

Executive Agenda



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

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30 October 2018

To the Members of the EXECUTIVE

Councillors:	M. A. Brunt	Leader of the Council
	G. J. Knight	Deputy Leader, Housing and Benefits
	R. H. Ashford	Leisure and Wellbeing
	Mrs. N. J. Bramhall	Property and Acquisitions
	J. E. Durrant	Community Safety
	K. Foreman	Planning Policy
	A. C. J. Horwood	Neighbourhood Services
	E. Humphreys	Business and Economy
	T. Schofield	Finance

For a meeting of the **EXECUTIVE** to be held on **THURSDAY, 8 NOVEMBER 2018** at **7.30 pm** in the New Council Chamber - Town Hall, Reigate.

John Jory
Chief Executive

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Notice is given of the Executive's intention to hold part of its meeting on Thursday, 8 November 2018 in private for consideration of reports containing "exempt" information

1. **MINUTES** (Pages 7 - 14)

To confirm as a correct record the Minutes of the Executive meeting held on 18 October 2018.

2. **APOLOGIES FOR ABSENCE**

To receive any apologies for absence.

3. **DECLARATIONS OF INTEREST**

To receive any declarations of interest.

4. **HORLEY HIGH STREET UPDATE** (Pages 15 - 20)

Executive Member: Portfolio Holder for Business and Economy

To consider an update on work to bring forward the delivery of public realm improvements in Horley Town Centre.

5. **DEBT WRITE-OFF AND RECOVERY PERFORMANCE** (Pages 21 - 30)

Executive Member: Portfolio Holder for Finance

To seek approval for the writing off of debt and to receive a performance report on debt recovery.

6. **HALF YEAR TREASURY MANAGEMENT PERFORMANCE REPORT** (Pages 31 - 42)

Executive Member: Portfolio Holder for Finance

To consider the half yearly Treasury Management performance.

7. **SERVICE AND FINANCIAL PLANNING/BUDGET PROPOSAL FOR 2019/20** (Pages 43 - 110)

Executive Member: Portfolio Holder for Finance, Deputy Leader and Portfolio Holder for Housing and Benefits, Leader of the Council

To approve the 2019/20 provisional budget proposal for consultation with the Overview and Scrutiny Committee in accordance with the Policy Framework and Budget Procedure rules within the Constitution and with the Business Community to comply with statutory requirements.

8. **COMPANIES PERFORMANCE UPDATE** (Pages 111 - 116)

Executive Member: Leader of the Council

To receive an update on the performance of Council companies.

9. **PROPERTY ACQUISITIONS**

Executive Member: Portfolio Holder for Property and Acquisitions

To consider any property acquisitions proposed.

10. **STATEMENTS**

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

11. **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).

12. **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.

13. **COMPANIES PERFORMANCE UPDATE (EXEMPT)**

(Pages 117 - 120)

Executive Member: Leader of the Council

To consider exempt information on the performance of Council companies.

14. **PROPERTY ACQUISITIONS (EXEMPT)**

Executive Member: Portfolio Holder for Property and Acquisitions

To consider exempt information in relation to these proposals.

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Agenda Item 1

Executive
18 October 2018

Minutes

BOROUGH OF REIGATE AND BANSTEAD

EXECUTIVE

Minutes of a meeting of the Executive held at the New Council Chamber - Town Hall, Reigate on 18 October 2018 at 7.30 pm.

Present: Councillors M. A. Brunt (Leader), R. H. Ashford, Mrs. N. J. Bramhall, J. E. Durrant, K. Foreman, A. C. J. Horwood, E. Humphreys and T. Schofield.

Also present: Councillors Mrs. R. Absalom, M. S. Blacker, G. R. Curry, J. M. Ellacott, J. C. S. Essex, Dr. L. R. Hack, N. D. Harrison, J. P. King, R. Michalowski, R. C. Newstead, Mrs. R. S. Turner, S. T. Walsh and C. T. H. Whinney.

46. MINUTES

RESOLVED that the Minutes of the Executive meeting held on 13 September 2018 be approved as a correct record and signed.

47. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor G.J. Knight, Deputy Leader and Executive Member for Housing and Benefits.

48. DECLARATIONS OF INTEREST

None.

49. SINGLE USE PLASTICS

Councillor A.C.J. Horwood, Executive Member for Neighbourhood Services, introduced a report in response to a motion tabled by Councillor Curry, seconded by Councillor Coad, at a meeting of Full Council on 26 July 2018. It was explained that many single use plastics could not be recycled and were therefore either sent to landfill, disposed of by incineration or exported for processing and disposal abroad.

It was noted that for many years campaigns to encourage a reduction in the use of single use plastics had been undertaken by Local Authorities, Government Agencies, industry bodies and environmental campaign groups. However, it was recognised that a recent BBC series (Blue Planet 2) had really captured the attention of the public and that as a result there was an opportunity for Local Authorities to take the lead on eliminating the use of single use plastics.

Councillor Horwood informed the Executive that the report of the Strategic Head of Neighbourhood Services set out how the Council would actively seek to eliminate single use plastics from its buildings, assets and facilities and how it would encourage contractors and service suppliers to do the same. It was noted the Council would work closely with other Surrey Councils, as members of Surrey Waste Partnership, to develop a campaign aimed at businesses and residents to raise awareness of single use plastics and to provide advice about the use of alternative materials and solutions wherever practical.

It was also highlighted that the Council would develop a public rating system to help local businesses promote the elimination of single use plastics whenever practical. It was explained that this voluntary scheme would highlight local businesses and organisations that were doing the most to reduce their plastic consumption and increase their recycling rates.

Following the Executive Member's introduction a number of issues were considered, including:

- The need for the Council to take immediate action, to progress forward thinking measures, to address concerns raised by local residents.
- The definition of single use plastics i.e. plastic that could only be used once before being thrown away or recycled. For example, plastic bags, pens, straws, coffee stirrers, and water bottles.
- Plastic packaging in the food system, including suggestions that would need to be actioned by supermarkets.
- The importance of raising awareness of single use plastics, including work taking place across the Surrey Waste Partnership.
- The financial, legal, equalities and communication implications, set out in Sections 17 to 25 of the report.
- The fact that there was cross-party support for the recommendations set out in the report.
- The importance of keeping up to date with Government advice and legislation.
- The suggestion that the voluntary public rating system should be piloted in a town first, before rolling this out across the borough.

During the discussion both the Leader of the Council and the Executive Member for Neighbourhood Services responded to questions.

RESOLVED that:

- (i) The Council actively seeks to eliminate the use of single use plastics, from its buildings, assets and facilities and seeks alternative, reusable, compostable or recyclable solutions (actions described in paragraph 10 of the Report of the Strategic Head of Neighbourhood Services).
- (ii) Council contractors and service suppliers be encouraged to eliminate the use of single use plastics wherever suitable alternative materials are available.
- (iii) The Council, in liaison with Surrey Waste Partnership, develops a campaign aimed at residents and businesses within the borough to raise awareness of the impact of single use plastics and the alternative solutions.
- (iv) A voluntary public rating system be developed, for local businesses that promotes the elimination of single use plastics whenever practical.

Reason for decision: To respond to the public's desire to do more to combat the pollution caused by single use plastics, to protect the local environment and to encourage responsible waste management by, wherever possible, eliminating single use plastics.

Alternative options: To do nothing or await the outcome of Government advice and legislation before attempting to reduce the use of single use plastics.

50. OVERAGE DUE IN RESPECT OF SITE IN BLACKBOROUGH ROAD, REIGATE

Councillor T. Schofield, Executive Member for Finance, introduced a report recommending the settlement of an outstanding overage matter between the Council and Raven Housing Trust.

The Executive Member for Finance explained the Council had sold the former Blackborough Road Depot site at auction to Goldcrest Homes, a private housing developer, in 2006. It was noted that the site was sold with outline planning permission and was subject to overage provisions relating to intensification of development. Councillor Schofield went on to explain that Goldcrest Homes subsequently obtained planning permission for an alternative scheme and, in 2009, marketed the site with the benefit of new planning permission. The site was acquired by Raven Housing Trust.

In response to questions, it was highlighted that:

- The site was subject to some relatively onerous overage obligations which related to intensification of development based on the original planning permission.
- The strict application of these overage provisions resulted in a payment that was disproportionate to the additional development that was comprised in Raven's scheme. Furthermore, the provisions did not envisage that the site would be delivered for affordable housing.

The Executive was informed that as a result the overage obligations had been reviewed. It was noted that the revised settlement was still commercial but was also proportionate and reasonable, recognising that Raven Housing Trust was a key partner for the Council in the delivery of affordable housing.

During the discussion a variety of matters were considered and it was noted that full details of the overage provisions, the calculations and proposed settlement had been set out in the exempt Part 2 report of the agenda.

Clerk's note – *At this point in the meeting agenda item 5 (Overage Due in Respect of Site in Blackborough Road, Reigate) was adjourned so that the exempt information, agenda item 11 (Exempt Business) and 12 (Overage Due in Respect of Site in Blackborough Road, Reigate – Exempt), could be considered ahead of making a decision.*

Clerk's note – *The minutes of the meeting reflect the order of business listed on the published agenda, not the order taken during the meeting.*

During the exempt discussion, a number of issues were considered, including questions about the Council's partnership working relationship with Raven Housing Trust. In response, the Leader of the Council highlighted the importance of partnership working and confirmed he would be meeting with representatives from Raven Housing Trust to establish how more affordable housing would be delivered

across the borough. It was suggested that the Leader of the Council should write to all Members, with an update, once this meeting had taken place.

On conclusion of agenda item 12 the Executive returned to agenda item 5 and;

RESOLVED that the Director of Finance and Organisation be authorised to agree settlement of the Blackborough Road overage matter with Raven Housing Trust on the basis of the revised calculation set out in the exempt report contained in Part 2 of the Executive's agenda.

Reason for decision: The original overage provisions relating to Blackborough Road were relatively unusual and their strict application resulted in an onerous overage obligation. The proposed settlement, which adopts the principles of the original provisions and reflects the value of the additional accommodation in the completed development, is both commercial and equitable. The settlement also assists in maintaining the Council's working relationship with Raven Housing Trust.

Alternative options: To reject the recommendation and require payment based on the strict application of the original overage provisions.

51. INTERNAL AUDIT PARTNERSHIP AGREEMENT

Councillor T. Schofield, Executive Member for Finance, introduced the report and set out the rationale behind the proposal for the Council to enter into a partnership agreement with Southern Internal Audit Partnership (SIAP).

It was noted, following extensive market and quality assurance testing, that the recommended provider offered the best value for money and quality of service.

Councillor Schofield informed the Executive that the Overview and Scrutiny Committee had considered the report at their meeting on 11 October. It was noted that the Committee had discussed a number of issues relating to cost, capacity and resources and alternative in house provision. It was also highlighted that the Committee had raised questions about the legal status of the Council within the proposed partnership. In response to this, Councillor Schofield provided assurances on the following:

- SIAP service users were invited to be party to a key stakeholder/partnership joint arrangement. It was noted that formal legal requirements in a partnership arrangement were excluded.
- The term "partnership" was used to summarise the operational working arrangement and did not create legal obligations for the Council.
- The Council's obligations related to participation in the Key Stakeholder Board to represent operational interests.
- Hampshire County Council, as "host" for SIAP, had responsibility for the overall service. It was highlighted that no liability for SIAP would be passed to any of its key stakeholders/partners.

During the discussion that followed the Executive Member for Finance responded to various questions on the provision of internal audit services.

RESOLVED that:

- (i) With effect from 1 April 2019, the Council be authorised to join the Southern Internal Audit Partnership as a Key Stakeholder / Partner thereby securing market tested, quality assured and value for money Internal Audit services for the Council for a minimum period of five years.
- (ii) The Section 151 Officer, in consultation with the Monitoring Officer, be authorised to enter into the joint working agreement with Southern Internal Audit Partnership.
- (iii) The Section 151 Officer be authorised to represent the Council's interests by becoming a voting member of the Southern Internal Audit Partnership Key Stakeholder Board.
- (iv) Approval be given for exemption from the Council's contract procedures for the reasons outlined in the exempt Part 2 report of the Executive's agenda.

Reason for decision: To secure market tested, quality assured and value for money Internal Audit services for the Council for a minimum period of five years.

Alternative options: To continue with the current provider or investigate other options.

52. MARKETFIELD WAY - CONSTRUCTION OF MIXED USE DEVELOPMENT

Councillor Mrs N.J. Bramhall, Executive Member for Property and Acquisitions, introduced the report setting out the progress that had been made regarding the land assembly, site preparation and pre-letting of retail, leisure and residential components of the Council's regeneration scheme at Marketfield Way in Redhill.

It was noted the Council's Corporate Plan (2015-2020) identified property investment and development as one of its key objectives. It was highlighted that the mixed use scheme at Marketfield Way was the Council's most significant development for the town centre. The Executive was informed that the development would provide a cinema, 153 residential units, restaurants and big box retail. Councillor Mrs Bramhall explained that this would contribute significantly to the vibrancy of the town centre.

In response to questions about the recently held Compulsory Purchase Order Inquiry, it was noted a result was expected by early January 2019 and that the ambition remained to start work on site in the first half of 2019.

During the discussion, a variety of matters were considered and it was noted that full details of the current financial forecasts and an update concerning financial implications had been set out in the exempt Part 2 report of the agenda.

Clerk's note – *At this point in the meeting agenda item 7 (Marketfield Way – Construction of Mixed Use Development) was adjourned so that the exempt information, agenda items 11 (Exempt Business) and 14 (Marketfield Way – Construction of Mixed Use Development – Exempt), could be considered ahead of making a decision.*

Clerk's note – *The minutes of the meeting reflect the order of business listed on the published agenda, not the order taken during the meeting.*

During the exempt discussion, a number of issues were considered in relation to land assembly, pre-lets, the selection of a main contractor, risk management, the various stages of the project, projected scheme costs and other financial implications. In response to questions, the Director of Finance and Organisation was asked to provide a written briefing note to all Members setting out alternative assumptions to the financial implications (set out in Annex 2 of the exempt Part 2 report) of the consented scheme.

On conclusion of agenda item 14 the Executive returned to agenda item 7 and:

RECOMMENDED that Full Council amend the Capital Programme to resource Stage 3 and Stage 4 of the Marketfield Way project subject to stage 3 and Stage 4 meeting the financial parameters set out in the financial projections provided in the exempt report in Part 2 of the Executive agenda.

RESOLVED that:

- (i) The progress in relation to land assembly, site preparation and the pre-letting of retail, leisure and residential components of the scheme be noted.
- (ii) The Director of Finance and Organisation be authorised, in consultation with the Director of Place Services, the Executive Member for Property and Acquisitions, the Leader and the Deputy Leader, to progress Stage 3 and Stage 4 of the Marketfield Way project, in accordance with the strategy set out in the Executive reports dated 26 February 2015, 23 March 2017 and updates set out in this report, and bring forward the development, retaining the commercial elements and pre-selling the residential flats to a private rented sector operator/residential investor.
- (iii) The Director of Finance and Organisation be authorised, in consultation with the Director of Place Services, the Leader, Deputy Leader and Executive Members for Finance and Property and Acquisitions, to progress the Marketfield Way project in accordance with the updated financial parameters set out in the exempt report in Part 2 (Option 1) of this agenda.
- (iv) The Director of Finance and Organisation be authorised, in consultation with the Director of Place Services, the Leader, Deputy Leader and Executive Members for Finance and Property and Acquisitions to agree terms, seal and complete a construction contract or enabling contracts with construction contractors, subject to construction costs being in accordance with the updated financial parameters set out in the exempt report in Part 2 (Option 1) of this agenda.

Reason for decision: To obtain authority to proceed with stages 3 and 4 of the project, subject to meeting the criteria for the permitted scheme as set out in the exempt Part 2 report of the agenda, to secure maximum regeneration benefits for Redhill whilst retaining income streams for reinvested in the provision of Council services.

Alternative options: To investigate an alternative proposal for the development of the site, or for the Council not to progress with the development and to seek an independent funding source to do so through purchase of the site, or to do nothing and not regenerate Redhill town centre.

NOTE

On conclusion of the Marketfield Way item, the Leader of the Council informed the Executive that John Reed, Head of Property, was leaving the Council for a new job. On behalf of the Council, the Leader placed on record his thanks to Mr Reed for his help and support across many projects.

53. PROPERTY ACQUISITIONS

There was no business to be considered under this agenda item.

54. STATEMENTS

None.

55. ANY OTHER URGENT BUSINESS

None.

56. EXEMPT BUSINESS

RESOLVED that members of the press and public be excluded from the meeting for agenda items 12, 13, 14 and 15 under Section 100A(4) of the Local Government Act 1972 on the grounds that: (i) it involved 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 outweighed the public interest in disclosing the information.

57. OVERAGE DUE IN RESPECT OF SITE IN BLACKBOROUGH ROAD, REIGATE (EXEMPT)

Councillor T. Schofield, Executive Member for Finance, introduced the exempt information in relation to the calculations and proposed settlement for an outstanding overage matter between the Council and Raven Housing Trust. During the discussion a wide range of issues were considered, including the importance of partnership working and the need to deliver more affordable housing across the borough.

RESOLVED that the exempt information in relation to overage due in respect of a site in Blackborough Road, Reigate be noted.

58. INTERNAL AUDIT PARTNERSHIP AGREEMENT (EXEMPT)

RESOLVED that the exempt information in relation to the Internal Audit Partnership Agreement be noted.

59. MARKETFIELD WAY - CONSTRUCTION OF MIXED USE DEVELOPMENT (EXEMPT)

Councillor Mrs N.J. Bramhall, Executive Member for Property and Acquisitions, introduced the exempt information in relation to Marketfield Way, Redhill. During the

discussion, a number of issues were considered in relation to land assembly, pre-lets, the selection of a main contractor, risk management, various stages of the project, projected scheme costs, other financial implications and the process for delegated decision making.

RESOLVED that the exempt information in relation to Marketfield Way, Redhill be noted.

60. PROPERTY ACQUISITIONS (EXEMPT)

There was no exempt business to be considered under this agenda item.

The Meeting closed at 8.54 pm

Agenda Item 4

Executive
8 November 2018

Agenda Item: 4
Horley High Street Update



REPORT OF:	DIRECTOR OF PLACE
AUTHOR:	Peter Boarder
TELEPHONE:	01737 276201
E-MAIL:	Peter.boarder@reigate-banstead.gov.uk
TO:	EXECUTIVE
DATE:	8 th November 2018
EXECUTIVE MEMBER:	Cllr E. Humphreys

KEY DECISION REQUIRED:	NO
WARD (S) AFFECTED:	HORLEY CENTRAL

SUBJECT:	Horley High Street Update
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RECOMMENDATIONS:

- (i) That Executive notes the progress that has been made to date to bring forward the delivery of the third phase of public realm improvements in Horley town centre
- (ii) That authority is given to the Director of Place to increase the total budget for the project to £750,000 which will be provided by an additional allocation of funding of £120,000 from Surrey County Council.
- (iii) That the Director of Place, in consultation with the Executive Member for Business & Economy, be delegated authority to make any further minor changes to the scope of the scheme and terms of the contract within the approved budget.

REASONS FOR RECOMMENDATIONS:

The provision of comprehensive improvements to the Horley High Street pedestrian precinct will create a high quality, attractive and flexible space. The improvements will enable the precinct to be used for a variety of activities and the enhanced townscape will improve public perception and business confidence, helping to attract visitors and investment to the town centre.

Following the appointment of Surrey Council (SCC), as Highways Authority to lead the delivery and management of the project from design to construction, the scheme has been fully designed and costed, a contractor selected and relevant statutory approvals put in place.

While a number of cost savings have been made, the total cost (including fees) exceeds the original budget allocation agreed by Executive at its meeting on 13th July 2017.

In order that the scheme can be delivered SCC has agreed to increase their allocation of Section 106 contributions to the scheme. The total revised budget is £750,000. Importantly no additional funding is being sought from the Borough Council's capital programme.

EXECUTIVE SUMMARY:

On 13 July 2017 Executive agreed the scope of the third phase of public realm improvements in Horley town centre, as an identified priority area for regeneration.

This included comprehensive enhancements to the pedestrian precinct, which forms part of the High Street, to create a high quality, flexible and attractive streetscape at the heart of the town centre.

Since that time good progress has been made to bring forward the scheme. Despite a number of refinements to bring the costs down, unfortunately the total cost of the scheme exceeds the total budget that was agreed by Executive.

The total original budget included £530,000 from the Council's approved capital programme and £100,000 from SCC's Section 106 contributions.

In order to not reduce the scope or the quality of the works, SCC has agreed to provide an additional £120,000 of Section 106 contributions to the scheme.

Authority is therefore sought to increase the total budget to deliver the scheme. No additional funding is being sought from the Borough Council's capital programme

Executive has authority to approve the above recommendations

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

2. The Council has designated Horley town centre as a priority area for regeneration and has been working with our partners over many years to help improve its vitality, vibrancy and competitiveness.
3. Part of this work is to improve the quality of the public realm. Two successive phases of improvements have been implemented to date.
4. On 13 July 2017, Executive agreed the scope of the third phase of improvements in Horley town centre. This includes works to the pedestrian precinct which occupies a prominent and important location, situated on the High Street, between Victoria Road and Albert Road.
5. While the precinct occupies a key position within the town centre, the quality of the street scene is poor and lacks design coherence. Footways are patched and uneven; the current layout is inflexible making it difficult to hold a range of activities that will

help to bring vitality and vibrancy to the town centre; and there is indiscriminate loading and unloading during the day.

6. The project will undertake comprehensive improvements to enhance the quality of the public realm in the pedestrian precinct to:
 - create an attractive, safe and accessible space for town centre users;
 - create a flexible space that can be used for a range of activities, including areas for events, eating and drinking and places to meet and relax; and
 - regularise loading and unloading arrangements.
7. These improvements will improve the physical environment; help to introduce new uses to create increased vibrancy; act as a catalyst for investment; encourage people to dwell longer and to spend more, and improve public satisfaction.

KEY INFORMATION

Progress to date

8. Significant progress has been made to date in bringing forward these improvements.
9. Surrey County Council (SCC) has been appointed to lead the delivery and management of the project from design to construction.
10. Reigate and Banstead Local Committee have authorised that amendments be made to various Traffic Regulation Orders. These have been advertised, no objections have been received and consequently the orders can be made
11. SCC has completed the detailed design of the scheme.
12. A Section 58 New Roads and Streetworks Act restriction has been put in place.
13. The works have been notified to the Health and Safety Executive under CDM Regulations.
14. The works have been priced by SCC's nominated principal contractor and a contractor – Murrills - has been selected from their framework agreement.

The scope of works

15. The scheme has been developed in consultation with local members, businesses and the Horley Town Management Group.
16. The project scope will encompass: resurfacing the pedestrian precinct; the provision of new lighting and street furniture (including signage, planters and seating) and the installation of new dedicated loading facilities.

Costs

17. The costs of the project have increased above the approved total budget for a number of reasons. This includes the necessity to construct larger areas of the precinct to allow for vehicular loading, which was not identified as part of the original

scheme; the increase in costs of materials and of labour; and design changes that have occurred as a result of consultation with stakeholders and site conditions.

18. Every effort has been made to value engineer the scheme to reduce costs. For example looking at providing alternative welfare facilities for gangs on site; changes to construction details; and amendments to management arrangements on site.
19. While considerable savings have been made, further funding is necessary to avoid seriously reducing the scope and/or quality of the scheme.
20. SCC has agreed to provide additional section 106 developer contributions to help deliver the scheme and therefore no further funding is being sought from the Council's capital programme.

