

Executive Agenda



Reigate & Banstead
BOROUGH COUNCIL
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8 March 2019

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 **MONDAY, 18 MARCH 2019** at **7.30 pm** in the 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 Monday, 18 March 2019 in private for consideration of reports containing "exempt" information

1. **MINUTES** (Pages 7 - 10)

To confirm as a correct record the Minutes of the Executive meeting held on 21 February 2019.

2. **APOLOGIES FOR ABSENCE**

To receive any apologies for absence.

3. **DECLARATIONS OF INTEREST**

To receive any declarations of interest.

4. **COMMERCIAL GOVERNANCE REVIEW** (Pages 11 - 78)

Executive Member: Leader of the Council

To consider findings of a review of the Council's commercial activities and a recommendation for the adoption of a good practice Framework and Checklist to guide future working and ensure lessons from past practice are learnt.

5. **CORPORATE PLAN 2020-2025** (Pages 79 - 106)

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

To consider the emerging Corporate Plan for 2020 – 2025.

6. **TREASURY MANAGEMENT STRATEGY 2019-20** (Pages 107 - 158)

Executive Member: Portfolio Holder for Finance

To consider the Treasury Management Strategy for 2019-20.

7. **OUTLINE CAPITAL INVESTMENT STRATEGY 2019/20** (Pages 159 - 182)

Executive Member: Portfolio Holder for Finance

To consider an outline strategy setting out the Council's approach to capital investment.

8. **OUTLINE HOUSING STRATEGY FOR THE BOROUGH** (Pages 183 - 194)
Executive Member: Deputy Leader and Portfolio Holder for Housing and Benefits

To consider a draft outline Housing Strategy for the Borough.
9. **GOVERNANCE TASK GROUP (CONSTITUTION)** (Pages 195 - 250)
Executive Member: Leader of the Council

To consider the findings and recommendations from the Governance Task Group.
10. **QUARTERLY PERFORMANCE REPORT (Q3 2018/19)** (Pages 251 - 272)
Executive Member: Portfolio Holder for Finance

To consider the performance report for Quarter 3 2018/19, and to consider the revised Key Performance Indicators and Strategic Risks for 2019/20.
11. **OVERVIEW AND SCRUTINY COMMITTEE WORK PROGRAMME 2019/20** (Pages 273 - 284)
Executive Member: Leader of the Council

To consider the proposed Work Programme for the Overview and Scrutiny Committee in 2019/20.
12. **COMPANIES PERFORMANCE UPDATE** (Pages 285 - 298)
Executive Member: Leader of the Council

To receive an update on the performance of companies owned, or part-owned, by the Council.
13. **DISPOSAL OF PROPERTY IN REDHILL** (Pages 299 - 304)
Executive Member: Portfolio Holder for Property and Acquisitions

To consider the disposal of a property in Redhill.

14. **PROPERTY ACQUISITIONS**

Executive Member: Portfolio Holder for Property and Acquisitions

To consider any property acquisitions proposed.

15. **STATEMENTS**

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

16. **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).

17. **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.

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

Executive Member: Leader of the Council

To consider exempt information on the performance of companies owned, or part-owned, by the Council.

19. **DISPOSAL OF PROPERTY IN REDHILL (EXEMPT)**

Executive Member: Portfolio Holder for Property and Acquisitions

To consider exempt information in relation to the disposal of a property in Redhill.

20. **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
21 February 2019

Minutes

BOROUGH OF REIGATE AND BANSTEAD

EXECUTIVE

Minutes of a meeting of the Executive held at the New Council Chamber - Town Hall on 21 February 2019 at 7.30 pm.

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

Also present: Councillors Mrs. R. Absalom, M. S. Blacker, J. C. S. Essex and Mrs. R. S. Turner.

98. MINUTES

RESOLVED: that the Minutes of the Executive meeting held on 24 January 2019 be approved as a correct record and signed.

99. APOLOGIES FOR ABSENCE

Executive Members: Councillor A.C.J. Horwood and Councillor G.J. Knight.

Non-Executive Members: Councillor N.D. Harrison, Councillor R.C. Newstead and Councillor B.A. Stead.

100. DECLARATIONS OF INTEREST

None.

101. DEVELOPMENT MANAGEMENT PLAN: MAIN MODIFICATIONS AND LOCAL DEVELOPMENT SCHEME

Councillor K. Foreman, Executive Member for Planning Policy, submitted a report that sought the endorsement of the proposed Schedule of Main Modifications to the Development Management Plan (DMP) for a period of public consultation as part of the examination process.

Following the examination hearing sessions into the DMP in October/November 2018, it was highlighted that the Council had received initial findings from the Inspector. In response to questions, Councillor Foreman explained that the Council had received a Post Hearing Advice Note which had set out a number of Main Modifications which the Inspector considered necessary in order to secure the soundness of the Plan. It was noted that the positive feedback from the Inspector reflected the hard work that the Council had put in to preparing the document.

It was explained that the Main Modifications, set out in the report presented, would be subject to a six week period of public consultation and that following this the Inspector would be in a position to draft a Final Report.

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In order to finalise the Schedule prior to consultation the Executive Member for Planning Policy explained that there was on-going dialogue with the Inspector. It was noted that this was likely to result in some tweaks or additions the Main Modifications and that delegated authority was being sought to make these changes in order to avoid any delay.

In response to questions, it was made clear that the endorsement sought from the report, and the proposed consultation, focused on the Main Modifications and did not represent an opportunity to re-open other aspects of the DMP. It was also highlighted that the Main Modifications were essentially those that the Inspector had identified as being necessary in order to make the DMP sound. It was noted that failure to accept them for consultation would risk the plan being found unsound.

During the discussion a number of issues were considered, including matters relating to:

- Policy MLS1: Managing land supply;
- Policy MLS2: Safeguarded land for development beyond the plan period;
- Policy DES6: Affordable Housing
- Policy TAP1: Access, parking and servicing;
- The National Planning Policy Framework; and
- The Community Infrastructure Levy (CIL).

Councillor Foreman concluded by explaining that the report also sought approval for a revised Local Development Scheme (LDS). This set out the Council's timetable for preparing Local Plan documents. It was noted that the revisions reflected the fact that the examination of the DMP had taken longer than envisaged, resulting in a slightly later expected adoption date. It was also highlighted that the revised LDS set out an updated timetable for bringing forward a replacement for the Council's Core Strategy. This would ensure the Borough continued to have robust, relevant and appropriate local planning policies.

RESOLVED that:

- (i) The Development Management Plan: Schedule of Main Modifications, set out in Annex 1 of the report presented, be endorsed for public consultation and that the Head of Planning, in consultation with the Executive Member for Planning Policy, be authorised to make any necessary amendments to the document as may be suggested by the Planning Inspector prior to public consultation and to collate and submit representations arising from the consultation to the Planning Inspector as part of the examination process.
- (ii) The revised Local Development Scheme (LDS), set out in Annex 2 to the report presented, be adopted and take immediate effect.

Reason for decision: To support the Development Management Plan through the examination process and to ensure an up to date Local Development Scheme is maintained by the Council.

