not being recommended. In the medium term we will explore using the fuel in other diesel vehicles subject to manufacturers' confirmation of compatibility (if alternative fuelled low carbon equivalents are not viable or available).
26. If costs for HVO become prohibitive, it is possible to switch back to using conventional fuels in our vehicles (however any choice to do this would need to be balanced against the negative environmental impacts).

Starting to transition our heavier vehicles to alternative fuels via fleet replacement

27. As noted in the background section of this report, the Council's fleet replacement strategy requires replacement vehicles with the lowest possible emissions that can practically be used for the functions required to be sought.
28. Replacement of lighter vehicles within the fleet to electric alternatives is already taking place and funded from within the agreed capital programme. To date the fleet includes 13 electric or hybrid vehicles.
29. For the heavier vehicles within our fleet (primarily the Waste & Recycling vehicle fleet), the choice to transition to electric vehicles is less clear cut given considerations such as cost, and the more limited specification of vehicles that are available on the market today.

Agenda Item 12

30. **The Refuse Collection Vehicle (RCV) fleet:** The Council currently owns and operates 28 RCVs. Vehicles are purchased outright via competitive tender rather than leased as this proves more cost effective for the Council. All vehicles are serviced and maintained in-house.
31. The RCV fleet currently contributes about 654tCO₂e to our carbon emissions per year - approx. 61% of all Council vehicle carbon emissions and 33% of all council operational carbon emissions.
32. **Replacement schedule:** The current capital programme allocation for fleet replacement is £7.46 million over 5 years (2023/24 to 2027/28). This is based on like-for-like replacement of vehicles when they come up for renewal – that is, replacement of diesel vehicles with diesel vehicles.
33. The three single-body RCVs operated by the Waste & Recycling service for green waste collection are currently due for replacement (in 2023/24). In addition, one other split-body RCV, used for the collection of household waste and recycling, now requires replacement as part of our rolling fleet replacement programme, however this will be a like-for-like replacement as there are currently no split body electric RCV's being offered for trial by manufacturers.
34. In 2024/25 a further two RCVs are due for replacement; beyond this date, no further RCVs are expected to be replaced until 2027/28 and 2028/29.
35. **Electric RCV trials:** In line with the Fleet Replacement Strategy, a number of trials of electric RCVs have been carried out in recent years. The most recent trial identified that electrically powered RCVs are now viable for the collection of garden waste, the trial vehicle having performed well against diesel vehicles doing similar work. There are currently no electric vehicles available to trial on our 'core' waste & recycling rounds as split body electric vehicles are not available at the moment. We are continuing to talk to suppliers to determine when these types of vehicle might come to market.
36. One electric green waste RCV has the potential to reduce the Council's total operational carbon emissions by around 1.2% compared to a diesel vehicle (3% of total emissions from the RCV fleet). However electric vehicles come at a considerably higher capital cost.
37. **Options:** As noted above, operational requirements mean that electric RCVs are not yet viable for collection vehicles dealing with waste and recycling streams other than garden waste.
38. Options for the replacement of the three green waste RCVs (where electric alternatives are considered viable) are set out in Table 2 below.

Table 2: Replacement options for three green waste RCVs

	Capital cost (£) ⁽¹⁾	Total annual Running costs (£) ⁽²⁾			Annual reduction in carbon emissions (tCO ₂ e) ⁽³⁾
		Diesel	HVO	Electricity	
Option 1: Purchase 3 diesel vehicles (run on diesel)	676,629	37,934	Not applicable	Not applicable	0

Agenda Item 12

Option 1a: run 3 new diesel vehicles on HVO		Not applicable	50,381		53
Option 2: Purchase 1 electric and 2 diesel vehicles (run on diesel)	903,899	25,290	Not applicable	28,300	24
Option 2a: run 2 new diesel vehicles on HVO plus one EV		Not applicable	33,589	28,300	59
Option 3: Purchase 3 electric vehicles	1,358,439	Not applicable	Not applicable	84,900	70

- (1) Capital cost assumptions based on supplier quotations and subject to confirmation through the procurement process
- (2) Running cost assumptions based on 2022/23 mileage and fuel costs as at 25/10/23, and the daytime electricity tariff secured from Oct 2023 – Oct 2025
- (3) Assuming 76% CO2e reduction associated with use of HVO rather than diesel (see para 18); Net carbon emissions from charging an electric vehicle are 0 due to renewable tariff being in place.