Revised Timeframes

21. If the Executive approves the revised budget it is anticipated that some enabling works to progress the scheme will begin in November 2018. However, due to the Christmas embargo (a period during which works would be halted in order to minimise impact on festive trade), the majority of the works will then take place from January 2019.
22. The current programme of works provided by the contractors is 24 weeks, however where possible efforts will be made to reduce this to avoid inconvenience to businesses and local people.

OPTIONS

23. **Option 1 (recommended):** Approve the increased budget to bring forward the scheme. This option will create a high quality, attractive and safe focal point in the town centre that can be used for a range of activities to improve the vitality and vibrancy of the town centre and contribute towards stakeholder's aspirations to regenerate the Horley town centre.
24. **Option 2 (not recommended):** Design and deliver a scaled back scheme within the original budget. This would include either a reduced scope of works and/or a lower quality materials. A reduction in either the scale or quality of the project will not deliver the outcomes that the recommended option does.
25. **Option 3 (not recommended):** Defer the delivery of a public realm improvements in Horley. This would negatively impact regeneration progress in Horley and could impact on Council reputation with a loss of stakeholder confidence. The public realm is likely to deteriorate further, particularly in light of Surrey County Council's limited resources for highway improvements.

LEGAL IMPLICATIONS

26. Relevant procurement regulations, including European Union, national legislation and the Council's financial rules, will be complied with.
27. SCC will project manage the delivery of this work and ensure compliance with procurements rules/ law. Therefore negating the requirement for Reigate & Banstead BC to undertake further procurement.

FINANCIAL IMPLICATIONS

28. There are no additional financial implications for the Borough Council as a result of this report, for Surrey County Council has agreed to provide additional funding.
29. This project forms part of the approved capital programme.
30. Because the scheme has been fully designed and costed by SCC's contractor, it is not foreseen that there will be any significant further increases in costs.

EQUALITIES IMPLICATIONS

31. The scheme will have positive impacts on a number of equalities target groups as a result of the improvements.
32. The works will improve accessibility through the provision of improved level surfacing and the installation of safe crossing points, including the use of dropped kerbs and tactile paving. This will particularly benefit those people with physical or visual impairment and parents and carers with children.
33. The works will also help to improve safety through the provision of new loading facilities so that businesses can safely load and unload goods without the need to enter the pedestrian zone during the hours of its operation. This will benefit all users however it will particularly have positive impacts for older people and people with physical and sensory impairments.
34. In the short term during the construction stage there will be low negative impacts on: older people, those with physical, sensory or learning disabilities or with long term health impairments, mothers or women who are pregnant. These negative impacts will be minimised through careful site management.

COMMUNICATION IMPLICATIONS

35. Communications with stakeholders particularly local businesses and the general public will be important prior to and during the construction, in relation to construction timing, management of the works to minimise the impact on local businesses, residents and the general town centre amenity and access.
36. A communication strategy will be agreed by the Borough Council, SCC and their principal contractor Kier prior to works commencing.

RISK MANAGEMENT CONSIDERATIONS

37. Costs – There is much more cost certainty now that the scheme has been fully designed and costed by SCC's nominated principal contractor – Kier. Cost risk uncertainty has been reduced by undertaking detailed surveys of statutory services to identify their location and depth and undertaking trial holes to identify how the existing area is constructed. The works will be carefully project managed by SCC in consultation with the Borough Council. Costs will be overseen and managed by SCC's design team and quantity survey. Any variations to the order will need to be agreed in consultation with the Borough Council.
38. Quality – A Clerk of Works will be appointed to ensure that the quality of the work is of a good standard. However, it should be noted that the contractor that has been

selected has very good experience of undertaking similar work, using the same materials, in Epsom town centre.

CONSULTATION

39. There has been active consultation about the works. This has included regular reports to Reigate and Banstead Local Committee; Horley Town Management Group; correspondence and dialogue with businesses that will be affected; and the establishment of the Horley Pedestrian Precinct Working Group.

POLICY FRAMEWORK

40. Reigate & Banstead Borough Council's corporate five year plan identifies a number of priorities including ensuring it's towns and public spaces are clean and attractive to residents, businesses and visitors.
41. Reigate & Banstead Borough Council's Core Strategy (2014) identifies that it will promote and support continued sustainable economic prosperity and regeneration in Borough it identifies Horley town centre as a priority area for growth and regeneration; and says that the Council will seek to maintain a balance of uses and development that promote both the vitality and viability of each individual town centre.
42. Reigate & Banstead Borough Council's: Local Plan (2005) states that Horley Town Centre will continue to be the focal point for employment, retail, leisure, cultural, community/educational and residential uses and encouragement will be given to proposals that make a positive contribution towards the town's vitality and viability.
43. Reigate & Banstead Borough Council's: Horley Town Centre SPD, sets out a range of policy themes for the town centre including environmental and accessibility improvements enhancements to the public realm and the need to create a distinctive place with high quality design; appropriate signage and gateways; better street lighting; improved streets and squares, and provision of a focal point.

Background Papers:

None.

Agenda Item 5

Executive
8 November 2018

Agenda Item: 5
Debt Write Off and Recovery Performance



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

REPORT OF:	DIRECTOR OF FINANCE AND ORGANISATION
AUTHOR:	Martin Trenaman
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TO:	EXECUTIVE
DATE:	8 NOVEMBER 2018
EXECUTIVE MEMBER:	COUNCILLOR T SCHOFIELD

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

SUBJECT:	DEBT WRITE OFF AND RECOVERY PERFORMANCE
RECOMMENDATIONS: (i) That thirteen debts totalling £156,362.88 (as detailed in Annex 1) be approved for writing out of the Council's accounts. (ii) That the Executive notes performance on debt recovery for 2017/18 and 2018/19 financial year to date.	
REASONS FOR RECOMMENDATIONS: One of these debts relate to National Non Domestic Rates (NNDR or Business Rates), and twelve debts relate to Benefits overpayments. All possible action has been taken to recover these amounts and this report is seeking approval to technically write them out of the accounts.	
EXECUTIVE SUMMARY: Thirteen debts are irrecoverable and are proposed for write off.	

Executive has authority to approve the above recommendations

STATUTORY POWERS

1. The Council has the powers under various Acts of Parliament and Statutory Regulations to charge for the services it provides and for collection of taxation monies e.g. the *Local Government Finance Act 1992*.
2. The powers to waive the collection of properly determined and levied debts are set out within the Council's Constitution, Financial Procedures Rules. Under the Constitution all debts valued over £5,000 require the approval of the Executive.
3. This report is seeking approval to write off thirteen debts.

BACKGROUND

4. The previous time Executive was asked to write off debts was the 25 January 2018.
5. In 2016 the responsibility for recovering the Housing Benefit overpayments was transferred from Finance to full-time resources within the Revenues, Benefits & Fraud service. At this time the outstanding value of sundry debtor invoices for Housing Benefits was around £2.2m, and had been increasing significantly due to the level of checks being carried out by the Benefits team, and changes brought in by the Department for Work and Pensions. Since 2016, the total recovered has significantly increased due to the investment in full-time resources. In 2015/16 the total recovered amounted to £351,585, and this had increased to £561,909 in 2017/18.
6. Recovering debt is a key priority of the Revenues, Benefits & Fraud service, and writing off any debt is seen either as a last resort or a necessity where recovery is legally prohibited, for example where there is a Debt Relief Order in place or the debtor has been made bankrupt. Where debts are passed for write off for other purposes, all possible attempts at tracing and recovery will have been made.
7. For Business Rates debts, a debt cannot legally be recovered where a company has been dissolved. It is noted that in 2017/18 the Council had the highest collection rate in England and Wales for Business Rates, with 99.99% of the liability being recovered during the financial year.

KEY INFORMATION

8. Annex 1 lists the debts proposed for write off with full details.
9. There are a number of circumstances that result in recovery of the debt being legally prohibited. Full details relating to the circumstances of each debt are outlined in Annex 1.
10. A schedule of performance information relating to the Debt Management function is set out on Annex 2.
11. The schedule shows that the Council continues to perform well and is in the top quartile nationally for write off levels.

OPTIONS

12. The Executive has two options open to it.
Option 1 – accept and note the contents of the report.
Option 2 – accept the report, but ask Officers to provide more detail on some specific issues contained in the report.
13. The Executive is asked to approve Option 1.

LEGAL IMPLICATIONS

14. There are no legal implications associated with this report.

FINANCIAL IMPLICATIONS

15. The total value of the debts is less than 1% of the Council's gross budget and is the equivalent of 3% of the provision held for bad debts.

EQUALITIES IMPLICATIONS

16. There are no equality implications.

COMMUNICATION IMPLICATIONS

17. Information is available to debtors on the website about organisations that can provide money and debt management advice.

RISK MANAGEMENT CONSIDERATIONS

18. Debts are only written off when all avenues of recovery have been exhausted or when it would be uneconomical or illegal to take any further action.

CONSULTATION

19. The Portfolio Holder for Finance has been consulted on the write offs proposed in this report.

POLICY FRAMEWORK

20. Debt recovery is operated within the framework set out in the Financial Procedure Rules within the Constitution.

Background Papers:

21. None.

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Business Rates Write offs					
Account No. Ratepayer's Name & Address	Period of Liability	Liability		Reason for Request	Amount Outstanding £
		Due £	Paid £		
2422769 MFI Gungor Ltd 5-7 Linkfield Street Redhill RH1 1HQ	01/09/17 – 18/06/18	£7,330.15	£0.00	Company was dissolved on 19/06/18. Debt cannot be recovered.	£7,330.15
				Total Business rates write offs	£7,330.15

Housing Benefit overpayment Write offs					
Account No. Ratepayer's Name & Address	Period of Liability	Liability		Reason for Request	Amount Outstanding £
		Due £	Paid £		
00301113 Exors of Mr T	01/04/00 - 28/08/11	8,333.80	0.00	Deceased – no estate	£8,333.80
526195 Ms W	01/04/14 - 13/06/16	£5,494.93	£14.93	Debt Relief Order in place, therefore recovery is legally prohibited	£5,480.00
505167 Exors of Mrs B	10/01/05 – 18/03/12	£33,798.66	£0.00	Deceased 27/07/16 – no estate – non dependents in property are on benefits	£33,798.66
0011822B Exors of Mrs C	06/04/92 – 27/06/99	£7,308.32	£0.00	Claimant and partner both deceased – no estate to recover debt from	£7,308.32

524865 Mr F	30/07/12 - 23/09/12	£10,824.14	£200.00	Now entered in Individual Voluntary Agreement (IVA), recovery is legally prohibited.	£10,624.14
510371 Exors of Mr M	27/05/07 – 17/10/10	£15,096.70	£10,000.00	Deceased – no estate	£5,096.70
27 520061 Mr S	10/10/10 – 02/09/12	£18,233.31	£4,950.00	Now entered in Individual Voluntary Agreement (IVA), recovery is legally prohibited.	£13,283.31
516993 Mrs B	01/10/07 – 21/09/08	£8,186.34	£0.00	Entered Bankruptcy on 19/04/17. Recovery is legally prohibited	£8,186.34
521215 Ms M	18/06/12 – 12/02/17	£6,078.99	£300.00	Entered Bankruptcy. Recovery is legally prohibited	£5,778.99

510579 Mrs M	08/07/13 – 02/08/15	£8,498.97	£535.47	Entered Bankruptcy on 05/10/16. Recovery is legally prohibited	£7,963.50
515041 Miss M	01/04/13 – 09/11/14	£9,177.16	£0.00	All traces have failed to locate debtor. Appears to be residing in Poland. No realistic chance of recovery.	£9,177.16
00471493 Mr M	15/09/08 – 05/08/12	£28,807.00	£270.00	Entered Bankruptcy on 14/10/16. Recovery is legally prohibited	£28,537.00
0038532B Mr E	09/01/12 – 20/10/13	£5,464.81	£0.00	All traces have failed to locate debtor. Appears to be residing in Australia. No realistic chance of recovery.	£5,464.81
				Total Housing Benefit overpayment Write offs	£149,032.73

Table 1: Debt Write-Off, 1 April 2018 to 31 August 2018

Performance 2016/2017 %	Performance 2017/2018 %	Category	Debt Raised £	Write-Off Target 2018/2019 [Less than] %	Performance 2018/2019 %
0.02%	0.013%	Council Tax	£113.8m	1%	0.00% ¹
0.10%	0.00% ¹	Non-Domestic Rates	£55.1m	1%	0.00% ¹
0.00%	2.65%	Benefit Overpayments	£0.2m	2%	1.05%
0.04%	0.00%	Sundry Debts	£3.7m	1%	0.00%

. ¹ Actual write off percentage is less than 0.01% of debt raised

Table 2: Collection Rates, 1 April 2018 to 31 August 2018

Performance 2016/2017 %	Performance 2017/2018 %	Category	Collection Target 2018/2019 %	Performance 2018/2019 %
99.0%	98.9%	Council Tax	98.6%	48.57%
99.8%	99.99%	National Non-Domestic Rate	99.6%	51.07%
125.5% ²	80.93%	Benefit Overpayments	55.0%	126.67% ²
94.2%	98.0%	Sundry Debts	97.0%	98.3%

² Collection rate includes debts raised in previous year

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Agenda Item 6

Executive
8 November 2018

Agenda Item: 6
Half Yearly Treasury management Performance
Report for 2018/19



REPORT OF:	Joss Convey
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TO:	EXECUTIVE
DATE:	8 November 2018
EXECUTIVE MEMBER:	COUNCILLOR T. SCHOFIELD

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

SUBJECT:	Half Yearly Treasury Management Performance
RECOMMENDATIONS:	Note the Treasury Management Performance for the year to date and the prudential indicators.
REASONS FOR RECOMMENDATIONS:	To comply with the requirements of the regulatory framework for treasury management and meet the Council's reporting requirements.
EXECUTIVE SUMMARY:	<p>The 2018/19 treasury management performance is currently as forecast as better than budget. This is primarily as a result of the borrowing facility not being utilised as yet.</p> <p>The update of the capital programme has not resulted in any changes to the Prudential Indicators, Investment Strategy, Borrowing Strategy or Cash Management Strategy at this time.</p>

The above recommendations are subject to approval by Full Council.

STATUTORY POWERS

1. The Council operates its Treasury Management activity as an integral part of its statutory obligation to effectively manage the Council's finances under the Local Government Act 2003 and associated regulations.
2. The Council's Treasury Management activities are undertaken in accordance with Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice on Treasury Management and the Prudential Code for Capital Finance in Local Authorities, and the Government's Investment Regulations.
3. Revisions to the regulatory framework of treasury management during 2009 introduced a requirement that the Council receive a mid-year treasury review, in

addition to the Annual Treasury Strategy and Annual Report on Treasury Management Activity required previously.

4. This report meets that requirement. It also incorporates the needs of the Prudential Code to ensure adequate monitoring of the Capital Expenditure Plans and the Council's Prudential Indicators.

BACKGROUND

5. The Treasury Management Strategy and PI's were previously reported to the Executive on 29 March 2018.

KEY INFORMATION

Issues

6. The underlying economic environment continues to remain challenging for the Council, particularly in relation to investment counterparty risk (ie which institutions it is "safe" to invest with) and the on-going uncertainty relating to Brexit. This has led to an approach of maintaining short-term investments with high quality counterparties which allows the council to be responsive when funding projects from both borrowed funds and internal funding sources. The consequences of this approach are that investments are limited to a small group of banks and building societies. The returns on investment continue to be low although have improved again this year.

Current Treasury Position

7. The following shows the Council's net investment position as at 30 September 2018 and its projected position at 31 March 2019.

	Actual as at 31/3/18 £000	Average Rate %	Current Position as at 30/9/18 £000	Estimated Position as at 31/3/19 £000	Anticipated Average Rate %
Fixed Rate Borrowings	0	0	0	0	0
Variable Rate Borrowings	0	0	0	0	0
TOTAL BORROWINGS	0	0	0	0	0
Fixed rate Investments	56,000	1.0000	51,000	51,000	1.175
Variable rate Investments	0	0	0	0	0
TOTAL INVESTMENTS	56,000	1.0000	51,000	51,000	1.175
Net Investments	56,000		51,000	51,000	

8. Due to cash flow requirements arising in particular from property investments, forecasted cash requirements will be closely monitored to assess any borrowing and/or funding from internal sources requirements necessary by the end of the financial year.

9. The following table shows the projected earnings against the annual treasury budget at 30 September 2018. This shows that the forecast performance is more favourable than budget due to the council not utilising the external borrowing budget.

Activity	Projection as at 30/09/18	Budget 2018/19	Variance Projected at 31/03/19
	£000	£000	£000
Cash Managers – Investment Returns	(400)	(433)	33
Bank Deposit returns	(20)	(17)	(3)
Temporary Lending – Cash Flow Activity	(80)	(31)	(49)
Temporary Borrowing	0	15	(15)
Long Term Borrowing	0	142	(142)
Bank Charges, Borrowing Costs & Operational Costs	116	70	46
Net Interest	(384)	(254)	(130)

Conditions and Expected Movements in Interest Rates

10. A detailed commentary of the economy and interest rates, as provided by Link Treasury Services, can be found in Annex 1 to this report.

Investment Strategy

11. No changes are proposed to the 2018/19 Treasury Management Strategy at this time, however a detailed piece of work is currently being carried out to develop an Investment Strategy in accordance with changes in the prudential code. The Investment Strategy for 2019/20 and beyond will be reviewed in a separate report later in the year.

Borrowing Strategy

12. The Borrowing Strategy remains unchanged.

Cash Management Strategy

13. The Cash Management Strategy sets out the Council's approach to the effective management of the processes handling the inflows and outflows of cash within the Council. Work continues in this area to ensure the efficiency and productivity of these systems and processes.

Prudential Indicators

14. The relevant Prudential Indicators are set out in each of the individual strategy documents. An update on the performance against these indicators is provided below.

Capital Programme

15. The Capital Programme has been revised to take account of carry forwards and re-profiling of projects to reflect updated expectations. The following table shows these revisions for 2018/19.

APPROVED CAPITAL EXPENDITURE PROGRAMME	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Budget £000	Projected £000	Projected £000	Projected £000	Projected £000	Projected £000
<u>FINANCE & ORGANISATION:</u>						
Strategic Property	21,674.2	50.0	50.0	76.0	76.0	76.0
IT Services	183.4	275.0	100.0	300.0	275.0	275.0
Organisational Development	150.0	30.0	30.0	30.0	30.0	30.0
<u>PEOPLE SERVICES</u>						
Housing	1,847.0	9,729.0	4,815.0	1,115.0	1,115.0	1,115.0
Wellbeing & Intervention	280.0	145.0	105.0	105.0	105.0	105.0
Community Partnerships	25.0	25.0	25.0	25.0	25.0	25.0
<u>PLACE SERVICES:</u>						
Neighbourhood Operations	1,198.6	1,022.0	2,041.0	1,307.5	1,307.5	1,307.5
Place Delivery	2,042.6	0.0	0.0	0.0	0.0	0.0
Total Expenditure	27,400.8	11,276.0	7,166.0	2,958.5	2,933.5	2,933.5

Capital Financing

16. The table below shows the Capital Financing for the revised programme.

Capital Financing	2018/19 Original £000	2018/19 Revised £000	2019/20 Budget £000	2020/21 Budget £000
Total Capital Expenditure	10,173	27,401	11,276	7,166
Capital Receipts Reserve	8,418	15,000	-	-
Capital Grants	965	9,523	1,115	1,115
CIL / S106	290	290	362	303
New Homes Bonus	-	2,588	2,052	1,788
Contribution from Revenue	500	-	-	-
Total Financing	10,173	27,401	3,529	3,206
Borrowing Need (or Capital Financing Requirement)	-	-	7,747	3,960
Net Investments (see table in paragraph 7)	-43,000	-51,000	-51,000	-51,000

Capital Financing Requirement

17. There is currently no long term borrowing in 2018/19, which results in a Capital Financing Requirement (CFR) of zero. In addition, there will be no requirement to make a Minimum Revenue Provision (MRP) toward the repayment of borrowing in 2018/19.
18. There is also a requirement to ensure that total borrowing, net of any investments, does not, except in the short-term, exceed the total of the CFR for 2018/19 and the next 2 years. Since projected investment levels are greater than projected borrowing levels the Council complies with this.

Borrowing Limits

19. The Council sets limits on borrowing activity. These are set out below.

	2017/18 Actual £000	2018/19 Budget £000	2019/20 Budget £000	2020/21 Budget £000
Authorised Limit for External Debt	80,000	80,000	80,000	80,000
Operational Boundary for External Debt	70,000	70,000	70,000	70,000
Upper limit for fixed rate exposure	100%	100%	100%	100%
Upper limit for variable rate exposure	0%	0%	0%	0%

OPTIONS

20. The Executive has two options open to it.
 - Option 1 – accept and note the contents of the report.
 - Option 2 – accept the report, but ask Officers to provide more detail on some specific issues contained in the report.
21. The Executive is asked to approve Option 1.

LEGAL IMPLICATIONS

22. There are no direct legal implications arising from this report.

FINANCIAL IMPLICATIONS

23. The financial impacts of this proposed strategy have already been reflected within the Council's 2018/19 Budget proposals. There are no additional direct financial implications that arise from this report or from the changes to the CIPFA Treasury Management Code of Practice and the Prudential Code.

EQUALITIES IMPLICATIONS

24. This does not have any equalities implications

COMMUNICATION IMPLICATIONS

25. The purpose of this report is to communicate the treasury performance internally. No external communication is required at present.

RISK MANAGEMENT CONSIDERATIONS

26. Key risks are management in accordance with the Prudential code indicators and the consideration of Security Liquidity and Yield (SLY) for the councils investments.

OTHER IMPLICATIONS

27. There are no other implications relating to this report

CONSULTATION

28. There is no consultation required for this report. However this report will act as a starting point for discussions, later in the year, with the Treasury Member Panel regarding the Treasury Strategy 2019/20

29. This report will be presented to the Executive Committee on the 8th November 2018 for review

POLICY FRAMEWORK

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

Background Papers:

None.

Treasury Management Strategy Statement and Annual Investment Strategy

Mid-Year Review Report
2018/19

Disclaimer

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1. Introduction

This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017).

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the full council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report, (stewardship report), covering activities during the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is O&S (Overview and Scrutiny) panel:

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first part of the 2018/19 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's investment portfolio for 2018/19;
- A review of the Council's borrowing strategy for 2018/19;
- A review of any debt rescheduling undertaken during 2018/19;
- A review of compliance with Treasury and Prudential Limits for 2018/19.

2. Economics and interest rates

2.1 Economics update

UK. The first half of 2018/19 has seen UK **economic growth** post a modest performance, but sufficiently robust for the Monetary Policy Committee, (MPC), to unanimously (9-0) vote to increase **Bank Rate** on 2nd August from 0.5% to 0.75%. Although growth looks as if it will only be modest at around 1.5% in 2018, the Bank of England's August Quarterly Inflation Report forecast that growth will pick up to 1.8% in 2019, albeit there were several caveats – mainly related to whether or not the UK achieves an orderly withdrawal from the European Union in March 2019.