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Alternative options: To not endorse the Main Modifications to the Development Management Plan, or to suggest alternative Main Modifications to the Development Management Plan, for public consultation and/or not to approve the revised Local Development Scheme.

102. STRATEGIC PROCUREMENT OF FACILITIES MANAGEMENT - MECHANICAL SERVICES CONTRACT

Councillor Mrs N.J. Bramhall, Executive Member for Property and Acquisitions, submitted a report recommending the award of a three year contract for mechanical services. It was noted that Executive authority was required as this was a Strategic Procurement under the Council's Contract Procedure Rules.

The Executive Member for Property and Acquisitions explained that the recent tender had been procured in line with EU Procurement Regulations and the Council's procurement procedures and had demonstrated Best Value in the marketplace.

In response to questions, it was explained that the new contract consolidated a number of existing services which provided centralisation and simplification for management purposes, along with formalising a 24 hour 365 day responsive services for elements included within the contract. It was anticipated annual orders would be placed from existing revenue budget provisions.

Councillor Mrs Bramhall explained full details of the scoring process and financial implications of the contract had been set out in the exempt Part 2 report on the agenda.

Clerk's note – at this point in the meeting (at 8.01pm) agenda item 5 (Strategic Procurement of Facilities Management – Mechanical Services Contract) was adjourned so that exempt information, at agenda items 9 (Exempt Business) and 10 (Strategic Procurement of Facilities Management – Mechanical Services Contract – 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. On conclusion of agenda item 9 (at 8.04pm) the Executive returned to agenda item 5 and;

RESOLVED that the Council award a three year contract to the successful contractor, set out in the exempt report in Part 2 of the agenda, based upon annual orders placed for mechanical services for an initial three year term, commencing on 1st April 2019 – 31st March 2022, with the option for up to two one year extensions (the extensions being subject to satisfactory performance and budget affordability).

Reason for decision: Executive authority was required for this contract as this was a Strategic Procurement under the Council's Contract Procedure Rules.

Alternative options: The recommended option of a five year contract (three years plus two sequential one year options to extend) complied with the Council's Contract Procedure Rules and EU Procurement Regulations. The other options (to continue with current suppliers or retender the services on an annual basis) were not available to the Council as these would not have been legally compliant for reasons set out in the report presented.

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103. PROPERTY ACQUISITIONS

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

104. STATEMENTS

None.

105. ANY OTHER URGENT BUSINESS

None.

106. EXEMPT BUSINESS

RESOLVED that members of the press and public be excluded from the meeting for agenda item 10 (Strategic Procurement of Facilities Management - Mechanical Services Contract - Exempt) 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.

107. STRATEGIC PROCUREMENT OF FACILITIES MANAGEMENT - MECHANICAL SERVICES CONTRACT (EXEMPT)

RESOLVED that the exempt information in relation to the Strategic Procurement of Facilities Management – Mechanical Services Contract be noted.

108. PROPERTY ACQUISITIONS (EXEMPT)

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

The Meeting closed at 8.04 pm

Agenda Item 4



DIRECTOR	Director of Finance and Organisation
AUTHOR	John Jones, Interim Head of Legal and Governance
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EMAIL	john.jones@reigate-banstead.gov.uk
TO	Executive
DATE	Monday, 18 March 2019
EXECUTIVE MEMBER	Leader of the Council

KEY DECISION REQUIRED	Yes
WARDS AFFECTED	(All Wards);

SUBJECT	Commercial Governance Review 2018
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<p>RECOMMENDATIONS:</p> <p>(i) To note the findings of the Commercial Review Member Task Group;</p> <p>(ii) To agree the adoption and implementation of the Commercial Governance Framework, subject to noting and determining where appropriate:</p> <ul style="list-style-type: none"> • Overview and Scrutiny Committee's recommendations set out at paragraphs 23 and 24 of the report; • the Internal Audit suggestions set out in paragraphs 13 - 15 of the report.
<p>REASONS FOR RECOMMENDATIONS:</p> <p>This report sets out the findings of a review of the Council's commercial activities. It proposes the adoption of a good practice Framework and Checklist to guide future working and ensure lessons from past practice are implemented.</p>
<p>EXECUTIVE SUMMARY:</p> <ul style="list-style-type: none"> • A Member Task Group was commissioned by the Overview and Scrutiny Committee to undertake a review of the commercial arrangements the Council has established in recent years. Councillors Ellacott, Harrison, Lynch, Parnall and Walsh sat on the Group and it was supported by John Jones (Interim Head of Legal and Governance) and Sandra Prail (external consultant) • The findings of the review are now presented to the Executive for approval. The Overview and Scrutiny Committee on 14 February 2019 considered the Member Task Group proposals and an extract of the Minutes of that meeting are attached at Appendix E.

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- The findings of the Internal Audit review are attached at Appendix F and summarised in paragraphs 13 and 14 for the Executive's consideration.

Executive has authority to approve the above recommendations

STATUTORY POWERS

1. The Council has the power to set up alternative delivery vehicles to exercise its powers and duties.

BACKGROUND

KEY INFORMATION

Terms of Reference

2. In accordance with an Executive Resolution on 29 March 2018 (and following a similar request from the Overview & Scrutiny Committee on 7 December 2017) a Member Task Group was set up to undertake a review of the governance of the commercial arrangements the Council has established in recent years.
3. The review was led by the Interim Monitoring Officer assisted by an external consultant. The purpose of the review was to examine the experience of the Council's commercial activities to date, to identify lessons learnt to be applied to future commercial activities. The scope of the review was agreed to include Pathway for Care Ltd, RBBC Ltd, Greensand Holdings Ltd and Horley Business Park LLP.
4. The Leader of the Council appointed the following Councillors to sit on the Group - Councillor Ellacott (Chair), Harrison, Lynch, Parnall and Walsh.
5. A copy of the Terms of Reference of the Member Task Group is attached at **Appendix A**.

Methodology and Approach

6. The Task Group adopted an evidence led approach which focussed on future learning rather than a forensic examination of past working. The Group identified a series of key questions and lines of enquiry that would inform its review. These key lines of enquiry (KLOE) provided a structured and transparent framework for the review and can be found at **Appendix B (Annexes i-iii)** for Pathway for Care; Greensand Holdings and Horley Business Park). It also compiled a document library of sources of best practice.
7. Based on a documentary review of Council/Committee reports and minutes draft summaries of findings were produced for each venture. In the case of Pathway for Care Ltd additional evidence was sought from the Council's s151 Officer.
8. The draft findings were circulated to all members and those serving officers who were involved in the history of the arrangements. Eight members responded and the former Leader of the Council and the Chief Executive were invited to and attended a meeting of the Group. The Group reviewed their draft findings taking into account the additional evidence.
9. At **Appendix C (Annexes i-iv)** are the findings of the Group in relation to Pathway for Care Ltd, Greensand Holdings Ltd, Horley Business Park LLP and RBBC Ltd. Common themes include a lack of detailed performance measures against which to hold the venture to account, an absence of skills assessment in the appointment of individuals to roles and no agreed and regular reporting timetable to a formal shareholder body.