39. It should be noted that – subject to recommendations about HVO being supported – all new diesel RCVs purchased could be run on HVO, thus reducing each vehicle’s carbon emissions, although with higher running costs associated with the cost uplift from diesel to HVO (also outlined above).
40. **Co-benefits:** As outlined above, the adoption of any low carbon fuel option will have benefits to residents in the form of improved air quality, and particularly where the vehicles operate in residential areas. The co-benefits associated with electric vehicles are greater than with vehicles run on HVO. Fully electric vehicles have a zero-emissions rating, which includes air pollutants. Electric vehicles thus offer greater benefits for air pollution than using HVO. For this reason and to help reduce local air pollution, there is an action in the latest [Borough Air Quality Status Report](#) to electrify the Council’s vehicle fleet in order to reduce air pollutants.
41. As well as air pollution, electric vehicles are considerably quieter than their diesel/HVO counterparts, which would bring additional benefits in terms of resident amenity, and will also improve operational conditions for crew members.
42. Beginning the transition to electric RCVs provides an opportunity to reassure residents that the Council is continuing on a path to transition to low carbon vehicles. Consistent with our electric parking vans, any electric RCVs would carry appropriate messaging.
43. **Preferred option:** Taking the carbon benefits, cost considerations, operational requirements and co-benefits into account, for the green waste RCVs, the preferred option is to proceed with the purchase of one electric and two diesel vehicles (the diesel vehicles to be run on HVO, subject to this also being supported). Graph 1 earlier in the report demonstrates that (whilst coming at a high capital cost) electric RCVs still represent a highly cost effective way of reducing the Council’s carbon emissions. More information about the financial implications of this recommendation are included at paragraph 63-67.

Agenda Item 12

44. This preferred option represents a measured approach to transitioning to low carbon RCVs, and reflects the approach that a number of other authorities are taking. It provides a positive signal about the Council's direction of travel, whilst also enabling the Waste & Recycling service to familiarise itself with operating an electric vehicle. It also means that the Council can use this experience to inform the development of a plan to install further EV charging infrastructure at the Depot. And it enables us to continue to review and consider other emerging technologies such as Hydrogen as alternative longer term options for our heavier fleet vehicles.
45. **Implementation:** Subject to agreement of the required capital funding uplift, the new green waste RCVs (one electric and two diesel), plus the fourth RCV that is also due for replacement in 2023/24, will be procured via competitive tender or direct award (via a framework) in line with the Council's Contract Procedure Rules (CPRs). The value of the purchases will be in excess of £250,000, which means that under the CPRs, approval to procure falls to the Executive. Given the detail in within this report (including financial), and to expedite the purchase of new vehicles, it is recommended that the Executive delegate authority to enter into contracts for the purchase of the four vehicles to the Head of Neighbourhood Services. This would be in consultation with the Portfolio Holder for Neighbourhood Services along with the Chief Finance Officer and the portfolio holder for Finance, Governance, and Organisation, and subject to procurement in accordance with the CPRs.
46. Based on recent trials it is understood that the current charging infrastructure at the Depot will support the charging of one electric RCV without further investment, however this position will be formally clarified before any purchase is made.
47. It should be noted that current electricity prices mean that running costs for an electric RCV will initially be higher than a diesel vehicle. In the medium to long term, it is expected that diesel costs will continue to increase and electricity costs decrease as the nation continues to transition towards net zero. Based on the energy tariff that the Council has secured between October 2023 and October 2025, it is estimated that it will cost an additional £0.016 million per year to charge an electric RCV compared to a diesel equivalent. This is a worst case scenario cost based on daytime charging rates – in reality, some charging is likely to take place utilising lower night-time rates. Compared to running a diesel equivalent vehicle on HVO the cost differential would be £0.012m. In the immediate term, any revenue cost pressure in 2023/24 will be accommodated within existing service budgets or funded through a call on the Environmental Sustainability Reserve. Subject to agreement of Recommendation (i) in this report, revenue growth to fund additional associated charging costs can be included in the final budget for 2024/25.
48. As noted above, the operation of one electric RCV will enable us to assess the best approach to transitioning the remainder of the RCV fleet as they come up for replacement. For example, the vehicle can be seconded to other waste collection services to establish its suitability for collecting different waste streams i.e.. for use in the collection of trade waste, bring site collections, and flats collections.
49. By way of example, Table 3 below summarises the Waste & Recycling Service's HGV replacement dates along with indicative pricing for both diesel and electric replacement vehicles¹.