Some MPC members have expressed concerns about a build-up of **inflationary pressures**, particularly with the pound falling in value again against both the US dollar and the Euro. The Consumer Price Index (CPI) measure of inflation rose unexpectedly from 2.4% in June to 2.7% in August due to increases in volatile components, but is expected to fall back to the 2% inflation target over the next two years given a scenario of minimal increases in Bank Rate. The MPC has indicated Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets are currently pricing in the next increase in Bank Rate for the second half of 2019.

As for the **labour market**, unemployment has continued at a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high in July, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 2.9%, (3 month average regular pay, excluding bonuses) and to a one month figure in July of 3.1%. This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 0.4%, near to the joint high of 0.5% since 2009. (The previous high point was in July 2015.) Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC were right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy. However, the MPC will need to tread cautiously before increasing Bank Rate again, especially given all the uncertainties around Brexit.

In the **political arena**, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

USA. President Trump's massive easing of fiscal policy is fuelling a (temporary) boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2%, (annualised rate), in quarter 1 to 4.2% in quarter 2, but also an upturn in inflationary pressures. With inflation moving towards 3%, the Fed increased rates another 0.25% in September to between 2.00% and 2.25%, this being four increases in 2018, and indicated they expected to increase rates four more times by the end of 2019. The dilemma, however, is what to do when the temporary boost to consumption wanes, particularly as the recent imposition of tariffs on a number of countries' exports to the US, (China in particular), could see a switch to US production of some of those goods, but at higher prices. Such a scenario would invariably make any easing of monetary policy harder for the Fed in the second half of 2019.

EUROZONE. Growth was unchanged at 0.4% in quarter 2, but has undershot early forecasts for a stronger economic performance in 2018. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of 2% for 2018, the horizon is less clear than it seemed just a short while ago.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

JAPAN - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

2.2 Interest rate forecasts

The Council's treasury advisor, Link Asset Services, has provided the following forecast:

Link Asset Services Interest Rate View											
	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate View	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%
3 Month LIBID	0.75%	0.80%	0.80%	0.90%	1.10%	1.10%	1.20%	1.40%	1.50%	1.60%	1.60%
6 Month LIBID	0.85%	0.90%	0.90%	1.00%	1.20%	1.20%	1.30%	1.50%	1.60%	1.70%	1.70%
12 Month LIBID	1.00%	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%	1.60%	1.70%	1.80%	1.80%
5yr PWLB Rate	2.00%	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%
10yr PWLB Rate	2.40%	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%
25yr PWLB Rate	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%

The flow of generally positive economic statistics after the end of the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, to 0.75%. However, the MPC emphasised again, that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary or contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years' time but they declined to give a medium term forecast. We do not think that the MPC will increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. We also feel that the MPC is more likely to wait until August 2019, than May 2019, before the next increase, to be followed by further increases of 0.25% in May and November 2020 to reach 1.5%. However, the cautious pace of even these limited increases is dependent on a reasonably orderly Brexit.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Bank of England monetary policy takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March of a government which has made a lot of anti-austerity noise. This is likely to lead to friction with the EU when setting the target for the fiscal deficit in the national budget. Unsurprisingly, investors have taken a dim view of this and so Italian bond yields have been rising.
- Austria, the Czech Republic and Hungary now form a strongly anti-immigration bloc within the EU while Italy, this year, has also elected a strongly anti-immigration government. In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position as a result of the rise of the anti-immigration AfD party. To compound this, the result of the Swedish general election in September 2018 has left an anti-immigration party potentially holding the balance of power in forming a coalition government. The challenges from these political developments could put considerable pressure on the cohesion of the EU and could spill over into impacting the euro, EU financial policy and financial markets.

- The imposition of trade tariffs by President Trump could negatively impact world growth. President Trump's specific actions against Turkey pose a particular risk to its economy which could, in turn, negatively impact Spanish and French banks which have significant exposures to loans to Turkey.
- Weak capitalisation of some European banks.
- Rising interest rates in the US could negatively impact emerging countries which have borrowed heavily in dollar denominated debt, so causing an investor flight to safe havens e.g. UK gilts.
- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- President Trump's fiscal plans to stimulate economic expansion causing a significant increase in inflation in the US and causing further sell offs of government bonds in major western countries.
- The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of QE, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.
- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- UK inflation, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

3. Treasury Management Strategy Statement and Annual Investment Strategy Update

The Treasury Management Strategy Statement, (TMSS), for 2018/19 was approved by this Council on 29/03/2018.

- There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved. OR

4. Investment Portfolio 2018/19

In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As shown by forecasts in section 3.2, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the current 0.75% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment and the fact that increases in Bank Rate are likely to be gradual and unlikely to return to the levels seen in previous decades, investment returns are likely to remain low.

The Council held £51m of investments as at 30th September 2018 (£56m at 31 March 2017)
The Chief Financial Officer confirms that the approved limits within the Annual Treasury Investment Strategy were not breached during the first six months of 2018/19.

The Council's budgeted investment return for 2018/19 is £254kxx, and performance for the year to date is £130k above budget.

4.1 Investment Counterparty criteria

The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

5. Borrowing

The Council's capital financing requirement (CFR) for 2018/19 is £nil. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. It is anticipated that further borrowing will not be undertaken during this financial year.

5.1 IFRS9 accounting standard

This accounting standard came into effect from 1st April 2018. It means that the category of investments valued under the available for sale category will be removed and any potential fluctuations in market valuations may impact onto the Surplus or Deficit on the Provision of Services, rather than being held on the balance sheet. This change is unlikely to materially affect the commonly used types of treasury management investments but more specialist types of investments, (e.g. pooled funds, third party loans, commercial investments), are likely to be impacted. The impact on this authority is likely to be related to commercial investments in terms of impairment loss where the local authority will need to make provision for the expected credit loss. There is no impact in terms of classification and measurement as the reclassifications values are equal to the principal investments amounts..

The Ministry of Housing, Communities and Local Government (MHCLG), are currently conducting a consultation for a temporary override to allow English local authorities time to adjust their portfolio of investments. Members will be updated when the result of this consultation is known.

Agenda Item 7

EXECUTIVE
8 NOVEMBER 2018

Agenda Item: 7
SERVICE & FINANCIAL PLANNING 2019/20
INCLUDING COUNCIL TAX REDUCTION SCHEME



REPORT OF:	DIRECTOR OF FINANCE AND ORGANISATION DIRECTOR OF PEOPLE
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TO:	EXECUTIVE
DATE:	8 NOVEMBER 2018
EXECUTIVE MEMBER:	COUNCILLORS M BRUNT, T SCHOFIELD and G KNIGHT

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

SUBJECT:	SERVICE & FINANCIAL PLANNING 2019/20 INCLUDING COUNCIL TAX REDUCTION SCHEME
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RECOMMENDATIONS:

- (i) that the national and local service context at Annex 1 be noted
- (ii) that the service proposals set out in this report and the accompanying Annex 2, which seek to respond to this context and deliver our corporate priorities, be endorsed;
- (iii) that the following be approved for consultation under the Council's budget and policy framework:
 - a) Medium Term Financial Plan (Annex 3)
 - b) Savings and income totalling £1.229m (Annex 4)
 - c) Growth totalling £2.620m (Annex 5)
- (iv) that the Director of Finance & Organisation be authorised, in consultation with the Leader of the Council, to make any necessary changes to the Corporate Business Plan arising from the service and financial planning changes agreed for 2019/20;
- (v) that the Executive recommends to the Council the adoption of a local Council Tax Reduction Scheme for 2019/20 as outlined in this report

REASONS FOR RECOMMENDATIONS:

Recommendations (i) to (iv): To ensure that the Council continues to plan and manage its resources well, deliver high standards of service and meet the aims and objectives of its adopted Five Year Plan 2015-2020.

Recommendation (v): The initial local Council Tax Reduction Scheme was introduced from 2013/14 and has been effective in reducing the level of support awarded whilst ensuring that those residents who are most vulnerable are not penalised unfairly. It is therefore appropriate that it is continued with some changes to reflect increases in the cost of living

in line with other benefits and allowances.

EXECUTIVE SUMMARY:

Service & Financial Planning

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

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

In 2015, we adopted 'Our Five Year Plan' which sets out the organisation's vision and corporate priorities, and has informed Council decisions at every level. It is ambitious, focusing on making the borough a great place to live and work and supporting our residents and businesses to thrive.

We have delivered against this plan, maintaining and improving the quality of our service provision, whilst also making substantial savings.

We now receive no Revenue Support Grant from Government. In addition, 2019/20 will see a reduction in the amount of business rates the Council is able to retain of £1.5m, creating further financial pressures on the organisation. Despite these pressures, the 2019/20 budget proposals presented in this report seek to continue to build on the positive and proactive approach to service provision that we have taken in recent years.

They are based on analysis of a range of data and evidence, and the result of extensive discussions between the Executive and Management Team over past months. This report provides a condensed version of those discussions, describing the national and local context which has informed them, and the service change proposals which have been put forward in response.

The provisional budget proposals set out within the report include net savings/income of £1.229m, and total growth of £2.620m (including £1.079m of salaries previously funded from reserves being transferred into the base revenue budget)

2019/20 represents a particularly challenging year for our financial planning given the dramatic decline in business rates receipts that we are faced with.

However, the Council is in a strong position to respond, having planned for this decline. In recent years, we have established ring-fenced reserves to respond to just this challenge; and our programme of property acquisition continues to deliver new revenue income for the Council.

This means that in 2019/20 we will be able to manage our budget challenge without compromising our financial sustainability (or ability to deliver high quality services) in this or future years. The balance will be taken from the most suitable reserves.

Use of reserves represents a short term tactic. The Council cannot be complacent, and we will need to continue to work towards becoming a more commercial organisation and generating new income to secure long term financial stability. Our 2019/20 proposals recognise that we need to invest in our skills and staff to achieve this.

If the Executive accepts the budget recommendations in this report, further work will be undertaken over the coming months to test and refine the proposals, including consultation with the Overview & Scrutiny Committee's Budget Scrutiny Panel. This will ensure that the Council adopts a balanced budget for 2019/20 and is in the best position to continue to

provide the high quality services our residents and businesses expect.

Council Tax Reduction Scheme

Since the abolition of the national Council Tax Benefit scheme in 2013, Councils must agree local Council Tax reduction schemes annually. This report recommends that current arrangements are continued for 2019/20. The scheme provides protection for vulnerable residents and provides work incentives for people on low earnings. It should be noted that the former national scheme is still effectively in place for residents of pension age.

**Executive has authority to approve the recommendations (i) to (iv).
Recommendation (v) is subject to approval by Full Council.**

STATUTORY POWERS

1. Service & Financial Planning: The Local Government Act 1992 places a requirement on Councils to set a balanced budget and announce its Council Tax levels by 11 March each year. The Local Government Act 1972 requires the Council to set the associated annual budget as part of proper financial management. This report is part of that process.
2. Council Tax Reduction Scheme: Section 13A(2) of the Local Government Finance Act 1992 (as amended) requires billing authorities to make a reduction scheme for persons in financial need or classes of persons who the authorities considers – in general – to be in financial need. Section 13A(1)(c) of this Act gives billing authorities the power to reduce a liability to an extent that is seen fit.

SERVICE & FINANCIAL PLANNING

SERVICE CONTEXT

3. It is important that our service plans respond to the context in which they will be implemented, in order to provide effective services that meet the needs of our residents, communities and businesses. The following sub-sections set out the local, national and regional context that has informed our service plans.

Our Five Year Plan

4. Successful organisations require strong forward plans if they are to perform at the highest level. The Council has an adopted Five Year Plan setting out its priorities, aims and objectives for the period 2015-2020. This Plan sets out the organisation's vision and corporate priorities, and has informed Council decisions at every level. It defines our vision for the future:
"A leading Council recognised by our residents, peers and partners. We will: Deliver quality services and support; Provide value for money; Make the borough a great place to live; Be flexible and sustainable, responding to the needs and demands of our borough, residents and businesses; and Be an increasingly commercial organisation"
5. The Five Year Plan seeks to deliver against this vision with priorities grouped around three themes, People, Place and Organisation. These priorities have been taken into account in developing the 2019/20 service and financial planning proposals.

6. A revised Corporate Plan is currently being developed for the period 2020-2025, and will inform service and financial planning in future years.

National and regional context

7. Legislation, policies from national government, and decisions made by partner organisations (e.g. Surrey County Council), will continue to have a significant effect on our residents, and therefore on the support and services that we provide. **Annex 1** provides a summary of the international, national and sub-national context within which this Council will need to operate in 2019/20.
8. In addition to this wider policy context, national funding decisions will impact on the Council's longer term financial planning:
 - a. 2019 Spending Review: The Government's planned 2019 Spending Review will fall partway through the 2019/20 period. Departmental funding decisions are likely to impact on future funding for both the Council and other public sector partners.
 - b. Fair Funding Review: The Government is currently reviewing how baseline funding allocations for local authorities are calculated; with the intention that a new methodology be implemented in 2020/21. Whilst it is currently unknown what the implications of this review will be, it is unlikely to result in additional funding for lower tier authorities, given the recent focus on financial challenges around social care.
 - c. Business rates reform: This has been trailed for some time, but progress continues to be slow. Re-setting the business rates retention baseline is anticipated in 2021, but (as with the Fair Funding Review) it is likely that this will be to the financial detriment of this Council.
9. Surrey County Council (SCC) continues to face severe financial constraints. This is already impacting a range of statutory and non statutory services, from social care to highways and parking, to support for socially excluded groups and the voluntary sector. The County Council is implementing £66.5m of cuts in 2018/19 and planning for estimated additional £50m of cuts in 2019/20, including within the Adult Social Care service, and the Children, Schools and Families service.
10. SCC service reductions will impact on residents in this borough, and make it even more difficult for us to deliver on our own corporate priorities within the context of our already challenging financial position. In recent years much work has been undertaken to put this Council in the best place possible to respond to SCC funding cuts, and this work will need to continue. Financial constraints at the county level may provide the opportunity for this Council to take over services from the County Council, for example where we can deliver a higher quality of services for our residents and in a more efficient way.

SERVICE PLANNING FOR 2019/20

11. Each service within the Council has reviewed its future direction in light of the wider context in which it operates, and its progress in delivering our Five Year Plan priorities. These reviews are summarised in the Service Proposals document included at **Annex 2**.
12. This information is not presented in the format of formal 'business plans' as has been the case in previous years: nevertheless, the process for service review and planning has been undertaken at the same in depth and robust manner as in past years.

13. The following paragraphs highlight areas where changes to the way in which the Council carries out its business are planned, or where substantive revenue savings, income or growth is proposed.
14. Housing and homelessness: The Council continues to make positive progress in working to prevent homelessness, and to increase the supply of temporary accommodation in the borough. Whilst two years worth of ring-fenced funding has been made available to the Council by Government to assist in managing the implications of the Homelessness Reduction Act, it is too early to determine what the local impact of the new legislation (and associated costs) will be in the longer term. It is therefore not considered appropriate to seek savings in this area at this time.
15. Waste and recycling: 2017/18 saw an over-recovery of refuse and recycling income due to the relatively high prices of recyclates and increase in garden waste service subscribers. However there continues to be uncertainty about future recyclate prices. In 2019/20, growth of just over £200,000 is proposed, comprised of £93,000 to cover the net reduction in recycling credits that we will receive from Surrey County Council, and £110,000 to enable the roll out of our full recycling service to a further 2,300 flats across the borough.
16. Parking: Growth will be required in 2019/20 to account for the loss of income from delivering off-street parking services in Tandridge District Council (£63,400). It is anticipated that this will be offset to some extent by increased income from our off-street carparks in Reigate & Banstead.
17. Revenues, Benefits and Fraud: This team's work to provide services for a number of other Councils and housing providers goes from strength to strength, and presents an ongoing commercial opportunity for the Council. In 2019/20 it is anticipated that £100,000 net income will be generated through the sale of our fraud management and debt recovery services to other organisations.
18. Property and acquisitions: The Five Year Plan outlines how we will increase the value of, and income derived from, our property and assets. 2018/19 continues to see positive progress against this objective. In 2019/20, rental income from new acquisitions and developments is projected to be around £519,000. Recharging appropriate staff costs to the Property & Investment Company also provides revenue income for the Council. Revenue growth will mitigate temporary losses of rental income (including resulting from redevelopment proposals) and fund additional staff resources to deliver on this critical aspect of the Council's work. On the other hand, the short term use of earmarked reserves and the General Fund will be accelerated if delivery of new rental streams are delayed.
19. Staff resources: As the Council pursues the ambitious agenda set out in its Five Year Plan and Medium Term Financial Plan, and becomes more commercial, it is vital that the appropriate staff resources are in place to support this work. New resources are already being brought in, and additional revenue growth is proposed in 2019/20 to ensure that our Legal, Finance, and Projects and Performance teams have the skills and experience required to make our plans a success.

FINANCIAL CONTEXT

20. The Council continues to manage its finances well. We have delivered significant service improvements and priority projects whilst seeing the complete removal of Government Revenue Support Grant from 2017/18 onwards. In 2019/20, the Council will see further dramatic decline in Government funding support as our retained

business rates receipts are cut from £2.29m to £0.83m, a reduction of just under £1.5m.

21. **Table 1** summarises how Government funding has changed for the Council in recent years.

Table 1: Government funding for RBBC

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Revenue Support Grant	1.67	0.50	0.00	0.00	0.00
Retained Business Rates	2.16	2.18	2.22	2.29	0.83

Business rates pilot

22. For 2018/19 Surrey was identified as a Business Rates retention pilot. This has meant that the Council will benefit this year from at least £500,000 of additional funding over and above the figure in **Table 1**. For 2019/20 all Surrey Councils in partnership have applied for the Government's revised pilot scheme. However, there is no certainty that their bid will be successful and there can therefore be no certainty that this will offer a benefit against the dramatic decline in retained business rates.

Council tax

23. In late 2017, the Government announced that we would be able to increase our Council Tax by 2.99% (rather than 1.99%) without triggering a referendum. This policy will apply for the year 2019/20 as well, and there is an expectation that the full power to use 2.99% will be used when setting the 2019/20 Council Tax. The forecast figures for 2019/20 have been based upon an increase of 2.99%. There is an expectation that after this date, the increase cap will return to 1.99%.
24. As part of our commercial approach to funding outlined within our Five Year Plan, the Medium Term Financial Plan (**Annex 3**) includes Council Tax increases by the referendum limit for each year over the plan period. A Council Tax increase of 2.99% is proposed for 2019/20 which would increase a Band D charge from £220.85 to £227.45, an increase of 13 pence per week.

FINANCIAL PLANNING FOR 2019/20

25. The Council has been planning for the loss of Government funding, with the need to become financially self sufficient included in our Five Year Plan.
26. We need to become financially self sufficient to ensure that we can continue to invest in and grow the high quality services that our residents and businesses expect and deserve. But in order to achieve self sufficiency we need to continue to find savings whilst also generating additional income.
27. The Council's Medium Term Financial Plan (**Annex 3**) sets out the financial direction of the Council over the medium term to ensure that we plan and manage our resources effectively.
28. Our Corporate Business Plan 2016/17 -2019/20 builds on the Medium Term Financial Plan to explain how we will become financially self sufficient whilst at the

same time delivering the priorities set out in the Five Year Plan. This outlines the following broad approach for achieving this:

- a. Some service efficiencies, including self-serve and business change activities
 - b. Increasing our element of Council Tax
 - c. Commercial activities, including income from fees and charges
 - d. Increasing income derived from property investment and development
 - e. Further investment in property
29. Both service efficiencies and Council Tax increases are important, but their abilities to address the financial challenges faced by the Council are limited. It is therefore important that the Council also becomes an increasingly commercial organisation. This means generating new net income streams to support service delivery. This requires investment – and will have an element of commercial risk – but it will also enable the Council to develop and grow into a self-sustaining organisation. An Investment Strategy, explaining how the Council will invest to generate income, is being developed and will be presented for approval for the 2019/20 financial year.

2019/20 Revenue Budget Summary

30. Table 1 summarises the Revenue Budget gap for 2019/20 and the proposals for closing the gap to deliver a balanced budget.

Table 2: Budget Gap Summary Table

PROPOSED 2019/20 INCREASED BUDGET REQUIREMENT	
Reduction in Retained Business Rates	£1.48m
Salary Change Forecast	£0.61m
Budget Growth (Annex 5)* <i>comprised of:</i>	£2.62m
<i>Loss of income</i>	£0.79m
<i>Service improvements</i>	£0.75m
<i>Transfer of CPDF-funded salaries into revenue budget</i>	£1.08m
Budget Savings (Annex 4) <i>comprised of:</i>	(£1.22m)
<i>Efficiency measures</i>	(£0.44m)
<i>Income generation</i>	(£0.78m)
Total increased budget requirement	£3.49m
PROPOSED FUNDING SOURCES FOR 2019/20 BUDGET REQUIREMENT	
Sustainable Sources	
Council Tax Demand increase at 2.99%	(£0.57m)
Property Investment	(£0.96m)
Revenue Resources Released from Budget review	(£0.5m)
Total from sustainable funding sources	(£2.03m)

Reserves (One off funding sources)		
	Government Funding Reduction Reserve	(£0.46m)
	Business Rates Equalisation Reserve	(£1.00m)
	Other earmarked reserves and General Fund**	
Total from reserves		(£1.46m)
Total funding sources used to fund increased budget requirement		(£3.49m)

**Note that this figure will be finalised once the borrowing requirement associated with property investment has been finalised.*

***Other Earmarked reserves and general fund to be used in the event that income from property investment does not become available to the Council.*

31. The main drivers of the budget challenge projected for 2019/20 are as follows:
32. The dramatic reduction in retained business rates: The Council has been planning for this reduction for some time. In recent years we have established ring-fenced reserves, including the Government Funding Reduction Reserve and the Business Rates Equalisation Reserve which put us in a strong position to respond to changes to the business rates/retention regime.
33. The transfer of Corporate Plan Delivery Fund salaries into revenue budget: The CPDF was established to support the delivery of the Council's Five Year Plan. This includes support for people, place and organisational change, as well as funding for staff resources to support discrete or time limited projects. Funding is intended to be short term therefore not included in the revenue base budget.
34. CPDF is currently being used to fund some staff posts. It is proposed to transfer all long term committed staff positions from CPDF into base budget (19.9 FTE posts in total). This will underline the Council's continued commitment to the activities delivered by these staff and will minimise future draw on Council reserves, helping to contribute to our long term financial sustainability¹.
35. Growth to deliver our commercial agenda: A large proportion of the growth proposed is to enable us to deliver our commercial agenda and enable us to operate in the longer term as a self sufficient Council. This is by way of both investment in additional resources, and loss of income associated with property activities which will generate long term revenue income for the Council.
36. Work is underway to reduce the identified 2019/20 budget challenge, with Executive approval sought in recent months for additional property acquisition opportunities to be pursued. These have the potential to generate rental income to substantially reduce the savings shortfall. Even in the event that these acquisitions are not realised, there are other opportunities in the pipeline which are being actively considered.

¹ Information about likely Corporate Plan Delivery Fund (CPDF) spending is provided directly alongside growth proposals in **Annex 5**. The CPDF is projected to have a balance of £0.740m at the end of the current financial year. Projected expenditure for 2019/20 is currently in the region of £0.130k. Further requirements for drawing on CPDF funding will be identified during the year and subject to approval in line with established procedures for use of the Fund.