Agenda Item 4

10. The findings from the review have informed the design of a Framework and Checklist to inform future working. The Framework is intended to represent best practice and to provide practical advice for future projects. It has been shared with the Council's auditors, RSM who have been asked to endorse its use as good practice.
11. The Framework can be found at Appendix D. In summary it comprises a checklist of issues and "golden rules" which it is proposed must be applied (or explicitly considered) whenever the Council proposes to set up a commercial venture. It is intended that the Framework will be applied to the existing commercial entities to the extent that this is practical and possible. The Executive will determine how and when to make the resulting changes to their governance.
12. It provides a routemap for decision making and a documented template for future projects. It ensures that an options appraisal informs the choice of commercial body; that a clear Business Plan is approved at outset as the basis on which any funds are advanced and to which the Directors can be held accountable; that the shareholder function is clearly delegated to a single Executive Sub-Committee which holds the venture to account against agreed key performance measures and milestones; and that the appointment of representatives is skills based to maximise the likelihood of success and to reduce the potential for conflict of interest.
13. The Internal Auditors have been requested to review the draft Framework. The report from the Auditors have made the following comment on the draft Framework:

"The proposed Commercial Governance Framework provides good high-level guidance on key areas of expected control. This prescriptive approach for determining areas for governance and the consideration of future commercial relationships with the Council ensures that a systematic and consistent methodology can be demonstrated. We have made some minor suggestions for improvement to the draft proposal as set out at Appendix A of this document."
14. The full report is attached at **Appendix F**. The suggested refinements/comments fall under three general headings and there are seven points in total. The Executive is asked to note these refinements.
15. It is recommended that that sub-committee of the Executive for Commercial Governance to be established, be tasked with considering these refinements/comments when implementing the Framework and finalising the version of the Framework to be adopted in the Constitution.

OPTIONS

16. The Executive can either adopt or reject the recommendations of the Task Group .

LEGAL IMPLICATIONS

17. The recommendation of the Task Group provides a robust process to follow in making decisions as to whether the Council should in the future enter into commercial arrangements and an effective means for assessing on-going good governance of Council ventures.

FINANCIAL IMPLICATIONS

18. There is no direct financial implications as a result of this report, although the key findings do refer to how financial transactions were dealt with regarding the Council's existing commercial arrangements.

EQUALITIES IMPLICATIONS

19. None

COMMUNICATION IMPLICATIONS

20. None

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RISK MANAGEMENT CONSIDERATIONS

21. If the recommendation is adopted this will limit the risk to the authority as the proposed Framework requires risk to the Council to be assessed before agreeing to proceed with the setting up of a commercial organisation

OTHER IMPLICATIONS

22. None

CONSULTATION

23. This report was shared with the Council's Overview and Scrutiny Committee at its meeting on 14 February 2019. An extract of the Committee's minutes are attached at **Appendix E** from which it can be seen that the Committee gave full consideration to the proposals. In particular the Committee requested that the Executive:
- Consider changing the wording of the Framework in relation to the appointment of non-executive directors, particularly section 6.(viii), to clarify that appointment of non-executive directors be considered as part of the establishment of commercial ventures, as part of the associated Executive report, rather than at a later date and;
 - The proposed framework, if agreed by the Executive, be incorporated into the Council's constitution.
24. The Executive is requested to consider the recommendations of the Overview and Scrutiny Committee although in respect of the appointment non-executive directors it is not standard practice to appoint a non-executive director until after the initial incorporation of the company and therefore the recommendation is that such appointment be considered in the early stages of any company formation.

POLICY FRAMEWORK

25. The recommendation in this report is not in conflict with the Councils Policy Framework

Background Papers: None

Commercial Governance Review 2018

Member Task Group

Terms of Reference

Definition

The Commercial Governance Review Member Task Group is established in accordance with Protocol 2 of Part 5 of the Council's Constitution.

The Task Group is formally established by the Leader of the Council, who is responsible for appointing / removing Councillors to the group and selecting a Chairman.

Purpose

The Task Group has been established for a time limited duration to undertake a review of the commercial arrangements the Council has established in recent years. This is in accordance with the Executive Resolution on 29 March 2018, but it is explicitly acknowledged that the scope of the Task Group's work shall not be restricted to that which was set out in that Resolution.

It is intended that the review be completed by the end of September 2018.

Membership

The Task Group will be made up of 5 Councillors. Whilst there is no legal requirement to meet political balance requirements, the Task Group protocol states that membership should generally reflect the membership of the Council.

As a result the membership will include 4 (four) Councillors from the Conservative Group and 1 (one) other Councillor from another political group. Membership is set out in Annex 2.

Meetings

Meetings will be held on dates and at times agreed by the Chairman.

The conduct of the Task Group meetings shall be a matter for the Chairman.

In the absence of the Chairman, the Task Group shall elect a Chairman for the meeting.

Quorum

The quorum of the Task Group shall be not less than 3 (three) Members.

Voting

Voting at the Task Group shall be by a show of hands.

In the case of an equality of votes, the Chairman shall have a second or casting vote.

Decisions

All decisions of the Task Group shall be by way of recommendations to the Leader of the Council.

Attendance by non-Members

All Members have the right to attend a formal meeting of the Task Group but may only speak with the agreement of the Chairman.

Meetings will generally be held in private.

Terms of Reference

Purpose

The purpose of the review is to examine the experience of the Council's commercial activities to date, to identify lessons which are relevant to and should be applied to its future commercial activities.

Scope

The Task Group will consider the arrangements in relation to all commercial activities that the Council is or has been involved in. This includes:

- Pathway for Care Limited
- RBBC Limited
- Greensand Holdings Limited
- Horley Business Park LLP
- Directly held Council investments (property and financial)
- Any known future commercial structures (e.g. revenues and benefits company)

Annex 1 sets out a non-exhaustive list of areas which the Task Group should consider.

Outcomes

The Task Group shall make recommendations on any changes that may be identified as a result of its work. This may include new policies / procedures, amendments to existing structures and revisions to the Constitution.

These will be reported to the Leader of the Council / Executive for consideration.

Stakeholders

There are a number of key stakeholders that need to be engaged in the review in order for it to be effective and deliver positive outcomes:

- Leader of the Council
- Portfolio Holders
- Overview & Scrutiny Committee
- All Councillors
- Company Directors (current and past)
- Monitoring Officer
- Head of Paid Service
- S151 Officer

Approach

As set out in the Executive Resolution, the Monitoring Officer will be the lead officer, managing the review.

It is proposed that an external consultant(s) be appointed to support Member workshops to ensure all stakeholders are engaged in the process. This will also ensure the process is seen as fair and unbiased.

Any negative contributory factors that are identified will not be attributed to named individuals or posts. The objective is to identify lessons learned for the future.

Specialised legal and/or accounting input may also be commissioned to assist with review of detailed questions.

The review should also seek to learn from how other Councils manage commercial activities and seek out best practice from across the sector and beyond.