¹ Note that this is not a comprehensive list of all council vehicles, it only relates to our RCVs. Pricing has been estimated based on current market prices with a 5% inflationary adjustment each year.

Table 3: Indicative comparison of cost of RCV fleet transition

	23/24 £m	24/25 £m	25/26 £m	26/27 £m	27/28 £m	28/29 £m	29/30 £m	30/31 £m	Total £m
Diesel	0.883	0.446	-	-	2.404	2.575	1.200	-	7.508
Electric	1.835	0.940	-	-	-	5.356	2.512	-	15.633
Cost uplift (electric vs diesel)	0.952	0.494	-	-	-	2.781	1.132	-	7.945
Number of RCVs	4	2	-	-	-	9	4	-	28

50. Decisions about the future purchase of electric vehicles will be made in consultation with the relevant Executive Member, and any additional capital funding requests will either be incorporated via the annual budget setting process or as a stand-alone report (as is the case here).
51. **Managing Risks:** A phased transition of vehicles as proposed mitigates the risk associated with the adoption of relatively new technology. The phased transition also introduces the ability for us to plan future fleet replacement and charging infrastructure installation based on real-world experience.
52. Taking a phased approach to the transition to electric RCVs also means that the Council will be able to monitor the running (revenue) costs associated with differently powered vehicles (HVO and electric). Although running costs of electric vehicles are expected to reduce, if this does not turn out to be the case, the revenue impact on the Council will be lessened compared to Option 3.
53. Agreement of the recommended option will enable procurement to proceed. This will mitigate the risks associated with the current green waste RCVs reaching the end of their serviceable life (that is, becoming no longer viable for repair). Should this occur, it would put at risk the Council's ability to deliver a high quality garden waste collection service, which currently generates considerable income for the Council. (In 2022/23 the green waste collection service achieved a gross revenue of approx. £1.7 million). An effective garden waste collection service also contributes to the Council's positive recycling rates and reduced borough-wide carbon emissions as garden waste that is composted or anaerobically digested generates less carbon than if it is disposed of as general waste.

Options

54. The options available to the Executive are set out below:

Recommendation 1: Electric RCVs

55. Option 1: Approve the inclusion of an increase to the capital programme in the final 2024/25 budget report to allow for the purchase of one electric green waste RCV. This option is recommended as electric RCVs represents a cost effective way of reducing the Council's carbon emissions - as well as delivering other benefits compared to HVO (including reduced air pollution and noise reduction). Starting to implement the transition to electric with one vehicle represents a measured and pragmatic approach whereby the Council can use its experiences in running the

Agenda Item 12

vehicle to inform the development of a plan to transition the rest of the fleet and invest in appropriate charging infrastructure.

56. Option 2: Do not approve the inclusion of an increase to the capital programme in the final 2024/25 budget report to allow for the purchase of one electric green waste RCV. In this event, all three green waste RCVs purchased will be diesel, in line with the existing capital programme. This option is not recommended as it represents a missed opportunity to begin to transition our green waste fleet at a time where the technology exists to do so, a missed opportunity to secure wider co-benefits, and to demonstrate our commitment to moving to fully low carbon fleet.
57. Option 3: Approve the inclusion of an increase to the capital programme in the final 2024/25 budget report to allow for the purchase of three electric green waste RCVs. This option is not recommended as there is currently insufficient certainty that the Depot has the capacity to charge three electric RCVs.

Recommendation 2: Delegation of authority to agree purchase

58. **Option 1:** Agree to delegate authority to the Head of Neighbourhood Services (in consultation with the Executive Member for Neighbourhood Services along with the Chief Finance Officer and the portfolio holder for Finance, Governance, and Organisation, to enter into contracts for the purchase of the 4 RCVs that are due for replacement in 2023/24. This option is recommended as it will remove the need to bring a further report back to the Executive, and will therefore expedite the purchase of the required vehicles and minimise risk to service disruption. The recommendation is considered appropriate given the level of detail about the purchase (including financial detail) set out in this report.
59. **Option 2:** Do not agree to delegate authority for the purchase of the 4 RCVs. This option is not recommended as it will result in a longer period before purchase contracts can be entered into, increasing the risk of issues arising with failure of the current vehicles. If executive chose to go with this option, rather than delegate authority, as per option one, a report will be brought back to a future Executive meeting seeking agreement to enter into purchase contracts for the vehicles in question.