37. The legal requirement for the Council to agree a balanced budget may mean that in 2019/20 the Council has to draw on reserves. This is a scenario we have been planning for in recent years. As well as the ring-fenced reserves referenced in Table 2 above, the Council's General Fund remains healthy as a result of previous decisions to build up our reserves to guard against economic downturn and the loss of Government funding.
38. The Council has previously recognised that it will be necessary to utilise reserves to generate new income streams to allow us to become financially self sufficient and protect services. The Council has set a minimum level of unallocated General Fund reserves of 15% of the net revenue budget, which equates to £2.6m. The unallocated balance on the General Fund is currently well in excess of this, at £9.9m, putting us in a very strong position to manage any short term savings shortfalls whilst we build our revenue income streams.

CAPITAL PROGRAMME

39. A comprehensive review of the Programme is being undertaken as part of work on the Investment Strategy that is currently being developed ready for the new financial year. Following completion of this review, updated capital expenditure and funding forecasts will be presented as part of the next Service & Financial Planning report to Executive.

COUNCIL TAX REDUCTION SCHEME

40. The Council is required to agree a local Council Tax Reduction Scheme annually. Since 2013/14, the Council has applied a scheme that is based on the Council Tax Reductions (Default Scheme)(England) Regulations 2012 but with certain changes². The scheme is partially funded by Reigate & Banstead BC, Surrey County Council and Surrey Police.
41. This scheme has proved effective in reducing the level of support awarded whilst ensuring that those residents who are most vulnerable are not penalised unfairly. It is therefore proposed to continue to implement the current scheme.
42. However, as in previous years, increases to allowances and premiums will be applied to reflect cost of living increases. Allowances and premiums will be increased in line with those increases applied to the national Housing Benefit scheme, which are normally published in January each year.

OPTIONS

43. Service & Financial Planning: The following options are available to the Executive:
 - a. Approve the proposed budget and financial planning changes set out within the report, for consultation under the terms of the Constitution. This option is recommended for approval, to ensure that our service and financial plans are agreed in good time to adopt a balanced budget for 2019/20;
 - b. Only approve some of the proposed budget and financial planning changes set out within the report, for consultation under the terms of the Constitution. This

² These changes are explained in previous years' reports to the Executive, most recently in November 2017, available at <https://reigate-banstead.moderngov.co.uk/mgCommitteeDetails.aspx?ID=137>

option is not recommended, as it would undermine the service plans and would present a budget gap for 2019/20;

- c. Reject the proposed budget and financial planning changes set out within the report, and request that further work be undertaken to develop new proposals for consultation under the terms of the Constitution. This option is not recommended as it would delay the budget consultation process, undermine service planning and leave the Council and risk of failing to adopt a balanced budget for 2019/20.

44. Council Tax Reduction Scheme: The following options are available to the Executive:

- a. To adopt the current scheme for a 7th consecutive year. This option is recommended. It reflects the principle that it is reasonable to expect all residents to make a contribution towards their Council Tax but recognises that there should continue to be protection for vulnerable residents. It also recognises that residents should receive additional support where they are in employment, and ensures that – through our discretionary powers – there is a safety net for households that are receiving financial hardship.
- b. To reduce the level of support. This would reduce the cost to the Council but would likely lead to more households experiencing financial hardship and affect Council Tax recovery rates. This option is not recommended, particularly in light of ongoing welfare changes which will affect many families.
- c. To increase the level of support. This would have a financial cost for the Council and preceptors, and could therefore affect other services provided by the Council. This option is not recommended: our experience in operating the current scheme suggests that it provides an appropriate level of support for vulnerable households and no increase (other than described in para 43) is necessary.

LEGAL IMPLICATIONS

- 45. Service & financial planning: There are no direct legal implications arising from the recommendations in this report subject to the Council adopting a balanced budget for 2019/20 by 11 March 2019 to meet the requirements of the Local Government Finance Act 1992.
- 46. Council Tax Reduction Scheme: There are no direct legal implications arising from the recommendations in this report subject to the Council adopting its local reduction scheme by 31 January 2019. Specific appeals against parts of the local scheme by tax payers are dealt with under a formal process through the Valuations Office Agency.

FINANCIAL IMPLICATIONS

- 47. Service & financial planning: These are addressed throughout the report.
- 48. Council Tax Reduction Scheme: There are no direct financial implications caused by implementing the proposed scheme in 2019/20; these are factored into current budgets.

EQUALITIES IMPLICATIONS

- 49. Service & financial planning: This report provides a summary of the service and financial planning activities of the Council. Where individual changes, projects or

policies are being developed, equalities impact assessments will be carried out by the responsible officer(s). The vast majority of growth sought is staff costs, loss of property income and increased in operating costs (eg associated with software licencing). In terms of income and savings:

- a. Customer contact team savings: Staff savings reflect continued reducing call volumes and projected future reductions as a result of self serve initiatives. An equalities impact assessment was carried out to cover all self-serve and channel shift activities. The Contact Centre remains a first point of contact for many residents, including the elderly and vulnerable, and still handles 1,700 calls per week.
 - b. Licencing and regulation budget rightsizing: Savings identified in this area will not lead to service cuts; no adverse impact on residents or any equalities target group has therefore been identified.
 - c. Deletion of vacant posts: Where staff posts are being deleted this is not associated with any reduction in service provision .
52. Council Tax Reduction Scheme: A full equalities impact assessment was carried out in 2012 both before and after consultation on the local reduction scheme. No equalities issues were identified as a result of the assessment, and the equalities data held on the benefits system suggest that there has been no significant change in the make-up of claimants in terms of ethnicity, gender or disability. Any families or persons who are adversely affected, and experience hardship, can receive a further discretionary reduction in the level of Council Tax being charged.

COMMUNICATION IMPLICATIONS

53. Service & financial planning: The Council continues to offer value for money for Council residents – in 2018/19, the average household pays just £4.25 per week to the Borough Council in Council Tax, which pays for the wide range of services that the Council delivers, including household waste and recycling collections, street cleaning, greenspaces maintenance, leisure and community centres, and statutory and regulatory services such as licencing, environmental health and planning.
54. Central to Council's communications and engagement strategy is not only to promote the good work that the Council does and the great services it provides, but also to make sure that our annual service and financial planning process reflects what our residents and businesses need. A review of our Five Year Corporate Plan is being undertaken to ensure that our priorities remain relevant up to 2025.
55. Council Tax Reduction Scheme: Information about the Council Tax Reduction Scheme is available on the Council's website.

RISK MANAGEMENT CONSIDERATIONS

56. Service & financial planning: The service and financial plans contained within this report are aimed at minimising risks and ensuring that the Council continues to deliver great services whilst managing budgets and other resources well.
57. The Council has strong risk management arrangements in place to ensure that any risks are identified and managed, with regular performance reports provided to the Overview & Scrutiny Committee and the Executive. The long term financial sustainability of the Council remains on the strategic risk register, and as such controls and mitigating actions are regularly reviewed. Property development, which

is a key aspect of securing our long term financial sustainability and can be affected by wider macro-economic circumstances, is also a strategic risk for which controls are in place and mitigating actions being implemented.

58. Other strategic risks, which the Council recognises need to be managed relate to partner organisation's decisions in relation to future funding; and recycling credits.
59. Council Tax Reduction Scheme: There is a financial risk if claimants are charged Council Tax which they are genuinely unable to pay. This will increase arrears, which would have an impact on the Council's cash-flow. However, some of the sums involved are relatively small, which minimises this risk. The Council's Revenues service has robust recovery processes in place to collect unpaid Council Tax, and officers monitor tax payers receiving support to ensure that those facing genuine financial hardship receive additional assistance.
60. The risk of paying people receiving too great a reduction (which they are not entitled to because their circumstances have changed) is addressed by the Revenues, Benefits & Fraud service by carrying out reviews and determining which claims are at the highest risk of change. Anyone defrauding the Council will be investigated by the Council's investigation team and prosecution will be considered.
61. There is a reputational risk if the local reduction scheme is not seen to be fair. This could cause the Council negative publicity and this could have an adverse impact on collection rates. However our experience to date in implementing the current scheme suggests that this risk is minimal.

HUMAN RESOURCE IMPLICATIONS

62. Service & financial planning: The Council has delivered significant savings in recent years. The nature of our services means that this has also resulted in staffing reductions and a substantial reduction in our salary budget. Continuing to make these kinds of efficiencies is no longer sustainable without impacting on the quality of service delivery. Conversely, the Council will need to grow in the future if we are to succeed in our ambitious approach to becoming self-sufficient. We will need the capacity and skills to enable the organisation to diversify and to become more commercial, whilst also expanding our service provision as outlined in the earlier sections of this report.
63. The service and financial planning proposals for 2019/20 will therefore result in a net growth of 2.1 FTE.
64. The Council's Medium Term Financial Plan includes an assumption for an annual cost of living pay award for staff. This award is subject to negotiations with staff representatives and will depend on a variety of factors, including economic conditions, inflation levels and staff retention considerations.
65. The LGA Peer Challenge recognised the challenges facing Reigate & Banstead due to the borough's location within easy commuting distance of London and the buoyant local economy. Both of these make the job market extremely competitive with anecdotal evidence suggesting that the situation has got even worse since 2015. It therefore continues to be important (especially in light of our ambitions) that the Council is able to offer competitive employment packages to attract and retain high quality staff.
66. Council Tax Reduction Scheme: No HR implications have been identified.

CONSULTATION

67. Service & financial planning: Consultation will be carried out in line with the Council's budget and policy framework. This includes consideration by the Overview & Scrutiny Committee.
68. The Overview & Scrutiny Committee has established a Budget Scrutiny Panel to support this work. The Panel is scheduled to meet on 22 November. It is anticipated that the Panel's report will be considered by the Overview & Scrutiny Committee on 6 December. Any comments or recommendations will be reported to the Executive meeting on 10 January 2019.
69. Section 65 of the Local Government Finance Act 1992 requires the Council to consult representatives of those subject to non-domestic rates in the Borough about its proposals for expenditure for each financial year. This will be done through activities coordinated by the Economic Prosperity Team, including business networking events and using the Council's business e-newsletter.
70. Council Tax Reduction Scheme: The local reduction scheme was consulted upon when first implemented. As it is proposed simply to roll forward the current scheme, no further public consultation is required.

POLICY FRAMEWORK

71. Service & financial planning: The budget proposals within this report form part of the Council's budget and policy framework. The annual budget is developed to ensure that the Council can deliver the Corporate Five Year Plan and services to residents and businesses.
72. Council Tax Reduction Scheme: The local scheme supports the Five Year Plan priority of encouraging and supporting vulnerable families into employment, by including work incentives. It also contributes towards addressing the impact of welfare reform by limiting what low-income families must pay towards their Council Tax.

Background Papers:

None

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Annex 1: The international, national and sub-national context in which the Council will need to operate in 2019/20

International context

Brexit:

- 1.1 Brexit probably represents the greatest uncertainty facing the Council. The impact of Brexit on the UK and EU economy will shape the context for (and role of) Local Government. Once finalised, the negotiated Brexit package may influence future trade patterns, foreign direct investment and the nature of the labour market. It may also result in changes to the regulatory framework for some Council services (for example in relation to waste).
- 1.2 The precise nature of the Brexit impact is currently unknown: whilst the UK's formal exit from the EU will take place in March 2019 (just before the start of the 2019/20 financial year) at the time of writing proposals are still being developed which are likely to have economic and policy implications for the borough.
- 1.3 In addition to the future impact of Brexit; the negotiations stage that we are currently in, and any transitional phase, will divert considerable Government/Civil Service resources, meaning that progress on other Government projects (such as the Fairer Funding Review and Business Rates reform) will be slower than might otherwise be the case

The global economy:

- 1.4 More generally, the international financial markets and the worldwide geopolitical landscape will influence future global economic conditions, oil prices, inflation rates and interest rates. These in turn impact on national economies and on the nature of the demands placed on the Local Government sector.

National policy context

Industrial Strategy:

- 1.5 The Government's Industrial Strategy recognises the importance of continued economic growth, particularly in a post-Brexit world. It focuses on promoting innovation; jobs; infrastructure; business support and building prosperous communities and will shape the Government's approach to its investment in business and enterprise, and infrastructure, including at the sub-national level (see below).

Welfare reform:

- 1.6 Welfare and benefits account for a significant proportion of public spending and the Government has pursued a substantial reform agenda in this area. Changes to the Benefits Cap and Local Housing allowance rates for under 35s have impacted on families and young people's ability to pay rent (exacerbated by 'affordable housing' rents now being linked to market rates).
- 1.7 Universal Credit continues to be rolled out nationally and as of October 2018 is being implemented in Reigate & Banstead. The experience from areas where it has already been introduced suggests that the impact on residents and for the Council could be

substantial, and work is underway within the organisation to understand the likely impact on local residents and how the Council can best respond.

Housing and homelessness:

- 1.8 Closely linked to welfare reform is the issue of access to housing, and homelessness. In addition to the changes outlined above, reductions in working benefits and child benefits to families, a freeze on the local housing allowance and changes to supported housing funding will affect local people's ability to afford to live in the area, and the Council will need to respond to this challenge.
- 1.9 The Homelessness Reduction Act is expanding our duties to assist those at risk of homelessness including those without a local connection. The Council has received two years of ring-fenced funding from Government towards the new duty, although there remains a question mark over longer term funding.
- 1.10 More generally, housing affordability in the Borough is such that local residents and young families on even moderate incomes are unable to afford to buy their own home.

Planning:

- 1.11 Housing and homelessness issues are exacerbated by high house prices, a limited supply of new homes coming onto the market and a lack of genuinely affordable housing being built. The Government has clearly stated its ambition that the country should build more homes.
- 1.12 New national planning policy expects a much increased level of housing to be delivered in the borough which will impact on how the Council plans for development in the future and unless carefully managed through our Local Plan development work is likely to have detrimental impact on our environment, infrastructure and local communities.

The property market

- 1.13 Property market growth has slowed somewhat in the wake of the Brexit referendum, the 2017 General Election and ongoing Brexit preparations. This is notable in both house price growth plateauing and the commercial retail market slowing considerably; although the lack of supply is keeping house prices relatively high in the area and the commercial office market remains buoyant. Notwithstanding this, the property market (and thus the income generated from Council assets) remains vulnerable in light of the ongoing Brexit negotiations and global economic circumstances. As such this is included in our strategic risk register, which is regularly reviewed and for which controls and mitigating actions are in place.
- 1.14 Recyclate markets: Our recycling service generates significant income for the Council, as materials are sold to processing plants. The price for recyclates is, however, impacted by the international markets. Demand from large economies (eg China) drives prices for materials, so when growth in these markets falters, the price for materials also reduces. Demand for plastic materials is impacted by the international oil market. When the oil price is lower (as in recent years) it reduces demand, and thus the market price for, plastic. Our income projections for recyclate income are reviewed regularly through the Council's service & financial planning and

budget monitoring process recognising that this is an external financial risk for the Council. Market fluctuations have, in the past, led to large reductions in the Council's income from recyclates. Although the market now appears to be stable, this remains an area of uncertainty that needs to be addressed in our service and financial planning.

Sub-national context

Health and wellbeing and social care:

- 1.15 Healthcare is a national issue, but one that manifests itself at a sub-national and local level. Sustainability Transformation Plans prepared for the area will shape the future of healthcare provision for Borough residents. Continuing funding and capacity issues across the National Health Service, as well as demographic change, will increase residents' call on local services, and our most vulnerable residents will remain most at risk from these changes. We need to be alert to these changes as it may impact on the services this Council needs to provide. As such, partner decisions is recognised as a strategic risk which is regularly reviewed and for which controls and mitigating actions are in place.
- 1.16 An increasing focus of the health community in Surrey is around the wider determinants of health. This recognises that a wide range of activities carried out by the Council (and our partners) impact on and influence the wellbeing of our residents, including planning, greenspaces, leisure, community development activities, housing and family support, business support, environmental health and licensing. Current financial constraints make it more important that wellbeing is considered in a holistic way in the future.

Transport and other infrastructure:

- 1.17 Funding and delivering the transport infrastructure needed to support growth remains a challenge, and one which lies largely outside the control of the Borough Council. A sub-national transport body (SNTB) for the south east is being established which will have devolved responsibility for strategic transport spending. However, the difficulty of justifying transport investment in a relatively prosperous area such as Reigate & Banstead remains, and increasingly, central Government funding for infrastructure is linked to the delivery of large amounts of housing (the scale of which would be challenging in a constrained Borough such as this one). At the same time, spending on the local highways network is being reduced by Surrey County Council.
- 1.18 The Council now collects the Community Infrastructure Levy, with some initial priorities for spending having been agreed by the Executive. However the funds that this Levy generates will not be sufficient to plug the infrastructure gap, which the most recent Surrey Infrastructure Study estimates at £96m for Reigate & Banstead.
- 1.19 In terms of aviation, the expansion of Heathrow Airport has now been formally agreed by Parliament, although its construction is still a considerable way off. Whilst it is now less likely that Gatwick will get a second runway, even with a one-runway configuration, Gatwick Airport is continuing to grow its passenger numbers. This is resulting in more people moving through the Borough to access the airport, either by road or rail. The Government is preparing a new Aviation Strategy which will set out the long term direction for aviation policy to 2050 and beyond - this will undoubtedly have some impacts for authorities in the vicinity of major international airports (such

as Reigate & Banstead). In the meantime, it has confirmed that it is supportive of all airports making best use of their existing runways.

Economic prosperity:

- 1.20 Reigate & Banstead falls within the Coast to Capital Local Enterprise Partnership (LEP) and sits at an important strategic location within both the LEP area, and the Gatwick Diamond. The LEP – which has already agreed to provide funding towards securing the Horley Business Park road access – published its new Strategic Economic Plan over the summer, which sets out its priorities for economic growth and investment in future years. This will be the basis of negotiations between the LEP and Government about a new Local Industrial Strategy for the area and associated economic development funding for the sub-region.
- 1.21 It will be important that the Council continues to work in partnership with the LEP to promote the area as a place to do business, and to lobby for Government investment in the infrastructure required to support this.



Service Planning 2019/20 Proposals

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Leader

Communications & Engagement

What services are provided?

The Communications & Engagement team supports the delivery of Corporate Plan priorities by providing a range of informed and targeted communications and engagement services for customers, Council staff and other relevant audiences through a range of campaigns and using a variety of channels.

What external impacts or other drivers will affect the service in 2019/20?

None anticipated.

What changes within the service will be needed?

Review of our corporate ID may identify a demand for resource linked to design services we cannot be satisfied within existing resource levels. Further scoping work is needed to consider how this demand is best met eg self-serve templates, in-house resource, external supplier – as necessary Corporate Plan Delivery Fund funding will be sought for 2019/20 to progress this project.

The new Corporate Plan may identify new behaviour change and/or income generation campaigns which would also require funding.

What opportunities are there in the existing budget?

None identified.

What changes to expenditure and income are expected in 2019/20 compared to previous years?

Currently (for historical reasons) two of the Communications Business Partner posts are funded from CPDF – these are proposed to be transferred into the revenue budget.

As noted above, review of our corporate ID and corporate-plan related communications activities remain to be scoped in detail: CPDF funding will be sought as appropriate to progress these projects.

Budget will be required to fund any new campaigns required, however this will generally be provided by the relevant Service.

What are the main risk areas within the budget?

Increasing costs of supplied products/services e.g. software, design/print & postage of residents' magazine, licences and of training, all put pressure on a budget that has not increased despite the team having taken on increased and more diverse roles and responsibilities eg engagement, social media etc in recent years.

The training element of the Communications & Engagement budget has been overspent in recent years, as increases in training budget have not reflected increases in team size and more diverse responsibilities.

Customer Contact

What services are provided?

Telephone contact: The Contact Centre uses specialist telephone technology to answer and resolve the high volume of calls from customers relating to a wide range of Council services. Callers are also informed of the self-service facilities available on the Council's website and are encouraged to use these to self-serve if possible.

Digital contact: The Customer Contact team maintains content on the Council's transactional website and interacts with customers on social media e.g. Twitter.

Face to face contact: The Customer Contact team provides a face-to-face service to customers at the Town hall reception and adjacent Help Desk.

In addition, the team coordinates the Council's responses to FOI requests; allocates Customer complaints to the relevant internal teams using the Council's complaints system; and responds to emails about the Planning service.

What external impacts or other drivers will affect the service in 2019/20?

- Improved service delivery will further drive down avoidable contact
- Investment in the Customer Relationship Management system (CRM) and the creation of a customer portal will reduce telephone and face to face contact
- Self-scanning in reception as part of the CRM roll out will reduce face to face contact

What changes within the service will be needed?

- There is a need to resource plan and identify successional needs.
- There is a critical mass required to deliver a Customer Contact team.
- The growth of social media contact requires appropriate management.

What opportunities are there in the existing budget?

- Staff reduction due to channel shift (saving)
- Visitor management system (improved efficiency)

What changes to expenditure and income are expected in 2019/20 compared to previous years?

- £60k less budget required in 2019/20

What are the main risk areas within the budget?

None identified

Democratic Services

What services are provided?

The Democratic Services team supports the Council's decision making structures, providing professional advice and support and ensuring that agendas, reports and minutes are prepared and published in accordance with internal and statutory requirements.

In addition, the team also looks after: internal training on democratic services; member inductions; the Council's Constitution; the Register of Interests/Gifts and Hospitality; Related Party Transactions; the Independent Remuneration Panel; Members' allowances, webcasting, managing relevant website and intranet content including petitions and the eMembers Room; independent investigations under stage 2 of the Council's complaints procedure, and the management of Ombudsman complaints.

Finally, the team supports the Mayor and Deputy Mayor in acting as Council and community ambassadors, and undertaking their civic and ceremonial role. This includes managing invitations for the Mayor and Deputy Mayor, preparing the Mayoral Programme, managing the operation of the Mayor's Trust Fund, and organising and supporting civic and charity events and ad-hoc corporate events.

What external impacts or other drivers will affect the service in 2019/20?

The volume of work that the team has absorbed and the increasing requirements on the team arising from organisational changes and workloads means that currently CPDF funded staff are propose to be into the establishment.

Political and demand led requirements mean that this service is volatile to changing demands that inevitably impact on the service.

The number of Councillors is reducing to 45 in May 2019. This will provide some operational capacity with less Councillors to support, and will provide a reduction to the total Members Allowances required which is estimated at £40,000).

What changes within the service will be needed?

Growth is requested to move the positions funded from the CPDF into the base budget. This is not additional staff but a move of CPDF funded staff.

The growth is offset a little by a review of the grade of one post from Democratic Services Officer to an Assistant level post.

Members Allowances budget is anticipated to reduce by some £40,000.

What opportunities are there in the existing budget?

- Reconciliation of some of the budget expenditure on printing and fuel (although past underspend in these areas has been balanced by known expenditure on matters that do not have a budget but remain annual requirements such as Member Data Protection registration).
- Review of the support provided to the Mayor, eg chauffeuring service that includes the maintenance of a Mayoral vehicle. Some authorities do not offer this service or operate a reduced service.

What changes to expenditure and income are expected in 2019/20 compared to previous years?

- Bringing Democratic staff into the establishment
- Reduction of Members Allowance

What are the main risk areas within the budget?

It is difficult to recruit into the Democratic Services area so recruitment and retention is an important factor. Staffing costs are the biggest part of the budget.

Development Management

What services are provided?

The Development Management team is responsible for the receipt, determination and enforcement of all planning and related applications including heritage and trees.

What external impacts or other drivers will affect the service in 2019/20?