Annex 1

The review should include the following considerations/elements of commercial activities:

- Roles and responsibilities
 - Within the company
 - Within the Council
- Company structures
 - Directors
 - Who?
 - Appointment process
 - Option for Non-Executive Directors?
 - Remuneration
 - Shareholder
 - Who?
 - How?
 - Clear and consistent structures and delegations
 - Conflicts of Interest
- Business plans and performance reporting
- Alignment to 5 Year Plan
- Criteria for future commercial activities
- Council Committee structures
 - What oversight is in place / should be in place
 - Council
 - Executive
 - Overview & Scrutiny Committee
 - Member Panel
- Access to information
 - Wholly owned companies
 - Joint venture companies
- Consistency of approach
- Proportionality and risk

Annex 2: Membership

Cllr Mark Brunt, Leader of the Council, has appointed the following Councillors to the Working Group

- Cllr Ellacott (Chairman)
- Cllr Harrison
- Cllr Lynch
- Cllr Parnall
- Cllr Walsh

Signed:

A black rectangular box redacting the signature.

Dated:

11 / 07 / 2018

Executive
18 March 2019
Pathway for Care Ltd
Key Lines of Enquiry (KLOE)

Stage	KLOE	Questions to probe Looking forward (is this covered?) and backwards (did this happen?)	Pathway for Care Ltd Evidence from Council minutes	Task Group initial findings
Initiation	Strategic objectives (why bother?)	Were these set out fully and properly from the outset (before committing costs)?	Reports to Executive 14 July 2016 authorised the creation of a local authority wellbeing and integrated support services company. The report noted that Pathway for Care vision and aim was to improve patient experience, whilst at the same time generating profit.	The strategic objectives were identified at the outset but at a high level with relatively limited detail.
	Are clear strategic objectives driving the project?	Did/Does the project fit with the Council's vision?	The report signposts the 5 year plan objective of being financially self-sufficient.	The objective of generating a profit fits with the Council's corporate vision of being financially self –sufficient and improving patient experience fits within its health and well being remit.
		Was/Is there sufficient member buy-in?	The report identifies consultation with the Leader, Deputy Leader, Exec members for health, finance, property and regeneration and leisure and wellbeing.	Member workshops at the outset of the project helped gain wide engagement. Members bought into the initial proposal but the subsequent lack of detail meant that some members felt

Stage	KLOE	Questions to probe Looking forward (is this covered?) and backwards (did this happen?)	Pathway for Care Ltd Evidence from Council minutes	Task Group initial findings
				inadequately briefed.
		Was/Is it worth investing time and resources? What were/are the costs/ benefits? Can losses be absorbed?	The report includes a section on risk – it states that the business was to be set up to ensure that viability could be tested quickly and within 6 months. A financial summary set out a projected 3 year balance sheet including annual projected income and projected cash flow. ‘Conservative’ projections: In the first year of trading in 16/17 forecast revenue of £177800 with losses of £258841 – projected revenues end 18/19 in excess of £2m with gross profits of £900k. Projected cash flow ‘ the business will not be profitable in its early stages and will require working capital from the Council in the form of upto £350k draw down facility.’	The set up reports identified the projected loss before profit generation. Controls were not however placed at the outset on the borrowing limits beyond the initially agreed ceiling nor the timescale for profit generation which if not met would trigger a review.
		Was/Is the Council's role in commercial decision making clear?	The report set out governance arrangements including Board and Shareholder functions. Council's role as Shareholder outlined.	The reports set out governance arrangements and make clear the Council's role as shareholder.
		How were / are the objectives agreed and formally signed off - if so by who?	The report authorised the Health & Well Being Executive Sub Committee to finalise specified arrangement (including Directors Service Agreements, Loan& Draw Down agreement) and recommended delegated authority to the Chief Executive in consultation with the head of Legal Service and Head of Health & Wellbeing to finalise necessary arrangements for the company to	Executive exercised powers of sign off and delegated specific arrangements to a sub committee.

Stage	KLOE	Questions to probe Looking forward (is this covered?) and backwards (did this happen?)	Pathway for Care Ltd Evidence from Council minutes	Task Group initial findings
			begin trading on 1 August 2016. Executive noted financial projections and the business plan at its meeting on 15 September 2016. It noted allocation of funding from the Corporate Plan Delivery Fund	
Planning	Thorough planning & due diligence			Overall the Group found that the planning and due diligence covered appropriate areas but that it lacked detail and analysis. The Group felt that the business case would not have persuaded a bank to lend funds.
	Have all options been considered?	Have alternative delivery vehicles been assessed to establish most appropriate vehicle for project?	The report states that as the company operates for purely commercial purposes and may operate outside borough boundaries the relevant power to set up controlled company is s 1 Localism Act 2011. No assessment of alternative vehicles.	Members were presented with a single option as the vehicle to achieve the objectives. They were not presented with any analysis of alternative vehicles.
		Did/Does the assessment cover relevant criteria including costs, cash flow, complexity, risks (including reputational risks), return on investment, dividends/profit	The report includes a risk assessment and a financial assessment but not against different delivery models.	n/a as no options analysis

Stage	KLOE	Questions to probe Looking forward (is this covered?) and backwards (did this happen?)	Pathway for Care Ltd Evidence from Council minutes	Task Group initial findings
		distribution?		
	Was/Is there a robust business case?	Did/Does the business case adequately cover	The report states that 'it is imperative that an appropriate governance structure is in place'	
		Optimal governance arrangement including: Role of Board chair Composition of Board NEDS? Stakeholder committee Role of Council in commercial activity Procurement and fraud controls Effectiveness of Board evaluation Reporting to Council – content and mechanism Employee/Directors – managing conflict of interest Availability and distribution of information	No specific reference in the report to the role of the Chair. Report states Shareholders might wish to appoint NED once operational. Report sets out role of stakeholder committee and recommended role taken by a sub-Committee, separation of functions between officers on Board and those advising sub Committee noted. Initial report references potential conflicts of interest. Para 30 initial report ' the council must provide information about the affairs of the company to any member of the local authority as they reasonably require for the proper discharge of the member's responsibilities'.	The importance of the role of NEDs was recognised from set up but the Council did not specify this as a requirement to be delivered within a specific timetable. This meant that implementation was able to slip with no clear plan for delivery. The business plan did not specify clearly how the effectiveness of the Board would be evaluated or the reporting mechanisms/content for doing so.
		Financial plans and controls including authorisation of expenditure	Financial projections and updates to sub Committee. Delegation of finalisation of documents to named officers – eg 6 Nov Sub Committee S151 officer be authorised to	Authorisation of increased loan ceilings was clear but the analysis prior to authorisation was not detailed enough. The

Stage	KLOE	Questions to probe Looking forward (is this covered?) and backwards (did this happen?)	Pathway for Care Ltd Evidence from Council minutes	Task Group initial findings
			increase the loan ceiling to Pathway for Care	evaluation of risk and achievability of future projections was not robustly tested -for example the report contained little data on likely conversion rate of pipeline negotiations. There was a general lack of objective challenge to test projections and assumptions about future growth before authorising significant increases in borrowing.
		People management/leadership and commercial skillsets	General references to skills eg 'as the company progresses its business the sub Committee will want to ensure that the Board of Directors contains all the necessary skill sets required to give Pathway strategic direction in line with the latest industry projections/thinking'	Whilst there was a recognition of the need for appropriate skills there was no analysis of the skills/track record of individuals against required skills.
		Transfer of assets and support costs	Exec sub Committee authorised to finalise business plan and resourcing agreement for company to use council staff and facilities	There was clarity about the agreement for the company to use council staff and facilities
		Business activity and operational plans based on market research	Business plan includes section on target market and research relied upon.	Whilst the business plan includes a section on target market and research relied upon the content was not detailed.
		Success/outcome measures	The initial summary business plan identified 3 targets for first 6 months: 1. Support a further 300 older people	The business case which underpinned the project would have benefited from clearer