Recommendation 3: HVO

60. **Option 1:** Endorse the transition to HVO for compatible vehicles with in the RCV fleet. This option is recommended as HVO provides a cost effective means of reducing carbon emissions from our vehicles in the short term (as a transition fuel while other options are developed), which are the greatest source of operational carbon emissions.
61. **Option 2:** Do not endorse the transition. This option is not recommended as it represents a missed opportunity to reduce council carbon emissions at a time when action is needed to mitigate climate change.

Legal Implications

62. No legal implications have been identified associated with the recommendations in this report.

Financial Implications

63. Headline information about the financial implications of the different options for HVO and electric RCVs that have been considered are set out in the earlier sections of this report. This section focuses on the financial implications of the recommended options.

Capital Programme implications of the recommended approach

64. The recommendations within this report would require capital investment over and above the existing approved capital programme of £0.250 million (based on current cost quotations received and subject to a procurement exercise). Table 4 provides more information.

Table 4: Capital expenditure associated with recommended options

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Funding source
HVO tank and installation	0.035	-	-	-	-	-	Existing capital programme allocation for Environmental Projects
1 electric RCV (green waste)	-	0.210	-	-	-	-	Existing capital programme for Vehicle Replacement
	-	0.242	-	-	-	-	Additional capital programme growth
2 diesel RCVs (green waste)	-	0.420	-	-	-	-	Existing capital programme

65. As noted in the earlier sections of this report, proceeding with the recommended options will provide the Council with real-world experience of operating an electric RCV and help inform a decision on the best approach to transitioning the remainder of the RCV fleet to low carbon alternatives. Those longer term choices fall outwith the remit of this report, however Table 3 above presents an indication of the costs associated with different vehicle solutions in the future.

Revenue Budget implications of the recommended approach

66. The recommendations within this report would result in an estimated additional £0.180 million revenue expenditure per year, based on the following cost uplift assumptions:

- (i) £0.121m per year from using HVO to fuel vehicles rather than diesel. Information available at the time of writing suggests that ethically sourced HVO currently costs £1.70 per litre compared to £1.28 per litre for diesel.
- (ii) £0.016m per year from using electricity to fuel one electric RCV rather than diesel. This is a prudent estimate based on the daytime electricity tariff secured from October 2023 to October 2025.
- (iii) £0.043m per year of additional borrowing costs associated with the additional capital investment required to purchase one electric (as opposed to diesel) RCV.

Agenda Item 12

67. Table 5 summarises additional revenue budget costs (and funding sources) associated with the recommended options over the next 5 years. Note that no allowance has been included for fuel cost inflation over time.

Table 5: Revenue expenditure associated with recommended options

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Funding source
Total RCV fleet fuel costs (diesel)	0.562	0.562	0.562	0.562	0.562	Existing approved budget
HVO uplift	0.121	0.121	0.121	0.121	0.121	Revenue budget growth
EV charging costs uplift associated with 1 electric RCV	0.016	0.016	0.016	0.016	0.016	Revenue budget growth
Servicing costs associated with 1 electric RCV	£0.022 over vehicle lifetime (8yrs)					Existing approved budget
Borrowing costs to fund the additional capital expenditure associated with purchase of 1 EV ⁽¹⁾	0.043	0.043	0.043	0.043	0.043	Central treasury management budget growth
Total Revenue Budget Growth	0.180	0.180	0.180	0.180	0.180	

(1) Borrowing cost associated with £0.242m *additional* capital spend; based on a PWLB maturity loan at 5.48% interest and Minimum Revenue Provision costs over 8 years (est vehicle lifetime). Borrowing cost associated with full purchase cost of vehicle (£0.452m) = £0.082m per annum

Equalities Implications

68. No equality implications have been identified as arising from the recommendations within this report.

Communication Implications

69. No direct communications implications have been identified as arising from the recommendations within this report.

70. However, subject to the recommendations being agreed, the transition to HVO and a new electric RCV will be promoted with an explanation of why the Council is taking this action.

Environmental Sustainability Implications

71. The carbon reduction potential of the different options considered are set out in the earlier sections of this report.

72. The Council's Environmental Sustainability Strategy sets a target for the Council to reach net zero operational (scope 1 and 2) carbon emissions by 2030.