Planning Application and pre-application fees are the only significant income streams for the service. Numbers and types of applications and pre-apps submitted will be the key driver for income again in 2019/20. This is outside our control and depends on a variety of (mainly) wider economic factors.

Government policy & legislation changes may affect this both in terms of the price chargeable for planning applications and any changes in what the service does, how it does it and whether we can charge fees for it (approved providers in planning could represent financial opportunity or threat).

What changes within the service will be needed?

No additional staffing resources forecast. Ongoing technological changes will need to be considered but the implications of these are not currently known.

What opportunities are there in the existing budget?

The commitment made in return for accepting the Government's 2017 planning application fee increase means that savings are difficult. There is potential additional income to be derived from encouraging planning performance agreements and a review of pre-application charges.

What changes to expenditure and income are expected in 2019/20 compared to previous years?

There will be a £10k reduction in expenditure due to the deletion of the drainage engineer post, with external consultancy services instead when required.

What are the main risk areas within the budget?

- Downturn in economy – can have a significant impact in the number of planning applications and the income they generate.
- Approved providers – this scheme has previously been proposed by Government. Whilst currently seemingly off the Government agenda it would have a significant impact if implemented, as other parties could compete with the Council to determine applications. Likely negative impact although small chance of it representing an opportunity if other local Councils can be undercut and we deliver services for them.

Electoral Services

What services are provided?

The Service is responsible for all aspects of electoral registration as well as planning and managing elections.

This includes the annual canvass process, where every household in the borough is contacted to ensure every resident has the opportunity to register to vote. The service also manages the postal and proxy vote process for residents that are unable, or prefer not to, vote at a polling station.

Significant planning is required ahead of each election, and the team works with staff across the organisation to plan and run the elections well.

What external impacts or other drivers will affect the service in 2019/20?

- Possible snap Parliamentary election
- Implementation of Local Government Boundary Review
- Likely change in legislation to implement lifetime overseas voting
- We have been receiving a grant from the government towards the cost of individual electoral registration. This is allocated on an annual basis and will cease at some point in the future, although it is not known when.

What changes within the service will be needed?

None anticipated. The team has been planning for the above for some time. The team is fully staffed and has flexibility with a job share post, therefore there shouldn't need to be any further resourcing other than the assistance from internal and external staff to deliver the elections.

What opportunities are there in the existing budget?

The team is making full use of technology where possible for efficiency and to save postage costs. There are limited further opportunities in this area due to legislative requirements.

What changes to expenditure and income are expected in 2019/20 compared to previous years?

None identified. 2019/20 election costs will be funded through CPDF.

What are the main risk areas within the budget?

None identified.

Executive and Management Support and Corporate Services

What services are provided?

The Executive and Management Support team provides support for the Council's Executive Councillors and members of the Council's Management Team.

The Corporate Support team provides support for post, printing, scanning, corporate design, stationery and archiving to departments across the Council.

What external impacts or other drivers will affect the service in 2019/20?

Executive & Management Support Team (EMS): The service will be impacted by the changing management structure as well as the increase in corporate groups.

Corporate Support: As online services increase it is anticipated that there will be a reduction in mail and hard copy channels. Following the introduction of new printers in 2018/19, the service will review the printing offer across the council.

What changes within the service will be needed?

Executive & Management Support Team (EMS): The service will adapt to respond to the changes outlined above which will require new/different support activities to be undertaken. Overall resource requirements are anticipated to remain unchanged.

Corporate Support: As above

What opportunities are there in the existing budget?

Executive & Management Support Team (EMS): None identified.

Corporate Support: The service will have considered value for money in the widespread procurement activities in 2018/19 which may result in some savings. Existing processes will be explored in conjunction with procurement and associated efficiencies introduced. The service will continue to consider where printing can be done in-house across the Council as well as generating income from external printing jobs where possible.

What changes to expenditure and income are expected in 2019/20 compared to previous years?

Executive & Management Support Team (EMS): None identified.

Corporate Support: None identified

What are the main risk areas within the budget?

Executive & Management Support Team (EMS): None identified.

Corporate Support: None identified.

Human Resources

What services are provided?

The Human Resources team provides comprehensive advice, guidance and assistance to the organisation to maximise individual and organisational performance. Through attracting and retaining talent, developing appropriate pay and reward systems, and promoting good employee relations, the HR function influences cultural change and takes a leading role in scoping and delivering organisational development.

What external impacts or other drivers will affect the service in 2019/20?

Brexit: Potential for impact around recruitment and retention of EU citizens (current staff and potential talent).

Employment Law changes:

- Gender Pay Gap (ongoing requirements to report on - and as necessary address - our gap). There is potential that there will be greater “gap” reporting requirements to include other protected characteristics such as race and disability.
- Parental Bereavement Act – This was officially enshrined in law on 13th September and expected to come in to force in 2020. Employed parents who lose a child under 18 will receive 2 weeks’ paid leave.
- Grandparental Leave – Working Grandparents being able to take advantage of Shared Parental Leave to help working parents return to work. This was announced by the Conservatives in 2015 and the aim was to implement this by 2018. There has been no recent news on this but still we anticipate this will be implemented, perhaps in 2019.
- Whilst there are a few external impacts for HR, the bigger impact affecting the service in 2019/20 is the review of the Council’s priorities (Corporate Plan review) and how HR will support the organisation in achieving its goals, as well as leading, influencing and delivering multiple areas of organisational development initiatives to help us remain a high performing Council.

What changes within the service will be needed?

It is anticipated that the legislative changes described above will have relatively minimal impact – changes will be implemented using current resource and it is anticipated that the numbers of employees taking any additional parental/grandparental leave will be low as will – we hope – the need for employed parents to take statutory paid bereavement leave.

As described above, the bigger impact for the HR service is our Corporate Plan review and making sure that the HR service is shaped to support the organisation in delivering all its objectives, in addition to leading on a wide range of organisational development initiatives. As part of this, an Organisational Development Strategy will be prepared, from which a programme of projects will be defined. One important priority will be to ensure that we are able to continue to attract, develop and retain staff and be an employer of choice. We will achieve this through development of our organisational culture and our approach to managing and rewarding performance, creating capacity and resilience throughout the organisation, reviewing our values and behaviours (and the recognition scheme linked to these) and our approach to talent attraction (for example our employer brand, the promotion of the Council as an employer, our approach to remuneration and benefits, and our recruitment process). This will require a review of the skills, competencies and structure of the HR team and any gaps that are identified being filled. There is currently a skills/capacity gap in terms of our talent attraction aspirations – the Council needs to be more proactive in how it attracts talent into the organisation and to take a more specialist/bespoke approach.

Ensuring there is organisational capacity to deliver priorities will be an important consideration. The better supported, trained and equipped that managers are, the more the Council can deliver. Very recent research suggests that ‘high performance learning organisations’ can see a 59% increase in productivity so there is an opportunity to investigate how our talent development activities can maximise productivity gains.

What opportunities are there in the existing budget?

Other than very minor tweaks, no savings are anticipated.

Efficiencies/capacity creation is anticipated through the continual review of processes and implementation of further IT modules already procured. These should deliver wider efficiencies (not just limited to HR).

What changes to expenditure and income are expected in 2019/20 compared to previous years?

One HR Business Partner post is currently funded through CPDF and is proposed to be moved into base budget as this is a permanent resource required to support the delivery of key projects/priorities.

The statutory requirement for the organisation's apprenticeship levy (0.5% of the overall salary bill) sits within the HR budget. The Finance team has estimated an increase is required on top of current levy budget, taking the budget figure to £64k.

The programme of work required to deliver the Organisation Development Strategy is still being scoped. Therefore, the extra resource implications required in 2019/20 to support successful delivery of the programme is as yet unknown. CPDF bids will be used if and when required to fund the programme/projects.

What are the main risk areas within the budget?

The greatest 'unknown' is the recruitment budget. We can take a best guess of expenditure but it only takes one or two relatively senior members of staff to leave the organisation and replacements sought for the budget to be severely affected.

ICT

What services are provided?

The three teams within the ICT service provide the Service Desk and technical support, core ICT infrastructure support, and support for line of business applications and business improvement and change projects.

What external impacts or other drivers will affect the service in 2019/20?

2019/20 will be an extremely busy year for ICT due to Microsoft Windows 7 and Microsoft Office 2010 becoming end of life systems in January 2020. Every software application the Council runs will need to be tested (and issues resolved) on a new Windows 10 and Microsoft Office 2016 / 365 platform. This will then be rolled out to the Council with new laptop equipment for all staff who use a computer.

This programme of work will start in 2018 and run right through to 2020.

Brexit and the weakening of the pound against the dollar has had an impact on software licensing costs and is expected to continue in 2019/20. Microsoft and Oracle Licensing costs have increased by twenty percent.

What changes within the service will be needed?

Finances have already been identified for the systems refresh outlined above. The volume of work that this programme creates may mean that ICT require additional temporary resource at key stages.

What opportunities are there in the existing budget?

No savings identified.

What changes to expenditure and income are expected in 2019/20 compared to previous years?

Income will remain at zero and capital expenditure will increase but in line with the 2019/20 capital budget that is already identified.

Software application licensing has increased by twenty percent so an additional £42k revenue funding is required.

What are the main risk areas within the budget?

Low risk of unexpected costs relating to 'surprises' that may need resolving through the year. These will be managed by bids for CPDF funding if any occur.

Increased software licensing costs due to the weak pound.

Legal Services (including Land Charges)

What services are provided?

The Legal Services team provides a wide range of advice and legal support to service across the organisation. Areas include property law, planning advice, licensing, litigation and increasingly commercial structures and company governance in support of the Council's increasing commercial agenda.

What external impacts or other drivers will affect the service in 2019/20?

There continues to be increasing demand for legal services across the organisation, increasingly in new, complex or specialist areas.

In relation to land charges, legislation has been passed to centralise the search service through Land Registry. This is currently underway in some areas, but no timescale is known for Reigate & Banstead. This service is self funding.

What changes within the service will be needed?

Recruitment is continuing to be a major problem in this service area and there are a number of vacant solicitor posts. As a result we have had to outsource most of our legal work until a decision has been made about how we will provide the service in the future.

An additional post of Head of Legal and Governance is required and at the time of writing this report, the post is being advertised. This post will provide additional capacity for the team, as well as managing business change, improved advice to both elected Members and Officers and strengthened governance within the Council.

What opportunities are there in the existing budget?

At this stage, there are no savings / efficiencies to offer.

The team is exploring the potential to develop a personal search service that could operate commercially after the land registry reforms.

What changes to expenditure and income are expected in 2019/20 compared to previous years?

There will be growth in the salary budget as a result of the ongoing recruitment exercise.

In order to mitigate the loss of land charges income, a reduction in income of £125k is proposed. This will help ensure the Council is not reliant on the service income when it is transferred.

What are the main risk areas within the budget?

Salary overspend is a key risk – recruitment and retention is a major challenge. As a result the team has had to employ temporary staff (at a significantly higher cost) as well as increase salary offers to attract staff. The cost of outsourcing legal work could well exceed the cost of the vacant posts.

Project and Business Assurance

What services are provided?

The main purpose of the Project and Business Assurance team is to provide assurance and expertise that ensures robust service planning and successful project delivery, with a clear objective to ensure that resilient mechanisms are in place to enable the organisation to monitor and measure delivery. The service encompasses Emergency Planning, Business Continuity, Business Change Governance, Performance and Risk Management, Internal Audit, Project Management & Delivery and Service & Financial Planning.

What external impacts or other drivers will affect the service in 2019/20?

The main impact on the service will be the introduction of a Programme Management Office (PMO) in 2018/19. The PMO will have an oversight of programmes and projects across the three Corporate Plan themes of Place, People and Organisation, with a PMO support officer due to be recruited in 2018/19. Non-specialist project management resources will be sought from the PMO and will be allocated / sourced depending on project prioritisation. Specialist project management resources will be sourced within each area as necessary.

PMO Project Management resources will be determined on this basis and therefore cannot be quantified until projects have been agreed.

What changes within the service will be needed?

The PMO will be implemented in 2018/19 as outlined above and this will need to be factored in in the budget for 2019/20.

What opportunities are there in the existing budget?

It is unlikely that the service will have any scope for savings in 2019/20.

What changes to expenditure and income are expected in 2019/20 compared to previous years?

The PMO resource will be funded via CPDF for 2018/19. The PMO Support Officer (1 FTE) and any additional project management resources identified in 2018/19 (currently 1 project manager) are then proposed to be moved into base budget in 2019/20.

An increase in budget will be required for the Emergency Planning contractor due to a change of allocation of budget due to team structure changes due in 2018/19. The current contract will expire on the 31 December 2018.

An increase in budget is also being sought for a new Commercial Officer in 2019/20 to assist in the delivery of the Council's commercialism agenda.

In the event that further additional PMO posts are required we would seek to fund these through CPDF in 2019/20 and through base budget in 2020/21 and beyond as required.

What are the main risk areas within the budget?

The main risk relates to the need to increase the budget to deliver the PMO and for Emergency Planning aspect of the service.

Web and Information

What services are provided?

The Web and Information team is responsible for:

- Information management, including ensuring compliance with legislation (data protection, transparency, freedom of information), and handling processes such as the document retention schedule and information asset register
- Geographical information and insight, providing high quality geographical information and systems in support of other services and the statutory Street Naming and Numbering function.
- The Council website.

What external impacts or other drivers will affect the service in 2019/20?

Data Protection: While General Data Protection Regulations have come into force and work is happening now, is it likely that identified compliance activities will be ongoing into 2019.

Data: The need for us to manage and use data effectively and sensitively may require an organisational wide programme of training and restructuring of our use of data, not just for compliance (see GDPR above) but for to maximise opportunities for insight and efficiency.

What changes within the service will be needed?

Data Protection: On top of the Data Protection work in 2018 there will continuing compliance actions needed across the organisation:

- Software to comply with the new rights of subjects might still need updating.
- Ongoing maintenance of Information Asset Register will be required
- Tighter response actions for Subject Access Requests will continue to be required
- Continued need for compliance with our new procedures such as Data Breach and Privacy Impact Assessment.

Data: Not yet known

What opportunities are there in the existing budget?

None identified.

What changes to expenditure and income are expected in 2019/20 compared to previous years?

Revenue budget:

- A new Records Management post is proposed but further work is required to identify post grade / salary.

CPDF:

- CPDF funding for ongoing implementation of the Data Protection Programme work may be required in 2019/20 however this cannot yet be quantified.

What are the main risk areas within the budget?

No future changes to legislation or corporate requirements are anticipated that would affect the Council beyond that stated above.

Deputy Leader

Family Support

What services are provided?

The Family Support team works across the borough (and also in Mole Valley and Tandridge) to:

- Work with and provide support to families with multiple and complex needs, to reduce their dependence on, and interventions from, individual agencies. The team aims to achieve positive outcomes for families across a broad range of problems, including domestic abuse, crime and anti-social behaviour, unemployment and poor school attendance/attainment. This is part of the national Troubled Families agenda.
- Support Syrian refugee families to resettle quickly, safely and effectively into their new homes within the borough. The team works with the families to develop their independence and resilience to ensure that they can, ultimately, contribute to, and thrive in, their new community. This is part of the national Syrian Vulnerable Persons Resettlement Scheme.

What external impacts or other drivers will affect the service in 2019/20?

The recent OFSTED finding that SCC's Children, Schools and Families service is 'inadequate' has led to SCC implementing a review of the service. The outcomes of this review are currently unknown and the restructure of all County-led Early Help services is not yet complete.

What changes within the service will be needed?

We are not anticipating any notable changes to delivery within the service before 2020. Any changes driven by the outcome of changes at SCC would likely happen to Early Help processes (within which the team operate) and not directly to the team's operation.

What opportunities are there in the existing budget?

Owing to the nature of the joint funding arrangements with Surrey County, Mole Valley District and Tandridge District Councils, this is not relevant.

What changes to expenditure and income are expected in 2019/20 compared to previous years?

None – as a result we are not anticipating any growth in 2019/20, although currently CPDF funded posts are proposed to be transferred to base budget.

What are the main risk areas within the budget?

There are no identified risks, however the Central Government funding agreement finishes at the end of March 2020 – conversations are already underway with SCC and partners about this.

Housing Services

What services are provided?

The Housing Services team gives housing advice and assistance to any household with a housing issue with the aim of preventing homelessness wherever possible. The team offers a number of prevention options including rent deposits, rent in advance, acting as guarantors and referring to NextStep rent deposit scheme. It takes homelessness applications, and investigates and places households in emergency accommodation (often out of borough).

The service also owns and manages 7 units of temporary accommodation and has recently opened a shared facility of 11 units of emergency accommodation; with further affordable

housing units planned. The team runs the Housing & Transfer Register enabling qualifying applicants to apply for advertised social housing units and others are made direct offers, for example duty accepted homeless households.

What external impacts or other drivers will affect the service in 2019/20?

The Homelessness Reduction Act will be entering its second year in 2019/20 and with 12 months of experience and spend, it should be possible to more accurately forecast what the service needs going forward. Staffing will be increased, B&B usage will be higher (mitigated by RBBC's emergency accommodation opening in 2018). Universal Credit rolls out from October 2018 and as a result the team will see an increase in work load as roll out gathers speed. An internal project is underway to scope out what support for will be needed for the roll out.

What changes within the service will be needed?

Staff resources should be at the optimum level for managing the HRA by the end of 2018/19 (MHCLG grant money is initially funding this work). The Council will by then have 7 months experience of owning and running its own emergency accommodation and be able to confirm the positive impact it has on our budget. Universal Credit will be a slow build up over 2019/20, and close monitoring of the number of new cases will be needed. The impact on the Housing team will depend on how effective the current Universal Credit project has been and how many of the recommendations that have come out of the project are implemented.

What opportunities are there in the existing budget?

No opportunities for savings have been identified. Spend will be increasing but this is currently covered by MHCLG grant. Income from emergency accommodation and other units will cover accommodation officer salary, property repairs and may provide additional income by the end of the financial year.

What changes to expenditure and income are expected in 2019/20 compared to previous years?

For 2019/20 the Housing team should be able run on the same Revenue budget as 2018/19, using ring fenced MHCLG grant money to top up shortfall from cost of new fixed term staff and other costs. Additional costs associated with new 'housing initiatives' work will be funded in the short term via CPDF and as appropriate any additional staff salaries transferred into base budget in 2020/21.

What are the main risk areas within the budget?

An increase in Bed & Breakfast costs is the main risk, which to some extent is out of the Council's control. As this year progresses, and the local impacts of the Homelessness Reduction Act (HRA) are better understood, there will be more certainty in this area, although the introduction of Universal Credit (UC) will most likely see an increase in homelessness from 2019/20 (For 2019/20 this can be covered by MHCLG grant). At the end of Q2 2018/19 there is a clear trend in an increase of complex need single person applicants being placed in nightly paid B&B (not suitable for the new shared emergency accommodation). To mitigate this risk procuring further RBBC owned emergency supported accommodation should be investigated.

Revenues, Benefits & Fraud

What services are provided?

The Revenues, Benefits & Fraud team provide billing and collection of Council Tax and Business Rates for the borough, collecting around £150m per year. The team administers around £38m in Housing Benefit expenditure and £6m Council Tax Support payments per year. The Fraud & Financial Investigations team carries out investigations into Council Tax fraud, housing fraud and money laundering, and well as inspecting newly built properties and

developments to generate Council Tax and Business Rates. The Debt Recovery team works on recovery of £2m of Housing Benefit debt, and collection for other organisations.

All of these services are also carried out on behalf of other Councils and housing providers to generate new income streams.

What external impacts or other drivers will affect the service in 2019/20?

The introduction of Universal Credit is likely to see a reduction in work coming in, but could also be an opportunity to win more business from Local Authorities. There will be a host of financial issues for residents and housing providers, which will impact on the work of other Council teams.

Increased emphasis on taking on new contracts (supported by the creation of a Local Authority Trading Company) will increase income, which to some extent this will be influenced by the financial positions of other local authorities.

What changes within the service will be needed?

- Changes to the way we deliver some services, potentially more partnerships with other local authorities (inside and outside of Surrey).
- More emphasis on supporting residents through Universal Credit and welfare changes (see also Housing and Community Development sections)
- New contracts will require more resourcing, but growth will be paid for by the additional income being generated.

What opportunities are there in the existing budget?

Income will be generated through external contracts and income via the Local Authority Trading Company (LATC). This is likely to pick up momentum as other local authorities look for more efficient ways to deliver their services and income/reduce costs.

What changes to expenditure and income are expected in 2019/20 compared to previous years?

For 2018/19 there has been a budget for income generation of £100K, and an additional £100K has been identified for 2019/20. The likelihood is that (net) income will be much higher than this, as more contracts are developed and the contracts get larger. A separate piece of work will be done around the LATC.

Government grants will reduce over the next few years, but can be replaced by generating more income in key areas, both through the LA trading contracts and through income generation from the LATC.

What are the main risk areas within the budget?

Government grants are continuing to decrease and are likely to stop at some stage.

Market volatility may play a part in the commercial income generation, but if good services are provided this will minimise the risk. It will be important to ensure we have the commercial expertise to survive and grow in the competitive arena.

Portfolio Holder for Leisure & Wellbeing

Community Development

What services are provided?

The Community Development team comprises the Community Development Manager plus 4 Community Development Workers (CDWs) – one for each of Merstham, Preston, Horley and Redhill West. The team focuses on supporting residents in these communities, and building relationships with residents and partner organisations to develop priorities for action.

What external impacts or other drivers will affect the service in 2019/20?

SCC cuts, including to Surrey Family Services, Children's Centres, etc: This may lead to increased pressure on our more vulnerable residents, an increased need for support and a need to collaborate more with our partners to manage and mitigate the impact of our partners' service cuts

Universal Credit: Difficult to predict scale of initial impact. This emphasises the need to collaborate with our partners more to increase residents access to (better) employment.

Increasing demand for mental health services, pressures caused by significant minority of residents living in poverty, need for affordable access to debt (to reduce residents usage of loan sharks), etc: Pressures faced by many of our residents mean a continuing need for the Community Development Team, the Council as a whole and our partners to support our more vulnerable residents. This includes grass-roots community development, and working with partners to try innovative new approaches, placing greater emphasis on prevention. There is an opportunity to consider whether the Council should seek to expand the Community Development Team to include Woodhatch and Whitebushes. (Data suggests that South Park and Woodhatch particularly has some of the highest needs for support in these areas).

Access to external funding: Options to secure external funding for projects are being explored, as well as opportunities to secure external funding towards core team costs. The Merstham Community Development Worker is already partially externally funded.

What changes within the service will be needed?

Responding to cuts / partner service pressures:

- Opportunity for the Council to provide resources (staff or small cash) to help our partners to kick start new initiatives. (eg a small amount of funding is currently being given to YMCA to fund pilot new group work approach to mental health support for young people to reduce waiting times to access support.)
- The team will be involved in thematic activities as well as area based activities (e.g. the youth sub-group, employment and training sub-group) within the overall Working Better Together initiative.
- There is an opportunity for the Council to get more involved in delivering money / debt management support to our more vulnerable residents.
- There is an opportunity for the Council to 'fine tune' its services (across several team areas) to provide more targeted support for our most vulnerable residents.
- There is an opportunity to consider whether the Community Development team should be expanded to include Woodhatch and Whitebushes as residents in these communities also have particular needs (potentially 1 more post holder.)
- Scope for more effective knowledge sharing between the Council and partners, which may or may not require additional resources.

What opportunities are there in the existing budget?