Stage	KLOE	Questions to probe Looking forward (is this covered?) and backwards (did this happen?)	Pathway for Care Ltd Evidence from Council minutes	Task Group initial findings
			<p>with assessments and /or direct care and support hours;</p> <p>2. Extend reach to working age adults needing direct support either at home or in supported living tenancies;</p> <p>3. Attract 1100 further digital monitoring subscribers.</p> <p>2 KPIS in revised business plan (evidence Pathway helping people and financial projections on track to being profitable by 2018/19).O&S recommended cash flow and pathway capital KPIS.</p>	quantifiable targets and milestones and specific triggers for reporting against these milestones, particularly in relation to financial return and conversion of prospective leads to agreed sales. There was no agreed reporting process whereby any deviation from the business plan would be reported to the Exec Sub Committee which meant that progress was not well tracked and an optimistic projections turned to requests for additional funding.
		Reporting mechanisms	Para 27 initial report ‘ the shareholder will set out the performance levels required for the company and the tolerances within which the company may operate’. Shareholder agreement (draft) refers back to business plan.	The content and timing of updates from the Company was at the discretion of the Company rather than against the delivery of success measures set by the Council. This meant that requests for significant additional funding came as a surprise after earlier positive growth assumptions.
		Risk management and mitigation	All reports include a section on risk.	Reports included a narrative on risk but these were not detailed or quantified.
		Liabilities and taxation	Report identified liability to corporation tax on	The report adequately identified

Stage	KLOE	Questions to probe Looking forward (is this covered?) and backwards (did this happen?)	Pathway for Care Ltd Evidence from Council minutes	Task Group initial findings
			profits and need to charge VAT	taxation liabilities
		Business, tax, legal and finance sign off before final decision	Initial report has paragraphs on tax (para 43 'the company will be liable to corporation tax in the normal manner on profits and will need to charge VAT'; legal (para 49) and an exempt financial assessment.	
		Exit strategy	No express reference to an exit strategy in initial report but para 52 'if the model does not look viable after 6 months then further investment can be reviewed and if necessary curtailed'.	The call-in demonstrated that the Council's constitutional arrangement for holding the executive to account were in place and capable of implementation. The outcome of 'no further action' in relation to the increase in loan facilities endorsed the Executive's decision meaning there was the opportunity for wide member input. However, the need for this review suggests that the scrutiny function did not resolve issues effectively.
Execution	Implementati on			
	Was/Is the delivery of the project being tracked and monitored			Overall the Group found that the absence of performance indicators/ milestones for delivery and agreed mechanisms for feedback on performance prevented effective monitoring of

Stage	KLOE	Questions to probe Looking forward (is this covered?) and backwards (did this happen?)	Pathway for Care Ltd Evidence from Council minutes	Task Group initial findings
	and early action being taken to address risks?			performance and early intervention action to address risks.
		Was/Is performance, resource and financial information being adequately tracked?	Update reports as per schedule.	Performance indicators in the business plan were not comprehensive and performance reporting was not to an agreed process and timeline.
		What business management reporting processes were /are in place & were they carried out appropriately		As above
		What processes were / are in place to manage income (sales) & to confirm compliance with the agreed business case?		As above
		How were /are financial forecasting reviewed and managed to ensure adequate funding & cash flow was available to confirm compliance with the business case?	Executive determined requests for additional draw down - 9 Nov 2017 authorised s151 officer to increase loan ceiling to £1.1m (decision the subject of call in).	To be covered in financial discussion with s151 officer
		What financial controls		To be covered in financial

Stage	KLOE	Questions to probe Looking forward (is this covered?) and backwards (did this happen?)	Pathway for Care Ltd Evidence from Council minutes	Task Group initial findings
		were/ are in place to ensure expenditure complied with the agreed business case ?		discussion with s151 officer
		What were / are the processes for agreeing changes to the business case (services delivered / sold / finances & resources required) ?	The business plan was updated during the project and O&S recommended changes. No detail on process for change	There was a lack of agreed process for change control.
		Was / Is risk being actively monitored and how was this achieved?	All executive and sub Committee reports include a section on risk. 'The quality of risk management taking place in the company is at least as good as that within the Council' (O&S 26 April response to question).	Reports included a narrative on risk but these were not detailed or quantified. There was no analysis of likelihood/impact nor any description of mitigation measures in place.
		Was/Is there assurance that no project creep occurring? What change control processes were / are in place?	Update reports included descriptions of service delivery and contract pipeline	As above
Closure	Project closure			
		Was/Is the exit strategy being followed?	Call – in by O&S led to pre-scrutiny of recommendations to change business model	
		Was/Is there a review of project?	Member Task Group	
		Were/Are lessons learnt being captured and	ToR of Member Task Group includes identifying lessons learnt.	

Stage	KLOE	Questions to probe Looking forward (is this covered?) and backwards (did this happen?)	Pathway for Care Ltd Evidence from Council minutes	Task Group initial findings
		implemented?		

Executive
18 March 2019

Key Lines of Enquiry (KLOE) Horley Business Park LLP

Stage	KLOE	Questions to probe Looking forward (is this covered?) and backwards (did this happen?)	Horley Business Park LLP Evidence from Council minutes	Task Group Initial Findings
Initiation	Strategic objectives (why bother?)	Were these set out fully and properly from the outset (before committing costs)?	Exec 15 Oct 2015 report authorising creation of LLP set out links to corporate plan and core strategy – ie creating new jobs for resilient, vibrant economy.	
	Are clear strategic objectives driving the project?	Did/Does the project fit with the Council's vision?	Exec report 15 Oct 2015 identified a clear fit with the Council's vision to create jobs and demand for units of a suitable scale in Gatwick Diamond sub-region.	
		Was/Is there sufficient member buy-in?	Executive report authorised creation of vehicle. It noted briefings have been given to management team, executive members for regeneration, property and finance, Horley ward members and officers in property, planning, policy and regeneration.	
		Was/Is it worth investing time and resources? What were/are the costs/benefits? Can losses be absorbed?	The exempt report to executive 15 Oct 2018 included a viability study and stage 1 costs.	
		Was/Is the Council's role in		

		commercial decision making clear?		
		How were / are the objectives agreed and formally signed off - if so by who?	Executive 15 Oct 2015 authorised the creation of a JV LLP or Company.	
Planning	Thorough planning & due diligence			
	Have all options been considered?	Have alternative delivery vehicles been assessed to establish most appropriate vehicle for project?	The Executive report which authorised the set up of a JV identified options being a LLP or Co and delegated authority to set up either. No assessment of pros and cons of each or why LLP eventually chosen vehicle.	
		Did/Does the assessment cover relevant criteria including costs, cash flow, complexity, risks (including reputational risks), return on investment, dividends/profit distribution?	n/a	
	Was/Is there a robust business case?	Did/Does the business case adequately cover		