73. The recommendations within this report to use HVO in [tbc] compatible vehicles has the potential to reduce the Council's total carbon emissions by between 25-33% (around 497 – 645 tCO₂e per year).
74. The purchase of one electric RCV rather than a diesel 'like-for-like' replacement have the potential to reduce annual Council carbon emissions by around 24 tCO₂e per year (1.2% of total carbon emissions).
75. The option of purchasing three electric RCVs is not preferred for the reasons outlined above however if this option were pursued (and a solution for vehicle charging were implemented) it would contribute to a reduction in Council carbon emissions of around 70 tCO₂e per year.
76. It will be important that the Council continues to investigate options for the continuing transition of fleet vehicles to low carbon alternatives (be that electric or other alternative fuels such as hydrogen) and also works to ensure that appropriate charging infrastructure is in place.

Risk Management Considerations

77. As noted in the earlier sections of this report, replacing end of life waste & recycling vehicles is essential to ensure continued high standards of service and to make sure the Council can continue to benefit from the levels of income currently generated by the paid-for garden waste service. In the event that the recommendations within this report are not agreed, diesel replacement vehicles will be sought and funded from the existing capital programme.
78. The use of HVO in compatible vehicles is now relatively widespread within the sector, with nearby authorities already using this diesel alternative. Informal conversations have been held with authorities already using HVO to inform this report's recommendations. Confirmation has also been sought and received from the manufacturers of our vehicles that they are compatible with HVO without modification.
79. There is a small risk that HVO becomes more costly or there are supply chain issues, in this event vehicles can revert back to diesel use (although carbon savings will cease to be realised).
80. Adopting new technology comes with risk. The proposed approach of a phased transition enables the Council to gain real-world experience to inform its future transition plans. Having vehicles that are powered by different means also provides service resilience.
81. There is a risk that the Depot is not suitable for large scale electric RCV charging. A phased transition guards against this risk; as noted above one trial electric RCV has successfully been charged at the Depot, although this will be checked and clarified before any purchase is made. There is a project running to investigate the infrastructure and electrical capacity requirements for further expansion of electric vehicle fleet.
82. There is a risk that for larger vehicles such as RCVs, in the medium to longer term, hydrogen becomes the fuel of choice for vehicle manufacturers. The recommendations within this report do not preclude transitioning other vehicles within the fleet to hydrogen or other low carbon solutions.

Agenda Item 12

83. There is a reputational risk for the Council from not pursuing low carbon options in relation to our vehicle fleet. Every diesel vehicle purchased now will be in service beyond 2030 (Councils net zero target) and therefore emissions from these vehicles will need to be offset, which will come at a cost (although this cost has not yet been quantified).

Procurement/Contract Management and Subsidy Considerations

84. There are no procurement, contract management or subsidy considerations arising as a direct consequence of this report.
85. Procurement of fuel and vehicles is undertaken by the Transport team in line with the Council's Contract Procedure Rules (CPRs).
86. The CPRs stipulate that contracts awarded above a value of £250,000 must have Executive authorisation to award the contract. Thus the purchase of the RCVs requiring replacement in 2023/24 requires Executive authorisation.
87. As noted at paragraph 45, it is recommended that Executive delegate authority - in this instance alone - for the purchase of the 4 RCVs due for replacement in 2023/24. This means that a subsequent report would not be required to be brought back to the Executive; rather the purchase contracts would be entered into by the Head of Neighbourhood Services in consultation with the Executive Member for Neighbourhood Services along with the Chief Finance Officer and the Executive Member for Finance, Governance, and Organisation. The reasons for this recommendation are set out in the Options section of this report, at paragraphs 58 and 59 above.

Consultation

88. Members of the Executive have been informally consulted in the preparation of this report.

Policy Framework

89. The recommendations set out in this report support objectives within the Corporate Plan, specifically, that the Council will "reduce its own environmental impact" including by seeking to reduce emissions while also recognising that "our decision making will sometimes need to balance competing priorities and reflect the financial constraints we face as a Council".
90. The Environmental Sustainability Strategy is a subsidiary document to the Corporate Plan – the recommendations within this paper contribute to the target in the ES Strategy to reach net zero operational (scope 1 and 2) carbon emissions by 2030, the action to continue to transition the Council's vehicle fleet to be fully electric, as well as the objective to limit air pollution.

Background Papers

1. Corporate Plan 2025 - https://www.reigate-banstead.gov.uk/info/20205/plans_and_policies/280/reigate_and_banstead_2025

2. Environmental Sustainability Strategy - Our approach to environmental sustainability | Our approach to environmental sustainability | Reigate and Banstead (reigate-banstead.gov.uk)

This page is intentionally left blank