No opportunities for financial savings have been identified, however the Community Development team can support more efficient working through collaboration and through working with partners to pilot new (more effective) ways of supporting our residents.

It may be possible to secure grant funding to support some of core costs, and to secure external funding to support some / most of the projects the Council is involved with.

What changes to expenditure and income are expected in 2019/20 compared to previous years?

Expenditure will remain the same or increase. Most of should be able to be funded through external fundraising. Most of team is currently CPDF funded, and as the team is now well established it is proposed to transfer these costs to base budget.

What are the main risk areas within the budget?

Loss of existing external funding.

Harlequin Theatre & Cinema

What services are provided?

The Harlequin Theatre & Cinema is a multi-purpose venue comprising a 494 seat theatre for the staging of professional and amateur productions which are affordable and accessible to the local community. Retractable seating permits the main auditorium to be used as a flat floor space for local community and business groups to hire for a wide variety of purposes. Also integral to the venue is a 100 seat studio cinema, presenting the latest film releases. Alongside the auditorium and cinema are four conference rooms, available for community and business hire. A bar and catering facility also provides function catering and operates a bar service for daytime and evening events.

What external impacts or other drivers will affect the service in 2019/20?

Opening of a new local multi-screen cinema at Marketfield Way in 2020; ticket income from Harlequin cinema screenings is likely to decrease as a result.

Croydon Fairfield Halls is due to reopen in early 2019; higher profile shows that have been visiting The Harlequin whilst this venue has been closed are likely to return to Croydon, which has a larger seating capacity and so potential ticket gross, which would affect the Harlequin's programme and so potentially its ticket income.

What changes within the service will be needed?

The majority of films are on a ticket split contract whereby if income goes down expenditure in this area does too. So whilst there would still be an overall decrease in the total 'profit' from ticket sales the costs paid to film distributors would also be lower. This is also the same for shows in the majority of cases. If usage of the venue decreases, associated staff costs, in particular casual payroll, would be reduced.

What opportunities are there in the existing budget?

Income – increase by £30k on budget. The Harlequin income targets have, overall, over recovered for the last few years, although there is still a net cost to the Council of running it.

What changes to expenditure and income are expected in 2019/20 compared to previous years?

The increase in income should not require additional budget changes as these will not be new projects instead working on current programming to maximise returns.

What are the main risk areas within the budget?

Loss of income due to opening of new cinema and reopening of Fairfield Halls, Croydon. Other possible issues are a low performing pantomime season which would affect ticket sales as well as secondary on-site sales.

Leisure & Wellbeing

What services are provided?

Within this service the Ageing Well team provides a range of services that support our older residents, keeping them healthier and fitter for longer enabling them to remain independent for as long as possible.

The team also oversees the contract with Staywell for the Council's three community centres, and the contract with GLL for the Council's three leisure centres.

The Leisure Development team works with key partners such as Active Surrey, Surrey County Council Public Health, schools, youth clubs, RB sport (District Sports Council) and National Governing Bodies of Sport to maximise local leisure opportunities for residents. It is also responsible for managing R&B Wellbeing Week for council staff, R&Be Active and supports a range of other activities across the borough for young people (including Star for a Night, Surrey Youth Games and holiday activities).

The team also manages the Council's grant funding programmes, promotion of volunteering, non-financial support to voluntary organisations, appointments to outside bodies and support for the Armed Forces Community Covenant.

What external impacts or other drivers will affect the service in 2019/20?

Political:

- Brexit
- Changes to delivery arrangements as a result of the Health and Social Care Act, including changes in the health landscape of clinical commissioning, STPs and MCPs
- Impact of other national Government policy such as welfare reform, Localism Act etc

Economic:

- Reductions in public spending and impact on health, local authority and other statutory partners, as well as the voluntary sector to meet increasing demand on services
- Impact of policies on welfare and housing on poorest residents
- Inequality in terms of employment, housing and income within the borough.

Socio-cultural:

- Growing older population, particularly in the oldest age groups, will have an impact on social and health services. Part of the challenge will be to ensure the right preventative and support services are in place so older people can remain independent for as long as possible.
- The potential impact of welfare reform and housing benefit changes on demographic make up of the borough
- Dependency culture and changing the relationship between people and expectations of health services
- The voluntary sector's response to shrinking state provision whilst its own funding also reduces
- New housing developments increasing service demand
- Decline in public health, obesity, diabetes, mental health funding.

Technological:

- Maximising use of new technologies – eg health apps
- Adoption of new technologies to provide care

- Increase in numbers of older people becoming digitally competent

Legal

- Statutory changes to healthcare bodies and responsibilities, procurement and commissioning framework

Environmental

- DMP, housing supply and demand
- Pressure on green space and access to it

What changes within the service will be needed?

With an increased focus on prevention, supporting vulnerable residents, and working in partnership the team could do significantly more under each of these themes, but it is restricted by its current capacity. Given the financial challenges faced by the Council, there are no immediate plans for team expansion.

Instead, the team will continue to embrace opportunities to work in partnership, for example, with colleagues in Community Development, Greenspaces, the Voluntary Sector and SCC.

A review of the Council's approach to supporting the Voluntary Sector will be undertaken, exploring the possibility of incentivising organisations to secure other funding and ensuring that those we do support have clear outcomes that are closely aligned with Council priorities and the needs of our communities.

We will also review existing contractual arrangements to ensure that we are maximising opportunities that they present.

With an increasingly ageing population and greater emphasis on Health and Social Care we will also look to extend support for families and individuals with caring responsibilities. In the long term, we envisage that expenditure will need to increase to help meet these and other challenges outlined in the health multi agency action plan.

It is envisaged that any new initiatives will be funded on a project by project basis with CPDF or external funding.

What opportunities are there in the existing budget?

With a relatively small budget compared to some other departments there are limited opportunities within the existing budget for further savings or to generate additional income.

There will be a continuing emphasis delivering initiatives in partnership, funding initiatives with external grants, in addition to the grant funding that we distribute.

What changes to expenditure and income are expected in 2019/20 compared to previous years?

If the capacity of the team remains the same, no significant increase in expenditure is anticipated: opportunities to increase income through grant funding for specific partnership initiatives will be explored.

What are the main risk areas within the budget?

The Leisure officers deliver a range of activities supporting young people to be active. The importance of embedding an active lifestyle in young people has a hugely positive impact on future wellbeing. With prevention being a key feature of the strategic plans of the Health and Care Sector any reduction to the Leisure budget would have negative impact on our abilities to deliver activities within communities and for target groups.

Core Funding is essential to a number of local voluntary sector organisations whose services are aligned to our priorities supporting vulnerable people in the community. Any reduction would have a negative impact on the sector's ability to support their service users and may ultimately result in an increasing the number of people presenting themselves to the Council.

Portfolio Holder for Community Safety

Building Control

What services are provided?

The shared service between Reigate & Banstead, Mole Valley and Tandridge operates to provide building control services and advice.

What external impacts or other drivers will affect the service in 2019/20?

- Potential changes to Building Regulations following Grenfell inquiry
- Any downturn in the construction/real estate markets will have a financial impact on this service area.

What changes within the service will be needed?

The service must continue to stabilise following its launch in 2017/18. Cost reduction / income growth is required to reduce the deficit facing the service. A review of the IAA partnership agreement is also required.

What opportunities are there in the existing budget?

The shared service is reviewing where costs can be reduced.

What changes to expenditure and income are expected in 2019/20 compared to previous years?

As the service is operating at a deficit, it is recommended that the budget be increased to cover a contribution towards the shared service. For 2019/20, growth of £40k is therefore anticipated.

What are the main risk areas within the budget?

The main risks are economic related. If there is a downturn in the property / construction market, this will lead to a downturn in building control activities and income.

Community Safety & JET

What services are provided?

Both the Community Safety team and JET protect and enhance the community's safety and welfare and the local environment through the enforcement of the law, borough byelaws and regulations.

The JET patrols neighbourhoods and is a visible presence/deterrent ideally placed to co-ordinate Neighbourhood Services' resources such as repairing broken bins, litter picks, and clearing fly tips. The team provides the dog warden service for the borough and management of the out of hours dog service.

The Community Safety team supports the aims of East Surrey Community Safety Partnership, takes appropriate action arising from local partnership meetings and manages and promotes safeguarding of vulnerable groups such as domestic abuse victims, vulnerable adults, missing and exploited children, and raises awareness of the services available. The Borough's CCTV system is managed and maintained by Community Safety in partnership with Surrey Police.

What external impacts or other drivers will affect the service in 2019/20?

- Existing pressures and further funding cuts on services which impact crime & ASB (mental health services, youth services, homelessness, adult & children services etc.) This will likely result in further demand for Community Safety activities whilst partnership resources are contracting overall.

- Increase in demands from serious and complex crimes detection and prevention (child sexual exploitation, modern slavery, cybercrime, gang related harm, domestic homicides, serious acquisitive crime etc.)
- Challenges for Surrey Police in balancing the above with the need to retain visible, local policing.
- Ongoing national threat from terrorism-related activity (current threat level = severe).
- Increased pressures on voluntary sector providers.
- Increased partnership working.
- Re-tendering of CCTV maintenance & line-rentals contracts.

A review of Community Safety is currently in progress.

What changes within the service will be needed?

The results of the ongoing review are currently being considered: this may have an impact on future service planning, which can be reflected in future years' budgets.

Increased Community Safety resource is likely to be needed to meet the increase in demand but also to help facilitate better joint working and thereby achieve greater 'added value', and better overall outcomes for residents. This increase is likely to be found from within existing resources.

What opportunities are there in the existing budget?

Re-tendered CCTV contracts may result in lower or higher costs – currently unknown. Camera usage will be reviewed as part of this process but is unlikely to result in any camera removals/cost savings.

Where a Serious Case Review is also required alongside a Domestic Homicide Review (DHR) we aim to carry out joint reviews and share costs.

Aside from CCTV & DHRs there is a separate Community Safety budget. About half of this is committed to funding projects or services agreed at a county level (i.e. Community Safety Board, Children & Adult Safeguarding Boards) so there is currently little scope to make any savings on this.

There are various opportunities to bid for external funding (which can often be capital rather than revenue) though this will usually be for specific identified needs. Each bid must be weighed against the resource required to complete the bid and the likelihood of success. Additional Community Safety resource may enable more bids to be developed, particularly in partnership with others – whilst additional income from partnership bids may not accrue directly to the Council, it may still further delivery of the council's priorities.

There may be opportunity for better processes for collection of dog related payments for lost/escaped dogs by introduction of mobile card payment machine leading to better recovery rates.

What changes to expenditure and income are expected in 2019/20 compared to previous years?

- CCTV – unknown but aim to keep broadly in line with current levels
- DHRs – Expenditure for 2018-19 is currently anticipated to be broadly in line with 2017-18. However, this will increase if we receive any further notifications (which is out of our control). A contingency is proposed to be included in the 2019/20 budget.
- Joint funding contributions – expected to remain broadly in line with current levels
- Balance of Community Safety budget (approx. £7K) – At present expenditure is expected to remain broadly in line with current levels. Possibility of increasing budget dependant on outcome of CS review.
- Community Safety salaries - possibility of increased budget dependant on outcome of CS review and allocation of resources.

What are the main risk areas within the budget?

Domestic Homicide Reviews accounted for approx. £25K of overspend in 2017-18. It is not possible to 'budget' for this but a contingency is proposed.

Local delivery of the IRIS Domestic Abuse referral project was previously funded from the Personalisation, Prevention and Partnership Fund (PPPF – now concluded) & Community Safety but is not currently budgeted for. CPDF is to be sought for this for 2018-19, and whilst long-term sustainable funding is sought but there is a risk that without funding the service will be unable to continue.

Related services receive funding via the Core Grants process &/or Housing budget. Any reduction in these areas may impact on overall capacity to deliver community safety.

Environmental Health and Licensing

What services are provided?

The Environmental Health team provides a wide range of statutory services, including proactive food hygiene and safety inspections of all food businesses, investigations of infectious disease cases, enforcement of legal standards in private rented housing, provision of disabled facility grants, investigation and enforcement of environmental protection (noise, dust, smoke etc), health and safety at work in commercial premises, and food hygiene matters, as well as air quality, contaminated land, pest control and public health funerals.

The Licencing Service exists to protect and enhance the community's public health, safety, welfare and environment through the issue of specific licences, permits and registrations including alcohol & entertainment, skin piercing, gambling, taxi and private hire, scrap metal and animal licensing. The team ensures compliance with the licences, registrations and permits issued through education and enforcement activities independently and with partners and provides advice and assistance where required. The team collates and prepares evidence for Court proceedings and members of the team appear as witnesses on behalf of the Council.

What external impacts or other drivers will affect the service in 2019/20?

New legislation comes into force in October 2018, expanding the scope of mandatory licensing of Houses in Multiple Occupation (HMO's). This will bring a greater number of properties in scope for mandatory licensing, requiring resources to be directed to processing new applications and carrying out inspections and subsequent enforcement of properties. Work is currently underway to try to quantify the likely increase in licensable properties, as this figure is currently unknown, but conservative estimates suggest that there will be a significant increase in numbers of properties requiring mandatory licencing. The licence fees set are intended to cover the cost of the scheme.

The future direction of food safety regulation is still under consideration centrally by the Food Standards Agency (FSA), via their Regulating Our Future programme of work, which is closely linked to the nature of regulation post-Brexit. They are working to a timetable of a new regulatory regime from 1st March 2019. At this stage the detail of what this will look like in practice for local authorities delivering food safety regulation is not yet known, but is likely to require some changes to the detail of service delivery.

Air Quality is becoming a bigger political issue, with the Governments Clean Air Strategy consultation, and with increasing focus from Defra on local authorities that breach air pollution levels. These drivers will require a continued focus on air quality issues, building on the current work plan for this and other Surrey authorities.

Animal licensing legislation is being updated this year which will need officer time to implement but should not ultimately alter the numbers of licences applied for significantly.

The Environmental Health service is also undertaking an internal Organisational Review during 2018, the outcomes of which may impact on service planning and delivery of our services, especially in relation to digital delivery.

What changes within the service will be needed?

More residential properties will become subject to mandatory HMO licensing, which will require extra resource to be directed to this area of work than at present. Work will be needed to develop policy and procedure to include the new requirements, to publicise the changes to landlords & tenants, to process applications and carry out inspections of licensed properties. There are currently 25 licenced HMO's in the Borough, which will increase probably substantially, all requiring assessment, inspection and potentially enforcement activity. This cannot be accommodated from existing resource levels, so it will be necessary to bring in additional resources. CPDF funding is being used in the immediate term to obtain a short term resource, initially at one officer for six months.

It is likely that the delivery of the food safety part of the service may change during 2019, but there is currently no indication of what this might look like in practice. Changes to the arrangements for registering food businesses and reporting back centrally to the Food Standards Agency are likely, which may require corresponding changes in software systems for the Council.

What opportunities are there in the existing budget?

Budget rightsizing is proposed as a result of a recent service review; however this will not impact on the level of service provision.

The team has taken opportunities in recent years to work with other boroughs to provide staff resources, on a cost recovery basis e.g. corporate Health & Safety, contaminated land. This has provided some additional income during 2017-18, but cannot necessarily be assumed to continue throughout 2018-19 and beyond.

The pest control service was successfully re-tendered in late 2017, and it is hoped that this service will continue to provide a modest income.

We will continue to explore opportunities to charge for business advice where this is possible, e.g. Primary Authority Partnerships. However, these opportunities are limited by resource capacity to provide the services, and are also only possible on a cost recovery basis.

Work will be undertaken during 2018 to review HMO licensing fees, to ensure that the new regime is subject to appropriate cost recovery via the fees charged.

Public health funerals were a new function for the Environmental Health service in 2017, and do not have a budget allocation. We will seek to obtain consistent prices for this service via a procurement exercise to obtain a contracted funeral director service in 2018, and will continue to pursue full cost recovery, including of officer time, wherever possible.

What changes to expenditure and income are expected in 2019/20 compared to previous years?

Pest control budget – income should become more settled, once some initial invoicing issues have been resolved, allowing for clearer forecasting of future income.

Residential licensing work (HMO & caravan sites) should generate fee income, at a cost recovery level only. This should help offset some of the costs of development of new systems to process applications and undertaken additional inspections.

Health & safety (corporate advice) – it is suggested that the budget for this service area be increased, to be able to fund larger items of H&S expenditure, currently falling to individual managers/services.

What are the main risk areas within the budget?

That current income generation targets prove challenging e.g. there is not enough customer take up of paid for advice products or enough staff capacity to promote and undertake this service, resulting in less income generated than budget is set for. The current organisational review is also likely to require us to identify priorities and define the business case for pursuing certain income generating activities, to determine that there is actually scope for generation of sufficient income to make a profit.

Some income is currently generated through provision of staff resource to other boroughs e.g. corporate health and safety advice, contaminated land officer services. However, these are not guaranteed long term, as the other authorities may decide to end the arrangement, leaving us without an alternative source of this income.

Air quality work is currently funded largely via a S.106 Agreement with Gatwick Airport Limited, which is due for renegotiation in 2018. While it is anticipated that it will continue, there is always a risk that it may be altered or reduced, which would affect our ability to undertake mandatory air quality work without additional funding.

Parking Services

What services are provided?

The Parking Enforcement team currently provides and supports enforcement services for on-street parking for Surrey County Council across Reigate & Banstead and Tandridge.

SCC on-street enforcement agreement currently operates from 08:00-18:00 Monday to Saturday with occasional Sundays. Any surplus from parking enforcement on-street is shared between authorities; Local Committee 60%, RBBC 20% and Surrey County Council 20%.

The team's Civil Enforcement Officers enforce the streets and the team's back office staff administrate the PCN process from the time of issuance to debt recovery. The Back office staff also handle complaints, parking queries, informal challenges, formal representations, appeals, witness statements, court challenges as well as bailiff queries and monitoring. The team also issues residents and visitor permits, authorises and processes suspensions and waivers and make provisions for special events. Other duties involve undertaking school enforcement, which involves increased joint working with schools and the Police.

What external impacts or other drivers will affect the service in 2019/20?

The current East Surrey Area Cluster being developed will increase enforcement activities and as a result additional staff resources may be required. Epsom & Ewell BC and Mole Valley DC have indicated that they wish to retain their staff.

The loss of Council car parks (Marketfield Way, Horley Library) will have a substantial financial impact, resulting in a loss of income.

What changes within the service will be needed?

- Installation of barrier at Bancroft Road Car Park – once installed there will be an ongoing maintenance cost
- East Surrey Area Cluster – possibility of new recruitment and creating new beats for CEOs.

What opportunities are there in the existing budget?

Installation of barrier at Bancroft Road Car Park and potential for increased income from this car park as there can no longer be non-payment of the parking fee.

What changes to expenditure and income are expected in 2019/20 compared to previous years?

Car park income declining from loss of three car parks. The opportunity exists to increase income from our car parks through increasing usage, increasing contract parking, and/or increasing charges in some locations as appropriate.

What are the main risk areas within the budget?

As above, loss of revenue from three car parks

Portfolio Holder for Business & Economy

Economic Prosperity

What services are provided?

The Economic Prosperity team provides support to help local businesses start, develop and grow, and to help more local people find good local jobs.

This includes administering business support grants; a monthly business newsletter; the provision of monthly 'learning lunches' for micro businesses; supporting a network of local large employers; attending and supporting variety of networking and membership events including developing and growing business guilds for Redhill and Banstead; working with various business representative and membership organisations; engaging with the education sector on the skills agenda; running an annual Entrepreneurs Academy with East Surrey College; and bringing together a 'Business celebration' event as part of the Mayor's engagement schedule.

What external impacts or other drivers will affect the service in 2019/20?

Possible slow down of the economy, or recession. Brexit might make employee recruitment more challenging. New opportunities regarding employment locations would stimulate activity and bring new employers/employment. Access to some Retained Business Rates pilot funding would allow for limited expansion to the Economic Prosperity work programme.

What changes within the service will be needed?

In most cases the work streams of the service could be adapted to meet changing needs. Retained Business Rates pilot funding would allow for the introduction of additional work streams, or delivery of key projects that could help to stimulate economic development, however there is no certainty that this will continue in the longer term. There is an ambition to do more to help ensure the borough's town centres have the right physical environment to support prosperity. At this stage a budget for this work has not been determined. Investigative work during 2018/19 will help set some parameters for this work. With the creation of new employment space a new programme might be needed to maximise this potential.

The formalisation of staffing levels will mean that a CPDF post will be moved to the establishment in 2019/20. It is also proposed that the programme budget (which in previous years has been CPDF funded) is moved into base budget reflecting the Council's commitment to economic prosperity work and business engagement.

What opportunities are there in the existing budget?

The current programme could be reduced to achieve savings, but in real terms these would be modest. Opportunities for real income generation are limited. However, efficiencies might be delivered by extending some of the service to neighbouring authorities, should they be minded to work in partnership. Limited financial contribution from partners would contribute to core costs.

What changes to expenditure and income are expected in 2019/20 compared to previous years?

Apart from any town centre commitment the most likely scenario is that expenditure would be impacted by pay inflation only.

What are the main risk areas within the budget?

Little risk in the budget as expenditure can be managed, and there is no income projected.

Portfolio Holder for Neighbourhood Services

Cleansing

What services are provided?

The Cleansing team discharges the Council's statutory responsibilities for: public highway sweeping and litter picking; reactive cleansing works; litterbin provision, maintenance and servicing, fly-tipping clearance and autumn leave sweeping. Paid-for services include: cleansing of corporate car parks and property, and commercial sweeping.

Other functions the team provides includes: graffiti removal, winter maintenance of town centres and footways, support for corporate priorities and functions (such as road closures, elections); and out-of-hours emergency response crews for sweeping, flooding and winter maintenance

What external impacts or other drivers will affect the service in 2019/20?

- The increasing of time spent on fly tipping.
- Requests for additional bins around the borough.

What changes within the service will be needed?

New housing developments and the increased extent of adopted roads in the borough means an increased requirement for sweeping and litter picking.

The impact of large new developments such as the Acres and West Vale is not likely to impact immediately but in the medium term will increase statutory demands on the service considerably. In due course these demands will need to be met with increased resourcing and by extending sweeping hours or moving to a seven day service.

What opportunities are there in the existing budget?

None currently identified, however a rounds review is planned to identify where there may be efficiency savings.

What changes to expenditure and income are expected in 2019/20 compared to previous years?

At the moment it is not anticipated that additional staff will be required in 2019/20, but the service needs to plan for responding to increased demands in future years. An increase in staff may be required if additional working hours/days are introduced.

What are the main risk areas within the budget?

- Increase in fuel costs
- Increase in overtime costs
- Unforeseen costs resulting from emergencies
- Currently unplanned events
- Provision of any enhanced services sought as a result of changing corporate priorities.

Fleet Management

What services are provided?

The Fleet Management team is responsible for fleet procurement and maintains all Council vehicles, including the refuse and recycling fleet. The team is also responsible for undertaking MOTs and plating of taxis registered within the borough.

What external impacts or other drivers will affect the service in 2019/20?

Ongoing discussions about fleet repair/replacement.

What changes within the service will be needed?

Having an ageing fleet will impact the refuse collections, due to breakdowns and general wear of the bodies and lifters. Changes to the fleet are recommended to ensure the continued reliability of refuse services. Discussions are underway in relation to this.