		Optimal governance arrangement including: Role of Board chair Composition of Board NEDS? Stakeholder committee Role of Council in commercial activity Procurement and fraud controls Effectiveness of Board evaluation Reporting to Council – content and mechanism Employee/Directors – managing conflict of interest Availability and distribution of information	The executive meeting of 15 October resolved to appoint Chief Exec and Head of property as the Council's reps on a LLP/Noe Co. No skills assessment. The Exec report identified the set up of a Strategic Property Advisory Group (SPAG) and that the project would be managed with key sign off stages – (1. Initial viability; 2. Site master plan and outline planning application; 3. Development master plan, construction tenders, reserved matters planning application; 4. Tenders received, lettings secured, construction).	
		Financial plans and controls including authorisation of expenditure	Reference to key sign off stages and involvement of SPAG.	
		People management/leadership and commercial skillsets	No skills audit	
		Transfer of assets and support costs	Head of Finance given Exec approval to provide management accounting services to the vehicle and make suitable arrangements for statutory accounting and reporting.	
		Business activity and operational plans based on market research	Business viability review considered by the Executive included analytical review of peer group business parks in the south east and effects of a potential second runway at Gatwick airport.	

		Success/outcome measures	Costs of stage 1 and 2 set out in initial exempt report to Executive. No timeline for sign off stages.	
		Reporting mechanisms	Set up of SPAG (advisory) Executive to receive staged report.	
		Risk management and mitigation	The exec report setting up vehicle included section on risk management – identified strong track record and team, potential planning issues, development risks. The exec report on use of CPO powers identified risks as developer unable to provide sufficient financial undertaking (mitigated by indemnity) and unlikely risk of legal challenge. Legal advice taken on state aid.	
		Liabilities and taxation	Reference to no corporation tax being payable.	
		Business, tax, legal and finance sign off before final decision		
		Exit strategy	Sign off stages identified as opportunities for review.	
Execution	Implementation			
	Was/Is the delivery of the project being tracked and monitored and early action being taken to address risks?			
		Was/Is performance, resource and financial information being adequately tracked?	Reports to Executive	
		What business management reporting processes were /are in place & were they carried out		

		appropriately		
		What processes were / are in place to manage income (sales) & to confirm compliance with the agreed business case?		
		How were /are financial forecasting reviewed and managed to ensure adequate funding & cashflow was available to confirm compliance with the business case?		
		What financial controls were/ are in place to ensure expenditure complied with the agreed business case ?		
		What were / are the processes for agreeing changes to the business case (services delivered / sold / finances & resources required) ?		
		Was / Is risk being actively monitored and how was this achieved?	Risk assessments in executive reports	
		Was/Is there assurance that no project creep occurring? What change control processes were / are in place?		
Closure	Project closure			
		Was/Is the exit strategy being followed?	n/a	
		Was/Is there a review of project?	Commercial governance member task group	
		Were/Are lessons learnt being captured and implemented?	Tor of task group to identify lessons learnt	

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Executive
18 March 2019

Key Lines of Enquiry (KLOE) Greensand Holdings

Stage	KLOE	Questions to probe Looking forward (is this covered?) and backwards (did this happen?)	Greensands Holdings Ltd Evidence from Council minutes	Task Group Initial Findings
Initiation	Strategic objectives (why bother?)	Were these set out fully and properly from the outset (before committing costs)?	In December 2014 the Executive agreed an approach to property investment. The objective was stated as increasing the value and income derived from Council property and assets to ensure financial sustainability and to overcome the challenges facing local government without substantial cuts to services. The Executive report of 15 Sept 2016 which authorised a wholly owned LATC referenced this approach and repeated the objectives.	The strategic objectives for setting up the Company were fully set out from the outset.
	Are clear strategic objectives driving the project?	Did/Does the project fit with the Council's vision?	The 5 Year plan 2015-20 describes the strategic objective of being financially self sufficient and how property investment is intended to help meet that	The Company was a vehicle to deliver on the Council's corporate objective of being financially self sufficient. This meant there was a

			objective.	clear strategic objective driving the Company set up.
		Was/Is there sufficient member buy-in?	<p>Key decisions made by the Executive. Pre decision making scrutiny of the proposal to set up the Company (8 Sept 2016 O&S).</p> <p>One property company progress report to Executive 9 Nov 2017.</p> <p>No Property Sub Committee meetings held in 2016/17 municipal year (O&S 8 Sept 2016 noted that Property Sub Committee would at least initially meet as and when required).. No post set up Overview & Scrutiny meetings.</p>	Pre decision scrutiny of the decision to set up the Company led to wide member buy-in at the outset. But the lack of subsequent meetings of the Property Sub and O&S and only one progress report to the Executive meant that member engagement was limited after the initial set up.
		<p>Was/Is it worth investing time and resources?</p> <p>What were/are the costs/ benefits?</p> <p>Can losses be absorbed?</p>	<p>The report authorising the company set up includes a section on risk.</p> <p>‘Each acquisition will be considered in light of investment and development appraisals, the overriding economic conditions prevailing, occupational and investment demand as well as the associated due diligence. These appraisals will be provided to</p>	

			<p>members of the property Sub Committee.</p> <p>‘There will be ongoing liaison (as exists as present) between officers and councillors to ensure there are clear channels of communication and that councillors remain comfortable at all times with proposed deals’.</p> <p>Executive 15 September 2016 report states that the initial draw down facility will be upto £8m initially and that loan to value debt will not exceed a 70/30 ratio to loan debt. The initial funding and loan agreement excludes funding for Cromwell Road (approved budget £5.61m)</p>	
		Was/Is the Council's role in commercial decision making clear?	<p>The 15 Sept 2016 report setting up the company noted that it was imperative to set up an appropriate governance structure. It delegated the shareholder function to Property Sub Committee and required that it ‘set out the performance levels required for the company and the tolerances (eg financial and decision making) within which the company may operate’.</p>	

		How were / are the objectives agreed and formally signed off - if so by who?	Executive 15 September 2016 authorised the set up of the Company.	
Planning	Thorough planning & due diligence			
	Have all options been considered?	Have alternative delivery vehicles been assessed to establish most appropriate vehicle for project?	Executive 15 September 2016 ' It is important that the company has enough flexibility to buy considered opportunities and work on a commercial basis. This may include joint ventures, special purpose vehicles, and possibly development management agreements'.	
		Did/Does the assessment cover relevant criteria including costs, cash flow, complexity, risks (including reputational risks), return on investment, dividends/profit distribution?	The draft business plan (Property Sub 14 November 2016) records initial funds (ex VAT) of £8m by way of loans as documented in the loan agreement with interest charged at market rate (est 6% compounded annually) or rate required to meet state aid provisions. Further funding may be provided by the Council at rates not exceeding a loan to value rate of 70/30 at interest rate of est 6% or secured from commercial markets . Transfer of Council property assets through an additional loan (sites listed in	

			<p>the plan).</p> <p>The draft stakeholder agreement (Property Sub 14 November 2016) provides that the company shall circulate a revised version of the business plan to shareholders by end Novembers each year for comment and consent.</p>	
	<p>Was/Is there a robust business case?</p>	<p>Did/Does the business case adequately cover</p>	<p>The pre scrutiny report prior to the executive report of 15 Sept 2016 requested that consideration be given to the appointment of NEDs at an appropriate time.</p>	

		<p>Optimal governance arrangement including:</p> <p>Role of Board chair</p> <p>Composition of Board NEDS?</p> <p>Stakeholder committee</p> <p>Role of Council in commercial activity</p> <p>Procurement and fraud controls</p> <p>Effectiveness of Board evaluation</p> <p>Reporting to Council – content and mechanism</p> <p>Employee/Directors – managing conflict of interest</p> <p>Availability and distribution of information</p>	<p>Property Sub Committee appointed Joint Managing Directors and Finance Director at meeting on 14 November 2016.</p> <p>No reference in reports to the role of the Board chair.</p> <p>Draft business plan identifies immediate goals and objectives - no financial targets, no reporting mechanism or timetable.</p> <p>The set up Exec report identified the potential for conflicts of interest but stated that ‘at present it is not envisaged that conflicts will emerge but this will be kept under review and arrangement modified to accommodate any change in circumstances’.</p> <p>The only progress report (Exec 9 November 2017) refers to ‘ a resourcing agreement is being finalised’ -there is no evidence that the draft loan agreement was signed. It refers to the purchase of one asset (in the period to 30 Sept 2017) at a cost of “£2.1m with expected income of £175000 (above the 6% RoI)”.</p>	
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		Financial plans and controls including authorisation of expenditure	Draft shareholder agreement requires Company to maintain effective and appropriate control systems and provides for shareholders to be given information to enable it to monitor investment.	
		People management/leadership and commercial skillsets	<p>Property Sub Committee appointed joint MDs and Head of finance – 14 November 2016. (NB appointed to post names not individual names). No reference to skills.</p> <p>Executive 15 Sept 2016 ‘consideration has been given to ensuring that key expertise (such as financial and legal advice) are available to advise both the Council as shareholder and the Company. From time to time it may be necessary to buy in specialist corporate, property, marketing, legal and financial advice on a normal commercial basis to supplement the experience on the Board’.</p>	<p>There was no audit of skills/track record against required skills – appointments were made to posts not individuals. Although it was recognised that skills may need to be bought in there was a lack of clarity about how decisions would be made ie no skills audit or analysis.</p> <p>It was noted that roles were allocated to posts not individuals (unlike Pathways for Care).</p>
		Transfer of assets and support costs	Executive 15 September 2016 identified list of properties/projects to be transferred to the Company. Reports identifies that many of	

			the support services required by the company to be contracted out to the Council. Head of Property Services charged to the Company with an additional payment to be authorised by the Chief Exec.	
		Business activity and operational plans based on market research	No reference to market research – ‘the Council has already established a strong record in property acquisition and development ‘ (Exec 15 Sept 2016)	
		Success/outcome measures	No financial targets in draft business plan.	The business plans lacks quantifiable targets. It sets out aims that are broad with no agreed success measures.
		Reporting mechanisms	No reporting mechanisms set out in business plan. O&S 8 Sept 2016 noted that Property Sub Committee would at least initially meet as and when required.	There was an absence of agreed reporting mechanisms. O&S 8 Sept 2016 noted that Property Sub Committee would at least initially meet as and when required which was vague. In reality the Property Sub Committee met infrequently which means that progress was not being formally well tracked.

				The absence of a formal timetable for reporting resulted in lack of an official and regular reporting mechanism to the Council as stakeholder.
		Risk management and mitigation	<p>All reports include a narrative section on risk. No risk register. Appraisals for each acquisition to be reviewed by Property Sub Committee.</p> <p>Progress report (Exec 9 Nov 2017) states 'to minimise any investment risk the asset will be managed in accordance with the Council's approved Asset Management Strategy'</p>	
		Liabilities and taxation	The Exec report 15 Sept 2016 includes a section on tax stating that the company will be liable to corporation tax and will need to charge VAT and that every property opportunity would be looked at on its own merits including taxation and legal implications.	
		Business, tax, legal and finance sign off before final decision	<p>Executive authorised set up.</p> <p>Property sub Committee role as</p>	

			shareholder Committee	
		Exit strategy	No reference to an exit strategy.	
Execution	Implementation			
	Was/Is the delivery of the project being tracked and monitored and early action being taken to address risks?		One progress report to Executive (9 Nov 2017)	The business plan lacks delivery financial targets and delivery milestones. The only progress report to the Executive lacks detail on how the Company has performed against the business plan – eg it gives no information on the annex of council properties set out in the business plan and reports on one acquisition.
		Was/Is performance, resource and financial information being adequately tracked?		
		What business management reporting processes were /are in place & were they carried out appropriately		
		What processes were / are in place to manage income (sales) & to confirm compliance with the agreed business case?		

		How were /are financial forecasting reviewed and managed to ensure adequate funding & cashflow was available to confirm compliance with the business case?		
		What financial controls were/ are in place to ensure expenditure complied with the agreed business case ?		
		What were / are the processes for agreeing changes to the business case (services delivered / sold / finances & resources required) ?		
		Was / Is risk being actively monitored and how was this achieved?		
		Was/Is there assurance that no project creep occurring? What change control processes were / are in place?		
Closure	Project closure			
		Was/Is the exit strategy being followed?		
		Was/Is there a review of project?	Member Task Group	

		Were/Are lessons learnt being captured and implemented?	Terms of Reference of Member Task Group includes identifying lessons learnt.	
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Commercial Governance Task Group

Pathway for Care: Summary of findings

Summary of findings in relation to Pathway for Care Limited (“Pathway” or “Company”)

Detailed findings can be found in the document headed “Commercial Governance Review 2018: Key Lines of Enquiry (KLOE)”, which is available on request from Democratic Services.

Summary

1. Overall the Task Group concludes that whilst there was some evidence of fulfilment under each of the identified key lines of inquiry (as listed in the document referred to above), the depth of analysis in many areas was too superficial, resulting in decision making not being strongly evidence based. For example, in authorising increased loan ceilings the evaluation of risk and achievability of future projections was not robust, with no apparent, objective analysis of the likely conversion rate of potential contracts in the pipeline.
2. The Task Group limited its review to the formal committee documentation relating to Pathway, the responses of members and officers to a consultation on a draft version of these findings and interviews with the then Leader of the Council (Cllr Broad), current s151 Officer (Jocelyn Convey) and Chief Executive (John Jory).
3. Therefore to enable focus on the key issues only, these findings relate to these sources of evidence, rather than being based on a review of the extensive array of other materials relating to Pathway, for example individual member correspondence from the period in question.

Business case

4. The Task Group considered that the business case which underpinned the project would have benefited from clearer, quantifiable targets and milestones and specific triggers for reporting against those milestones, particularly in respect of financial returns and conversion rate of prospective leads to agreed sales.
5. An agreed reporting process whereby any deviation from specified aspects of the business plan would be reported to the Executive Sub Committee would have greatly helped the Council to track progress and take a realistic rather than optimistic view of whether the Company was delivering against its objectives and future prospects.
6. The content and timing of updates from the Company appears to have been at the discretion of the Company rather than against delivery of success measures in an agreed timetable set by the Council. This resulted in the requests for significant additional funds coming as a surprise, following earlier positive growth assumptions.