Vehicle wash facilities are limited. This could impact on vehicle reliability due to dirt affecting seals within the vehicle operating systems. Changes to the vehicle wash would ensure the ongoing cleanliness of vehicle operating systems.

What opportunities are there in the existing budget?

The budget for vehicle replacement last year 2017 / 2018 was used to ensure that identified vehicles were replaced within the last financial year. There is a budget in place at present to cover the replacement of identified vehicles within the current financial year 2018 / 2019.

As noted above, discussions are ongoing about the future approach to vehicle repair/replacement.

There is no provision at present within the budget to support the installation of a new wash.

What changes to expenditure and income are expected in 2019/20 compared to previous years?

Currently unknown.

What are the main risk areas within the budget?

The main risks would be inflation causing the purchase price of vehicles to increase.

The maintenance budget would increase due to the aging fleet costing more to repair.

Greenspaces

What services are provided?

The Greenspaces team maintains the parks and green spaces provision for residents and visitors of the borough to a recognised high standard.

- Grounds maintenance: Regular grass cutting operations in the 55 parks and other green spaces and maintenance of trees, borders and bedding arrangements; maintenance of road verges on behalf of the Surrey County Council and grounds maintenance for Priory School and Horley Leisure Centre.
- Allotments: Managing the Council's 24 allotment sites
- Cemeteries provision: Maintaining the Council owned cemetery and garden of remembrance, as well as several churchyard graveyards.
- Events: Coordinating events in the Council's parks and open spaces
- Sports provisions: Managing the Council's outdoor sports facilities for hire
- Banner Sites: Managing the Council's 'banner sites' in the borough which can be hired.
- Engineers: Looking after the Reigate caves, assisting in civil engineering projects, providing road closure notices and inspecting car parks.
- Volunteers: Coordinating volunteers who help look after the greenspaces in the borough

What external impacts or other drivers will affect the service in 2019/20?

- Annual increases in supplier costs (play areas) and the durability of newly-manufactured equipment. This will be felt through capital and revenue budgets.
- The potential increase in demand for general play and other Greenspaces-related facilities due to local and national campaigns encouraging people to lead more active and healthy lifestyles. This may lead to pressure on the Council to provide more of these facilities.
- Contractor costs for play area inspections and maintenance increasing, and the lack of flexibility/responsiveness to resolve urgent issues. The issue will impact revenue

budgets, and will continue to affect our ability to respond to high priority issues in a timely manner.

- Annually-increasing contractor costs relating to arboriculture, which will result in less value-for-money being achieved at a service level.
- The market demand for coffin interments declining nationally due to funeral poverty and other macroeconomic factors. The national trend is towards cremation, with over 75% of people opting for it. An impact is likely to be felt through the cemetery income, which makes up a significant proportion of the Greenspaces income as a whole.
- Difficulty recruiting skilled workers for operative roles – the current Worker scheme is not realising resource requirements for Grounds Maintenance service area.
- Uncertainty around future budget reductions from Surrey County Council and the associated contract works undertaken by the Council.
- Reigate caves will require structural works to be undertaken in the foreseeable future – initial test works have taken place, but the full extent has yet to be ascertained.
- Increased market demand for outdoor events nationally – the sector has seen huge growth since 2005. This increase aligns with expressions from residents to see more provision of outdoor events in parks and open spaces (ref: RBBC Resident's Survey, 2017).
- An extensive build-up of silt in Frenches Pond, Redhill which is causing issues relating to water flow - the silt removal works were last completed in the mid-2000's and cost in excess of £100k.

What changes within the service will be needed?

- The recruitment of an in-house play equipment technician. It has been identified that the current play areas revenue budget is not sufficient to resolve the repairs identified within their corresponding financial years. The service has reached a point where the outstanding repairs required are now increasing each year. The recruitment of an in-house resource will protect against increased contractor costs by maintaining consistent staff capacity to undertake works, and will enable the sourcing of parts directly from suppliers, which will increase value-for-money achieved from the service.
- The recruitment of an in-house arborist to undertake works usually performed by contractors. This will protect against increased contractor costs by maintaining consistent staff capacity to undertake works, which will increase value-for-money achieved from the service, and also offers the potential to generate income through offering the service commercially.
- The provision of more interment options for cremated remains within our current sites, which may include, but is not limited to the extension of Reigate Garden of Remembrance (GoR), the installation of columbaria wall niches and other similar schemes within Redstone Cemetery and the GoR.
- The formalisation of the seasonal grounds maintenance operative roles previously filled by the Council's Workers Scheme in the form of permanent staff, and the formalisation of the office support function currently delivered by a young worker.

What opportunities are there in the existing budget?

A recent review and restructure of the revenue budget identified that any slack within the budget had been removed in previous years. Officers feel that the only way to achieve a reduction in the net budget for the department is to invest in income-generating or value-generating activities/personnel.

Outdoor events are one of the few areas within the department which offer the opportunity for increased income with minimal resource or capital outlay. Premises licences (removal of requirement for individual licence applications, provided they meet the conditions of the premises licence) at key locations would offer more attractive spaces for potential event organisers (leading to increased income) who may not have previously considered a venue due to the risk of their licence application being declined.

The review of other related revenue and capital budgets and department-level programmes (such as play areas, land flooding, infrastructure etc.) may realise further savings/efficiencies.

What changes to expenditure and income are expected in 2019/20 compared to previous years?

- The recruitment of a play area technician
- The recruitment of an arborist (potentially on a 3-year fixed-term contract) is likely to be funded through section 106 developer funding associated with the Riverside Green Chain development in Horley.
- As a result of re-grading the role previously known as the Countryside Officer (now Countryside & Woodlands Officer)
- Increase in events income
- Ad-hoc grounds maintenance work
- Unexpected expenditure related to engineering, traveller incursions and other Greenspaces services
- The potential to incur additional costs annually to maintain the land previously licenced to the Redhill & Reigate Golf Club.

What are the main risk areas within the budget?

The primary risk within the budget is the bereavement services income. The scale of impact for coffin interments and the associated income is currently uncertain, Officers cautiously forecast that this will remain the same or decline slightly. The likelihood of reducing space for ashes interments at Reigate GoR is high – however, an extension of the site has been planned for a number of years, it will be required to continue to maintain the income stream within the next 1-2 years.

Capital replacement of equipment – a significant proportion of the grounds maintenance equipment is nearing the end of its usable life.

Waste & Recycling

The Waste and Recycling team undertakes household recycling and waste collections, which is a statutory duty, and provides assisted household collection for all services. It also provides a clinical waste collection service for households; provides, maintains and collects from the borough's 19 public recycling 'bring' sites, and provides 36 textile recycling banks.

In addition to these services, the team undertakes commercial activities, including paid-for garden waste collections and bulky waste collections, and trade waste services (including paper recycling).

What external impacts or other drivers will affect the service in 2019/20?

- The roll out recycling to more flats within the borough.
- The fluctuation in recycle prices is an unknown.
- Outcome of the ongoing discussions with Surrey County Council and Surrey Waste Partnership also an unknown
- The increase in housing stock in the borough will generate an additional need for services – Horley North West development as an example.
- Increased flytipping and contamination at our bring site has raised the need for a review of our sites, currently ongoing. This may result in changes or reduction in the number of sites around the borough.
- Government's introduction of a recycling deposit scheme for plastic bottles is likely to have an impact although this has not yet been quantified.

What changes within the service will be needed?

- Recycling roll out to flats will require an additional split back refuse truck and crew to deliver the service, a full time delivery crew and vehicle, and an additional recycling

officer. With the current dip in recyclate prices, the additional recycling collected may not cover these costs (ie it may have a negative financial impact) however should result in improved resident satisfaction.

- Surrey County Council may direct us to collect waste & recycling materials differently to currently.
- We may need to submit a growth bid for new crew/crews to cope with the demand from new homes.
- Zero budget changes to staffing, in recruiting permanent staff and removing reliance on Agency staffing

What opportunities are there in the existing budget?

Opportunity to further grow the Garden Waste Service. A third of the borough's households are signed up to the service. There is a suggested potential to increase this by another 7000 households over a 5 year period. This will generate a level of income but will also require investment in an additional Garden Waste truck & crew.

There is also an opportunity to further market Trade Waste services. However, the potential scope for expansion is currently unquantified.

Bulky Waste collections are also a paid for service and a review of the pricing structures and the collection slots per day will be undertaken, possibility of increased income.

What changes to expenditure and income are expected in 2019/20 compared to previous years?

Growth bid to facilitate the roll out of recycling to flats – estimated cost for Phase 2 roll out in 2019/20 (assuming Phase 1 roll out in 2018/19, reflecting recent Executive decision) is £110k for new crew and reinstatement of flats recycling officer post.

The Refuse & Recycling team is already subject to a pay freeze and are entering the second of three years of this. Therefore the staffing budget is static and this team will not have contributed to the increase in the pay budget increase.

Following 3 consecutive increases of £5 per year on the Garden Waste annual membership we would recommend fixing the price at £65 for at least 2 years and look for growth in increasing our membership instead.

We are considering introducing bin weighing for our Trade Customers and pricing will be based on the amount of waste disposed of. This is a change to current pricing structure. We would look to increase the charges for 19/20 based on weight rather than by bin. This would result in increased income (scale currently unknown).

What are the main risk areas within the budget?

- The loss of income from sale of recycling materials could be huge; also the loss of the currently recycling credits that we receive from Surrey County Council.
- Failure of an ageing collection fleet (17 vehicles) could result in significant on hire costs, to ensure no impact on service delivery.
- Unforeseen pressures placed on us as a result of SCC financial challenges.

Portfolio Holder for Planning Policy

Planning Policy

What services are provided?

The Planning Policy team provides the following services:

- Preparing and keeping up to date the Local Plan for the borough (as outlined in the Local Development Scheme), including the preparation of technical evidence, public consultation and partner and stakeholder engagement, and the preparation of supporting planning guidance.
- Providing planning policy advice to other parts of the Council, including the Development Management team and Property team, and to external partners, organisations and individuals.
- Monitoring development changes and trends within the borough, and contextual indicators; regularly publishing Council Monitoring reports; providing relevant data and information to other parts of the Council and responding to public requests for information.
- Administration of the Community Infrastructure Levy and coordinating the identification of CIL spending priorities.

What external impacts or other drivers will affect the service in 2019/20?

The DMP will have been adopted but a review of the Core Strategy will have to be commenced in 2019 to accord with Government requirements.

New Supplementary Planning Documents will be produced to help supplement the adopted policies and plans will need to be reviewed in terms of their accordance with changing and updated Government legislation, such as the new housing delivery test as well as brownfield registers and permissions in principle.

What changes within the service will be needed?

It is expected that the DMP and Core Strategy review can be delivered within existing agreed budgets, with costs other than staff costs largely funded through CPDF. Additional staff resources may be required to manage increased national policy 'asks' and/or support to deliver wider corporate objectives.

What opportunities are there in the existing budget?

Limited.

- The recruitment of a permanent team leader will avoid current costs associated with temporary contractors.
- The team helps deliver CIL to fund various infrastructure projects within the Borough.

What changes to expenditure and income are expected in 2019/20 compared to previous years?

There should be no overall change in the cost of the service to the Council than currently unless changes to Government legislation require different ways of working.

What are the main risk areas within the budget?

- Downturn in economy will affect the CIL receipts if less development is built.
- Major changes in Government legislation requiring new tasks to be undertaken.

Portfolio Holder for Property & Acquisitions

Property & Facilities

What services are provided?

The Property and Facilities Service performs a number of distinct functions:

- Acting as 'corporate landlord' in respect of the Council's operational property portfolio, dealing with all aspects of facilities management; planned and reactive maintenance; & management of the Council's overheads in terms of rates, water, electricity and gas.
- Undertaking development and capital build and refurbishment projects.
- Property management of land and buildings that are leased to, or used under licence by, third party tenants. This includes negotiating lease terms, rents and other fees and the management of those agreement and associated service charges.
- Acting as one of the profit centres of the Council by undertaking development, disposal and asset management of the Councils property interests and dealing with acquisitions of new property interests by the Council, its wholly-owned property company, Greensand Holdings Ltd, and its Joint Venture Partnership with Mill Hill Properties for Horley Business Park.

What external impacts or other drivers will affect the service in 2019/20?

Property market conditions including availability of investment stock, occupier demand and access to funding for investment and development activity would impact on our ability to generate new income.

Recent experience is that costs for medium and larger scale building works are rising in excess of inflation. If this trend continues, it will impact on maintenance budgets.

What changes within the service will be needed?

No changes but continued work to cultivate contacts in the market to maximise the potential for off-market acquisitions; exploiting asset management opportunities; and adapting to market conditions.

Update of rolling maintenance programme following completion of stock condition surveys to cost and plan future maintenance spend.

What opportunities are there in the existing budget?

Our principal opportunity to generate significant new income is from acquisitions and new commercial development. Other opportunities exist to generate small amounts of additional income from lease renewals, rent reviews, lease re-gears and new lettings.

There may be an opportunity to generate new income from lettings on the town hall site subject to the outcome of the accommodation review.

Some efficiencies will be achieved through re-procurement of a mechanical services contract and better control of utility costs through a new energy management consultancy contract. We are also investigating procurement of a contract for medium scale building works, to complement our minor building works contract, which may provide some protection against cost inflation.

What changes to expenditure and income are expected in 2019/20 compared to previous years?

We expect to generate significant additional income from new acquisitions, subject to availability of funding and continued political support for property investment.

Expenditure on planned and reactive maintenance is expected to rise. Although efficiencies and new contracts will mitigate expenditure growth additional planned maintenance is

expected as a result of the recent condition surveys. The majority of the growth will be capital but some revenue impact is also expected.

What are the main risk areas within the budget?

Tenant failure or void periods resulting from forfeiture (termination of a lease due to a tenant's breach of contract) or tenants not renewing leases. Medium likelihood / low impact on overall income budget.

Extraordinary expenditure due to failure of equipment / plant, weather-related property damage and unplanned expenditure due to changes to legislation. Medium likelihood / low impact on overall expenditure budget

Regeneration

What services are provided?

The Regeneration team currently provides the following services:

- Delivery of the Council's regeneration programme, which focuses on four priority areas of Redhill, Horley, Preston and Merstham.
- Securing funding to deliver the necessary infrastructure that our residents and businesses need to support our growth and regeneration plans
- Working with internal service areas and our partners to deliver infrastructure in a well-planned and coordinated way and to an appropriate quality
- Delivery of high profile flagship corporate projects, such as Memorial Park and Priory Park.

What external impacts or other drivers will affect the service in 2019/20?

- Possible organisational changes within Surrey County Council and reduced public sector budgets likely to impact service in terms of delivery of infrastructure
- RBBC presently has a limited in house engineering service, therefore major highway schemes previously delivered in house are being outsourced to others including SCC's highways and their contractors. Their capacity will have an impact on service delivery and works may be more expensive.
- Possible changes in market conditions will have a major impact on the service
- Some major infrastructure provision is being delivered by developers. While controlled by Section 106 agreements and planning conditions, their delivery of infrastructure will affect the service.

What changes within the service will be needed?

The Council's regeneration and growth programmes in its four priority areas are well advanced.

Throughout 2018/19 and 2019/20, the team will complete the majority of the physical regeneration commitments in Preston and in Redhill and Horley town centres. This will include public realm improvements in Horley and Redhill town centres, and further phases of highway, parking and greenspace improvements in Preston.

The service area will continue to work with partners to ensure that infrastructure is delivered both on site in the North West Sector and off site in other areas of Horley as part of the Horley Master Plan. This will include the delivery of play areas, open space and community new facilities.

The service will expand its activities to work more closely with Surrey County Council to deliver some major highway and transport schemes that will support the Council's corporate priorities across the Borough.

The service will also be expanding its activities to support the delivery of a number of key corporate Place projects, including Marketfield Way and Horley Business Park.

What opportunities are there in the existing budget?

To deliver existing regeneration commitments and to expand the work of the team to help meet our corporate priorities will require appropriate staff resourcing.

To date all regeneration posts have been funded through CPDF and there is a need to ensure that these long-term committed positions are included in the base budget.

The function's business plan shows five FTE posts, although currently the team has just one member of staff in post.

There are opportunities within the budget to look at the numbers of FTE posts and to share the costs of these with SCC.

What changes to expenditure and income are expected in 2019/20 compared to previous years?

The current function plan shows five FTE posts. However this has been revised and it is now proposed that for 2019/20 there will be three FTE posts employed by RBBC. This will include a Places Delivery Manager, a Strategic Developments Project Manager and a New Neighbourhoods Manager. Surrey County Council has provided in principle agreement to 50:50 fund both the Places Delivery Manager and the New Neighbourhoods Manager posts (currently SCC 50:50 fund one post).

It is also proposed that a Transport Strategy Project Manager is employed by SCC that will be 50:50 funded by RBBC and SCC, and whose work will focus on delivering key transport improvements within our Borough. .

It is proposed that all existing and new posts are funded through base budget rather than CPDF.

What are the main risk areas within the budget?

It is likely to be difficult to recruit into the posts and therefore recruitment and retention is likely to have a risk on the budget. Without the necessary staff in place it will ultimately mean the activities that the service can provide will either be delayed or reduced.

Portfolio Holder for Finance

Finance

What services are provided?

The Finance team monitors and records all of the Council's income and expenditure including:

- The Council Tax that RBBC collects on behalf of Surrey County Council, the Surrey Police Authority, Horley Town Council and Salfords & Sidlow Parish Council and itself.
- The National Non-Domestic (or Business) Rates that RBBC collects on behalf of the Government, the County Council and itself.

The team provides - and supports - financial control and governance; plays a key role in budget setting and monitoring; produces the Council's published accounts (and other published financial information); provides financial advice to budget holders and project teams; completes grant claims and provides financial and statistical data to a number of Government departments. The team also liaises with HMRC on the Council's VAT position.

What external impacts or other drivers will affect the service in 2019/20?

Borrowing: Borrowing by RBBC to fund the Capital programme will drive the need for an increased interest payable budget (budget growth).

Loan Interest: Further loans to Greensand Holding Limited and Horley Business Park Development LLP will drive increased loan interest income (budget savings – additional income).

Interest Rates: Bank of England interest rate forecasts for 2019/20 are expected to be double the current historically low rate of 0.5%. This increase in interest rate is expected to drive additional interest income (budget savings – additional income).

Finance Resource: Corporate projects and commercialisation projects will drive a need for different Finance skills.

What changes within the service will be needed?

Finance Resource: Where the skills exist within the Finance team, some demand can be met by continued work on capacity creation within the current team, although this will be limited as the Finance team currently has little spare capacity. A growth bid has been submitted in 2019/20 for a project accountant to meet the increasing organisational project demands.

Borrowing: Borrowing will drive a cost (budget growth)

What opportunities are there in the existing budget?

Interest Income: It is anticipated that additional interest income budget will be required in 2019/20 as a direct result of the Bank of England increasing the base rate – (budget savings – additional income).

Loan interest: Where RBBC issues loans to third parties, interest is charged at market rates (budget savings – additional income).

What changes to expenditure and income are expected in 2019/20 compared to previous years?

Net reduction in expenditure budget (a budget saving) of between £0k and £20k, excluding borrowing costs.

Borrowing costs, minimum revenue provision, and Bank of England rate changes will be considered later in the service and financial planning process when the capital expenditure requirement for 2019/20 has been reviewed. In addition, 2020/21 budget growth will be required if RBBC borrows capital for its capital programme as planned.

Minimum Revenue Provision (MRP): Further work is needed to determine if budget growth is required to cover the minimum revenue provision. The MRP is a statutory cost associated with making provision to repay borrowing.

What are the main risk areas within the budget?

Resource: there is very little spare capacity for additional resource demands driven by the organisation's programme of projects. A growth bid has been submitted for a project accountant to mitigate this risk.

Borrowing: The amount and timing of borrowing to fund the capital programme is a key expenditure driver – the Council's Capital Strategy (being drafted in 2018) will further inform assumptions that define this position.

Bank of England Interest Rates: Assumptions when planning for S&FP 2019/20 have been based upon RBBC's treasury and investment advisors Linked Assets latest Bank of England interest rate forecast.

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Medium Term Financial Plan 2019/20 to 2023/24

1. Purpose of the Medium Term Financial Plan

- 1.1 The Medium Term Financial Plan (MTFP) is part of the Council's Policy Framework as set out in Article 4 of the Constitution.
- 1.2 It describes the financial direction of the Council for planning purposes and outlines the financial pressures over a 5 year period, but is reviewed annually to reflect the changes to local requirements, economic conditions and government funding.
- 1.3 It also supports our ambition to be recognised as a leading authority that delivers quality services, that provides value for money and that makes the borough a great place to live.

2. Benefits of the MTFP

The benefits of the MTFP are:

- 2.1 Improving financial planning and the financial management of the Council's revenue and capital resources.
- 2.2 Maximising the use of resources available to the Council, both internal and external.
- 2.3 Ensuring that the Council provides value for money and delivers budget savings.
- 2.4 Allowing the development of longer-term budgets and strategic thinking.
- 2.5 Aligning financial resources to the Council's spending priorities.
- 2.6 Reviewing the Council's reserves policy to ensure there is protection against unforeseen events.
- 2.7 Developing financial sustainability over the medium-term.
- 2.8 Highlighting financial risks and developing mitigating controls.

3. Principles of the MTFP

The principles underlying the MTFP are as follows:

- 3.1 The overall financial strategy will be to ensure that the Council's resources are directed to achieving the priorities set out in the *Five Year Plan 2015-20*.
- 3.2 The Council recognises that it is facing imminent funding challenges that will need to be addressed by budget savings, changes to service and new sources of income, or a combination of the three.

- 3.3 The Council will maintain its General Fund reserve at a minimum of 15% of the annual net revenue budget to cover any major unforeseen expenditure. This equates £2.6m as at the end of August 2018. The Council will aim to balance its revenue budget over the period of the MTFP with use of appropriate reserves.
- 3.4 Earmarked reserves will be maintained for specific purposes which are consistent with achieving key priorities. The use of earmarked reserves will be in line with the principles set out in the MTFP and reviewed annually.
- 3.5 The Council will continue to improve its approach to commissioning and procurement to ensure value for money and minimise the impact of budget savings.
- 3.6 The Council recognises the impact of increases in Council Tax levels on our residents and will balance the need for Council Tax increases against the delivery of services and the *Five Year Plan 2015-20*.
- 3.7 We will ensure that fees and charges are set at an appropriate level and that they take into account comparative levels of charge and ability to pay. Where appropriate a more commercial approach to charging will be adopted.
- 3.8 The Council will consider ways in which it can ensure financial sustainability and maximise income to deliver its priorities. This includes the development of property-based projects to capture both revenue and capital income opportunities. We have developed and are continuing to develop a range of commercial ventures and will determine the most appropriate vehicle for the delivery of those projects.
- 3.9 The Council will – when appropriate - consider the use of borrowing to support capital investment and will ensure that an agreed revenue income stream is identified to meet the borrowing costs when investment decisions are taken.
- 3.10 Opportunities for securing external funding to support the objectives of the *Five Year Plan 2015-20* will be sought. The implications of a reduction or withdrawal of funding will also continue to be reviewed so that options can be considered around the future of such externally funded schemes. It is essential that a short-term benefit to the Council does not become a long-term, unfunded cost.
- 3.11 Opportunities for working in collaboration with partners will be identified and developed where this will support the Council's priorities and improve service efficiency and delivery.
- 3.12 The Service & Financial Planning process will inform a review of the MTFP on an annual basis. This review will include an update of the financial forecasts, expected developments in services, and changes to legislation.

4. Current Financial Context

- 4.1 When planning, the Council has in mind the decision taken in June 2016, to leave the EU. As March 2019 approaches, there remains considerable uncertainty in financial and economic forecasts.
- 4.2 Public sector borrowing continues to fall year on year, according to the ONS Statistical Bulletin August 2018 and is the lowest year-to-date for 16 years (since 2002). The HM Treasury forecast of August 2018 indicates that this will continue to fall throughout the forecast period.
- 4.3 In terms of Government funding of the Council, Revenue Support Grant ceased at the end of 2016/17 and the level of Business Rates retained has been subject to a continuous and rapid reduction.
- 4.4 This Council is participating in the 2018/19 Business Rates Retention Pilot Scheme. The pilots will see councils rewarded for supporting local firms and local jobs to ensure that they benefit directly from the proceeds of economic growth. The Council expects to retain an additional £0.5m from participation in this pilot. No assumption is included in our planning, that this will continue.
- 4.5 *Comprehensive Spending Review*: In a statement to the House of Commons, the chancellor said that he would use the Budget in the autumn 2018 to set out the total public spending envelope for years beyond 2020. Then a full departmental Spending Review in 2019 will set out the departmental allocations across government. Any announcement made could have a significant impact on our Finances.

5. Economic Trends

Interest Rates

- 5.1 The base rate has now increased to 0.75% and average forecasts now predict a sustained increase over the next five years, however Brexit is creating an uncertain and tough space from which to raise rates.

Table 1	2018/19	2019/20	2020/21	2021/22	2022/23
Forecast Interest Rates	%	%	%	%	%
Forecast Bank Rate	0.75%	1.1%	1.5%	2.0%	2.1%

Source: *Forecasts for the UK Economy: A Comparison of Independent Forecasts*
[Compiled and published by HM Treasury August 2018]

Inflation

- 5.2 The rate of inflation (as measured by the Consumer Price Index or CPI) currently exceeds the Bank of England target of 2%, before returning closer to 2% toward the end of the five year forecast period.

Table 2	2018/19	2019/20	2020/21	2021/22	2022/23
Forecast Inflation (CPI)	%	%	%	%	%
Forecast CPI	2.4%	2.1%	2.0%	2.0%	2.1%

Source: *Forecasts for the UK Economy: A Comparison of Independent Forecasts*

[Compiled and published by HM Treasury August 2018]

Economic Growth

- 5.3 Economic growth – as measured by Gross Domestic Product (GDP) - is forecast to rise over the next five years.

Table 3	2018/19	2019/20	2020/21	2021/22	2022/23
Forecast Growth	%	%	%	%	%
Forecast GDP Change	1.3%	1.6%	1.7%	1.8%	1.9%

Source: *Forecasts for the UK Economy: A Comparison of Independent Forecasts*

[Compiled and published by HM Treasury August 2018]

6. Revenue Budgets

- 6.1 The net revenue budget for 2018/19 was set at £15.5m in February 2018. To achieve a balanced budget for each year of the forecast period it is anticipated that savings and additional income streams will be required.
- 6.2 Savings opportunities and growth pressures will be identified through the rolling Service & Financial Planning process.
- 6.3 The following assumptions are based on projected levels of government grant, likely economic conditions and other “local” factors.

i. **Council Tax**

It is assumed that this will increase by the referendum limit each year over the forecast period.

ii. **Retained Business Rates (NNDR) Income**

It is assumed that this will reduce in line with the multi-year settlement data announced in February 2016.

iii. **Fees & Charges**

It is assumed that – where possible – these will increase in line with the inflation forecasts (as set out in section 5.2) or in response to legislation.

iv. **Investment Income**

The security of cash deposits will remain important. As a result investment income has been assumed to be at a level consistent with the forecast base rates in section 5.1.

v. **Borrowing**

When new projects are brought forward the most appropriate way of financing them will form part of the appraisal of financial viability.

vi. **Staff**

An allowance for a pay award approximately in line with the inflation projections in section 5.2 has been included in each year. This provides the option for pay rises but will be considered on a year-by-year basis and be subject to the normal consultation process.

7. Capital Programme

- 7.1 As supported by the Council's investment strategy, the Council's capital investment plans over the next 5 years are set out in the Capital Programme. The efficient and effective use of capital resources, including sound asset management, is fundamental to the Council achieving its long- and medium-term aims and objectives. It is also critical to achieving the delivery of the required savings and income across the Council and providing optimum services.
- 7.2 Any capital investment decision will have implications for the revenue budget. The revenue costs over the lifetime of each proposed capital project are considered when the project is being developed to ensure that the impact can be incorporated within our financial plans and to demonstrate that the capital investment is affordable.
- 7.3 The Prudential System of Local Government Capital Finance as updated February 2018 allows local authorities to borrow as long as their capital spending plans are affordable, prudent and sustainable.
- 7.4 In order for borrowing to be considered prudent, affordable and sustainable there must be a long-term source of revenue funding to meet the costs of borrowing. Ideally this will come from revenue savings or from additional income generated directly from the capital project.

7.5 The Capital Programme to 2023/24 is summarised below.

Table 5	2019/20	2020/21	2021/22	2022/23	2023/24
Capital Summary	£000	£000	£000	£000	£000
Capital Reserves at 1st April	25,321	12,452	25,311	25,170	25,625
Add Receipts & Grants	43,379	57,233	2,818	3,364	3,264
Less Expenditure	56,248	44,374	2,959	2,909	2,909
Capital Reserves at 31 st March	12,452	25,311	25,170	25,625	25,980

7.6 Capital receipts from the sale of assets are held in reserves and treated corporately to allow the Council to target resources toward the highest priority projects.

8. Revenue Reserves

8.1 The Local Government Finance Act 1992 requires local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. The Chief Finance Officer is required, as part of the budget-setting process, to provide a statement on the adequacy of reserves.

Reserves Policy

8.2 The Council will maintain its general reserve (the General Fund) at a minimum of 15% of the net revenue budget to cover any major unforeseen expenditure. The Council will aim to balance its revenue budget over the period of the MTFP without reliance on the use of the general reserve.

8.3 Other “earmarked” reserves will be maintained for specific purposes which are consistent with achieving key priorities and/or are required to separately account for Government funding streams.

8.4 The Council’s current revenue reserves are set out in the following sections.

i. General Fund

This acts as a buffer against unpredicted budget pressures. The current (unallocated) level of around £9.9m is greater than the minimum level required of £2.6m but is regarded as prudent given uncertainty around business rates reforms and the ongoing impact of welfare reforms.

ii. Corporate Plan Delivery Fund (CPDF)

This provides time-limited funding to deliver key priorities, *Five Year Plan 2015-20* objectives and invest-to-save initiatives. The balance at the beginning of the year was £2.7m and the expected usage in 2018/19 is £2.0m.

iii. **Business Rates Equalisation Reserve**

This was established to mitigate the impact of any fluctuations in retained business rates income resulting from, for instance, a back-dated rating appeal or a major employer leaving the area. The balance is £1.0m.

iv. **Insurance Reserve**

This provides cover against uninsured losses and has a balance of £550,000.

v. **New Homes Bonus (NHB) Reserve**

This was established to separately account for NHB income prior to it being used. The balance is £14.5m.

vi. **Superannuation Reserve**

This was established to “smooth” any sudden increases in pension cost. The balance is £1.5m.

vii. **Growth Points Reserve**

This was established to separately account for Growth Points funding prior to it being used. The balance is £286,381.

viii. **High Street Innovation Reserve**

This was established to separately account for the funding of this initiative prior to it being used. The balance is £36,637.

ix. **Business Support Scheme**

This was established to separately account for the allocation of funding to help flood affected business. The balance is £147,221.

x. **Neighbourhood Improvement Reserve**

This was established to separately account for the funding set aside for neighbourhood improvement projects. The balance is £80,700.

xi. **Government Funding Reduction Reserve**

This was established at the end of 2017/18 for the purpose of mitigating the loss of Government funding and has a balance of £800,000.

9. Risk Management

9.1 The Council’s Strategic Risk Register contains the following:

“The Council receives no Revenue Support Grant from government, and although piloting local retention, we anticipate business rate income to reduce significantly.”

“The Council is therefore reliant on other income including council tax and fees & charges. Increasingly these are impacted by wider economic factors.”

“The Council is therefore seeking a diverse range of investment and commercial opportunities. These will require capacity, skills, expertise and behaviours within the organisation to generate new initiatives that can be used to invest in our services to residents and businesses. Without this investment, there is a risk that funding reductions or economic downturn could result in cuts to service provision.”

- 9.2 The principles and assumptions contained within this Plan are aimed at ensuring that the Council is financially sustainable and continues to deliver high quality services.
- 9.3 Individual revenue and capital budget proposals will be subject to detailed risk assessment prior to inception as part of the decision to proceed.

Budget 2019/20: Income & Savings Proposals

Service/Description	Base 2019-20 £000	Company income 2019-20 £000	Base Staffing FTEs
<u>Car parking</u>			
Increased income	-40.0		
<u>Community Development</u>			
Expected additional income	-15.0		
<u>Customer Contact</u>			
Aggregate of multiple small changes	-60.0		-2.0
<u>Democratic Services</u>			
Member Savings	-40.0		
Subsidy Grant to Tenants	-10.0		
<u>Development Management</u>			
Post partly outsourced	-10.0		-0.5
<u>Finance</u>			
Saving on Insurance contract	-50.0		
Post Saving	-35.0		-1.0
Saving on Audit contract	-22.0		
<u>Greenspaces</u>			
Increased Events Income	-10.0		
Play area inspections performed in house	-26.6		
Reduced pesticide treatments to verges	-15.0		
Vacant Engineering posts	-57.0		-1.6
<u>Leisure & wellbeing</u>			
Community Centres contract management fee	-40.0		
Increase in Leisure Centre contract fee	-10.3		
Harlequin - Pantomime increased sales	-10.0		
Harlequin - Artists increased sales	-10.0		
Harlequin - Cinema increased sales	-10.0		
<u>Licensing, Regulation</u>			
Rightsizing multiple budgets	-68.1		
<u>Policy and Regeneration</u>			
SCC funding for Regeneration	-71.0		
<u>Revenues & Benefits</u>			
Commercial Trading (net of additional costs)	-100.0		
Sub Total (excluding Property)	-710.0	0.0	-5.1
<u>Property</u>			
Additional Rental Income from Property Acquisitions	-327.0		
Additional income from Travelodge	-176.8		
Additional minor savings	-14.9		
Property Savings Sub Total	-518.7	0.0	0.0
Total savings	-1,228.7		-5.1

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Budget 2019/20: Growth Proposals

Service/Description	Base 2019-20 £000	Transfer CPDF Salary to Base 2019-20 £000	Salary CPDF 2019-20 £000	CPDF 2019-20 £000	Base Staffing FTEs	Transfer CPDF Salary to Base 2019-20 FTEs
<u>Car Parking</u>						
Loss of Off-street parking contract in TDC	63.4					
<u>Communications & Information</u>						
Software & other Licences	5.4					
Staffing from CPDF		93.4				2.0
<u>Community Development</u>						
Transfer from CPDF to Base		185.0				4.0
Transfer from CPDF to Base		15.0				
<u>Community Safety</u>						
Contingency Budget for DHR	15.0					
<u>Corporate</u>						
Executive Officer		78.5				1.0
PMO Officer		58.0				1.0
PMO Support Officer	43.5				1.0	
Commercial Officer	58.0				1.0	
<u>Democratic Services</u>						
Staffing from CPDF		88.5				1.5
<u>Family Support Programme</u>						
Supporting People Program Staff		81.2				2.0
<u>Finance</u>						
Project Accountant	63.0				1.0	
Bank Charges	31.0					
<u>Greenspaces</u>						
Growth required for 5.2 FTE posts - 3 x Grounds Maintenance operatives, 1 x Office Support assistant, 1 x Play Area technician, 0.2 Countryside & Woodlands officer.	92.8				4.2	
Capitalisation cost reduction- Engineering	17.5					
<u>Human Resources</u>						
Staffing from CPDF		49.8				1.0
Out of date Income Budget removal	5.0					
Rightsizing for Apprenticeship Levy	12.9					
<u>ICT</u>						
Increase in Software Charges	12.0					
Increase in Software Charges	30.0					
<u>Land Charges</u>						
Phased reduction of income	75.0					
Phased reduction of income	50.0					
<u>Leisure & Wellbeing</u>						
Wellbeing Manager		59.5				1.0
Wellbeing Post	5.8					
Correcting trust fund bank interest income	18.2					

Budget 2019/20: Growth Proposals

Service/Description	Base 2019-20 £000	Transfer CPDF Salary to Base 2019-20 £000	Salary CPDF 2019-20 £000	CPDF 2019-20 £000	Base Staffing FTEs	Transfer CPDF Salary to Base 2019-20 FTEs
<u>Legal</u>						
Rightsizing Legal staffing budget	95.0					
<u>Policy</u>						
Staffing from CPDF		205.0				3.0
Transport manager post contribution	35.0					
Economic prosperity post and funding	85.0	40.0				1.0
<u>Building Control</u>						
Partnership Costs	40.0					
<u>Refuse, Recycling & Cleansing</u>						
Net reduction of recycling credit from SCC	93.0					
Phase 2 Flats recycling	14.0			96.0		
<u>Projects and Business Assurance</u>						
Applied Resilience Funding	25.0					
<u>Property</u>						
Development Surveyor			17.3			
Development Surveyor Training				0.7		
Move CPDF Salaries to Base		125.0				2.4
Acquisition consultancy	65.0					
Surrey Police depart Middle Block*	66.3					
High St. Redhill redevelopment income loss	169.4					
Horley Library income loss	35.0					
Marketfield Way redevelopment income loss	120.0					
Beech House tenant incentive scheme	100.0					
subtotal Growth	1,541.2	1,078.9	17.3	96.7	7.2	19.9
Total Growth	2,620.1				27.1	

*space now occupied by RBBC; TH income generation opportunities will be explored subject to outcome of ongoing accommodation review.

Agenda Item 8

Executive
8 November 2018

Agenda Item: 8
Companies Performance Update



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

REPORT OF:	DIRECTOR OF FINANCE AND ORGANISATION
AUTHORS:	Jocelyn Convey
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TO:	EXECUTIVE
DATE:	8 NOVEMBER 2018
EXECUTIVE MEMBER	COUNCILLOR M.A. BRUNT

KEY DECISION REQUIRED:	NO
WARD (S) AFFECTED:	N/A

SUBJECT:	COMPANIES PERFORMANCE UPDATE
RECOMMENDATION:	To note the October 2018 Companies Performance Update, as detailed in the report.
REASONS FOR RECOMMENDATIONS:	To consider the performance of companies owned or part-owned by the Council, as of October 2018.
EXECUTIVE SUMMARY:	<p>This report provides an overview of the performance of the companies currently owned, or part-owned, by the Council.</p> <p>These companies currently consist of Greensand Holdings Ltd, Horley Business Park Development LLP, Pathway for Care Ltd and RBBC Ltd.</p> <p>These issues were considered by the Overview and Scrutiny Committee on 11 October 2018, with key matters and updates summarised in this report.</p> <p>Additional supporting information is set out in the exempt Part 2 section of this agenda (Agenda Item 13).</p>

Executive has the authority to approve the above recommendation.

BACKGROUND

1. Following recent scrutiny activity, it was agreed towards the end of 2017/18 that the Executive and Overview and Scrutiny Committee should receive six monthly updates on the performance of companies owned, or part owned, by the Council.
2. This is the first of such updates and provides an overview of the performance, as of October 2018, of Greensand Holdings Ltd, Horley Business Park Development LLP, Pathway for Care Ltd and RBBC Ltd.

GREENSAND HOLDINGS LTD

3. At its meeting on 15 September 2016 the Executive authorised the setting up of a company limited by guarantee with the Council retaining 100% shareholding.
4. The company, Greensand Holdings Ltd, was established to facilitate the Council's property investment and development work inside and outside the Borough to provide an income stream to the Council. It has been funded by a direct loan from the Council using Council Reserves.
5. The company has looked at a number of possible new acquisitions. These have been discussed with the Executive Property Sub-Committee comprising the Leader, Deputy Leader and the portfolio Holders for Property and Finance. Some of those potential acquisitions have progressed as Council purchases. The company will continue to explore opportunities.

HORLEY BUSINESS PARK DEVELOPMENT LLP

6. The Executive at its meeting on 15 October 2015 authorised the Head of Property (in consultation with the Leader, Deputy Leader, Executive Member for Finance and Executive Member for Property and Regeneration) to finalise and agree terms and enter into binding legal agreements with landowners to form a Joint Venture Limited Liability Partnership (LLP) to bring forward for planning, and subsequent development, employment land in Horley.
7. Work is progressing with the aim of achieving an allocation of the site for employment purposes through the examination in public and adoption in the DMP.
8. Steps are also being taken to acquire land owned by two other parties. The Executive have resolved to purchase land from one owner, and negotiations continue with the other owner to include them in promoting the site. Again, Executive Property Sub-Committee members are briefed on progress.

PATHWAY FOR CARE LTD

9. At its meeting on 14 July 2016 the Executive authorised the Head of Legal Services to incorporate a local authority trading company (trading as Pathway for Care Ltd) with an 80% Council shareholding. The Executive delegated authority to the Chief Executive (in consultation with the Head of Legal and Head of Health and Wellbeing) to finalise all legal documentation to enable the company to begin trading on 1 August 2016.

10. The vision of the company was stated as increasing the patient experience and outcomes in a holistic way whilst generating profit to support more vulnerable and less supported residents. It proposed primarily targeting the 55+ market across three products – assessments, direct support and electronic monitoring. The proposal included a one off equity investment by the Council to get the Company up and running to be recouped from profits in the first 24 months.
11. The Council invested £1.1m in loans to the Company. In 2018 the Council agreed not to invest further, to split the company into two and to sell the majority shares to external investors.
12. Following the sale of the Council's majority interest in Pathway to Care Ltd, the loan was converted to £1.1m in redeemable preference shares.
13. Pathway for Care Ltd currently provides supported living facilities and support for their residents, and is part owned by the Council and Fairhome Group.
14. The new business has been operating for about 5 months. The major shareholder, Fairhome Group, is providing the necessary resources to ensure the company can grow rapidly. The business model involves Fairhome Group acquiring properties. Tenants, who live in a property indefinitely, pay a rent to occupy a flat in the property which generates an income for Fairhome. Tenants are likely to be receiving disability-related benefits, and could receive further assistance towards their rent if they qualify for housing benefit. Pathway for Care delivers services to look after the tenants of the properties.

PATHWAY DIGITAL (RBBC LTD)

15. The Executive, at its meeting on 29 March 2018, agreed to split all activities of Pathway for Care Ltd into a supported living business (described above) and a new digital monitoring company (known as RBBC Ltd) and to support the securing of external investment for those companies.
16. However, the hoped for external investment was ultimately not secured, and it is therefore expected that the digital monitoring company will be closed, subject to consideration by the Executive. Relevant Executive members have been briefed on this development.

CONSULTATION AND NEXT STEPS

17. On 11 October 2018 the Overview and Scrutiny Committee considered various issues in relation to the performance of companies owned/part-owned by the Council.
18. Councillor M.A. Brunt, Leader of the Council, John Jory, Chief Executive, and Joss Convey, Director of Finance and Organisation, attended the meeting.
19. The Committee considered and discussed a wide range of issues, including: (a) the timetable and future arrangements for monitoring performance of companies; (b) the presentation of information; (c) the audit arrangements for each company; (d) matters relating to investment acquisitions and property development; and (e) the process for appointing directors to companies. Members also submitted written

questions and it was noted responses would be circulated in due course to Members.

20. In response to questions about governance, it was highlighted that in accordance with the Executive Resolution from 29 March 2018, a Commercial Governance Review Member Task Group had been established to undertake a review of the commercial arrangements the Council has established in recent years. At this stage, it is anticipated that this review will be completed by the end of 2018 with information being shared with the Overview and Scrutiny Committee before a final report, with recommendations, is presented to the Executive in January 2019.
21. The Chief Executive also provided an update on how risks associated with Council investments were reviewed and some of the processes used to reduce the impact of a risk or the likelihood of a risk being realised. Further information on risk management is set out below.

RISK MANAGEMENT CONSIDERATIONS

22. The information below provides a summary of the risk management considerations in relation to the Council's investments in each company.

Greensand Holdings Ltd

Property Development	<i>Expanding activities in this area increases the Council's exposure to the property market fluctuations and the normal development risks.</i>
	<i>These risks may be exacerbated by Brexit, as markets react to the negotiations that are ongoing following the triggering of Article 50.</i>
	A programme of investment, development and acquisition works has been identified and will be kept under review to adapt to changes in the property market, taking into consideration market and economic conditions.
	A well-defined and resourced Asset Management Plan was approved by the Executive in June 2016. Assets will be transferred into the Company as appropriate.
	The Council will also enter into agreements that it will support the company with any CPOs or appropriations that are required to enable development, where it can be justified by the Council and supports the Council's corporate objectives.

Horley Business Park Development LLP

Planning Policy	<i>Securing a local plan allocation</i>
	The company has been seeking to secure an allocation in the normal way. The site is allocated in the Deposit Draft of the Development Management Plan. An Examination of the Plan is taking place in early November. Prospects of an allocation are, therefore, promising.

Land Acquisition	<i>Securing the land necessary for the development to proceed</i>
	Negotiations continue with the other 2 landowners. One is the County Council and those negotiations are progressing well. The other land owner has at least 2 offers and is considering how to proceed. The Council has twice resolved to use compulsory purchase powers in the event of acquisition by negotiation proving too difficult.
Gatwick	<i>Impact of future expansion plans at Gatwick Airport</i>
	Gatwick Airport published its proposals for future expansion on 18 October 2018 setting out how they would like to take forward the growth of the airport. This proposes use of the emergency runway as a permanent runway, and associated increase in passenger numbers. The proposals are currently in draft and subject to change. Continued joint working with the airport and other stakeholders in relation to scheme design will ensure that development proposals are complementary.
Funding	<i>Future funding for the development</i>
	To date the Council has agreed funding up to the determination of a planning application assuming the county council also make a contribution. Funding has also been provided for the purchase of some land. Long term funding for the project has not yet been secured so is a risk; the Council will need to take a view on if and how to fund the project in the longer term.

Pathway for Care Ltd

Referrals	<i>Ability of the company to generate interest from commissioners in taking tenancies</i>
	This is the key focus of Board Directors activity to convert a number of referrals in progress to actual tenancies. The major shareholder has confirmed to the Council's Chief Executive he is pleased with progress.

Pathway Digital (RBBC LTD) – This company is not active so there are no operational risks to report.

LEGAL IMPLICATIONS

23. There are no specific legal implications arising from the recommendations set out in this report.

FINANCIAL IMPLICATIONS

24. There are no specific financial implications arising from the recommendation set out in this report.

EQUALITIES IMPLICATIONS

25. There are no specific equalities implications arising from the recommendation set out in this report.

COMMUNICATION IMPLICATIONS

26. There are no specific implications for communications arising from the recommendation set out in this report.

OPTIONS

27. **Option 1** – to note the performance of companies currently owned, or part-owned, by the Council, as set out in the report.
28. **Option 2** – ask officers to provide additional information to assist consideration of the performance of companies owned, or part-owned, by the Council.

BACKGROUND PAPERS

29. None.