Non-Executive Directors

7. The Group considers that the appointment of a Non-Executive Director was essential to provide independence and to recognise the risk associated with

potentially serious conflicts of interest for Directors of the Company who were also Council employees.

8. Whilst the initial approval to set up the Company recognised the important benefit of having a Non-Executive Director, the Executive did not specify this as a requirement to be delivered within a specific timetable. The absence of a clear timeline and reporting mechanism meant that implementation was able to slip with no clear plan for delivery. Members reported that repeated requests had been made for such a Director to be appointed, for example by the Executive Sub Committee on 17 February 2017, which asked for a further report to be brought back to consider options for appointment of a NED. However this report was not subsequently brought.
9. The Group recognises the inherent conflict of interest in officers (or members) holding a role as a Company Director. They conclude that appointment as a Director should be skills based and that although each case should be considered individually there should be a strong presumption against any of the Council's statutory post holders (Monitoring Officer, s151 Officer and Head of Paid Service) holding a Directorship.

Member engagement

10. Informal member seminars were used to raise awareness and gain broad Member buy in to the concept behind the Company; these were felt to be helpful at the time but the Task Group is not aware of any formal notes or recordings of these sessions, or responses provided systematically to questions raised at these seminars, which meant that the content of these sessions was later open to dispute.
11. Following Member pressure, the Company was discussed at the Overview & Scrutiny Committee in April 2017. Advance questions were called for, and responses provided, although many responses were not provided on grounds of commercial confidentiality. Similarly, reference was made by a number of members to a general lack of responsiveness during the period in question and in the provision of detailed information in response to questions raised, thus hindering objective challenge to test the projections and assumptions about achievability of future growth at the time. This largely reinforces the conclusions reached from the formal committee documentation.
12. The call-in in November 2017 demonstrated that the Council's formal constitutional arrangements for questioning the process by which the Executive reaches its decisions were in place and capable of implementation. The outcome of 'no further action' endorsed the process by which the Executive's decision to increase the loan facility to £1.1m had been reached. Although not the purpose of the call-in procedure, it did also provide some opportunity for wider member discussion of the rationale for this key decision.
13. However, the fact that the Overview & Scrutiny Committee called for this review of the governance of commercial projects suggests that the wider scrutiny function on the face of it did not resolve issues effectively. Specifically, that proactive establishment of good governance at the outset of a commercial enterprise is felt to

be far more effective than the ability to review decisions after concerns have been raised.

Financial transactions and controls

14. A review of the financial transactions shows a number of shortcomings in terms of financial controls:
 - a. For the first seven months of operation, despite the Executive having approved in principle a loan of £350,000 to be advanced to the Company under a loan agreement, rather than establishing a separate loan account funds were instead advanced from the CPDF. Further, for a period these funds were paid directly to one of the Company's suppliers (which was also a company related to the Company's minority shareholder) rather than being advanced to the Company.
 - b. Despite a loan agreement then being authorised no evidence has been found for this loan agreement being formally put in place between the Council and the Company for the following five months, ie until 12 months after the first payment of funds.
 - c. At times the total accumulated payments from the Council to the Company exceeded the authorised loan limits, by up to £166,000.
 - d. Successive advances of funds from the Council to the company were made, on some occasions, within days of each other. This reflected a lack of robust understanding of the financial position and the short term cashflow needs of the Company.
 - e. Even after the initial CPDF payments had been regularised, further advances were made from the CPDF, on top of the approved loan, under delegated authority.
15. The reports on progress to the Executive read optimistically and would have benefited from a comprehensive analysis of the cash payment profile, income and costs, measured against the business plan separating the views of the Company from the opinion of Council officers
16. The Task Group recognises that steps have been introduced by the current S151 Officer, who was not employed by the Council during the period when the initial transactions highlighted above occurred, to improve financial processes, and the Task Group supports the further embedding of these improved processes.

Consultation on the draft Findings

17. An initial draft of these findings based only on a review of documentary evidence was circulated to all members and officers involved in the Pathway arrangements.
18. This led to additional input (written and verbal) and documentary evidence. This further input has been very helpful and has reinforced the Group's conclusions. In particular, the following points have been highlighted:
 - a. The potentially restrictive nature of a corporate structure, especially one involving a minority shareholder.

- b. The need for strong governance to be implemented at outset and maintained, in particular to avoid an over reliance on informal communication within a small circle of Members and Officers as opposed to formal reporting through properly constituted committees
 - c. A lack of evidenced challenge of company forecasts and projections and therefore an acceptance of the company's projections, which did not come to fruition.
 - d. The risk of conflicts of interest (actual and/or perceived).
19. In discussing the relationship between commercial ventures and the Overview & Scrutiny Committee, there was discussion as to whether the use of the call-in procedure in November 2017 might have prejudiced the Company's commercial success. The Task Group did not receive any evidence to suggest that this was the case.

Conclusion

20. The Task Group has not conducted a forensic review of the decision making and transactions outlined above, its focus to date has been to learn key lessons for the future governance of the Council's commercial entities, as per its Scope.
21. If the Executive and/or Overview & Scrutiny were of the view that such a forensic review would be of benefit, the Task Group would be willing to oversee this. Members should be mindful of the significant level of resource which would be needed to conduct such a detailed review.
22. The Task Group has concluded that the best means of improving governance of commercial activities is the adoption of a Commercial Governance Framework. This would serve as a basis for future working (based on the key lines of enquiry informing this review), ensuring that best practice guides future commercial projects.
23. This Framework consists of a checklist against which the setup of any future commercial entity would need to be measured, to ensure that all relevant points are addressed at the outset. The Framework proposed for adoption aims to address the key points arising from the evidence provided in relation to Pathway, outlined above.

Commercial Governance Task Group

February 2019

Executive

18 March 2019

Horley Business Park LLP: Key Findings

Horley Business Park LLP – Commercial Governance Review – Key Findings

The Executive report which authorised the setting up of a delivery vehicle for the development of employment land at Horley set out clear links with the Council's corporate plan and core strategy. The strategic driver of creating new jobs as part of a facilitating a resilient, vibrant economy was set out fully from the outset. A thorough viability study and staged costings informed the set up and the choice of delivery vehicle was delegated to officers. An informal Strategic Property Advisory Group (SPAG) was agreed by the Executive as the mechanism for reporting. This meant that the detailed monitoring of the performance of the LLP was not through a formal sub committee and no detailed targets or performance assessment is reported back to the Executive at agreed intervals. No skills assessment underpinned the appointment of officers as the Council's representatives on the LLP.

Looking forward the Group consider that there should be clear documented reasons both for the choice of delivery mechanism and for setting up an informal Advisory Group rather than a sub committee. In the event an advisory group is agreed on a case by case basis as the appropriate mechanism this should not negate the need for clear performance targets to be set and progress monitored against them through formal Council structures.

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Executive

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Greensand Holdings: Key Findings

Greensands Holdings Ltd: Commercial Governance Review – Key Findings

The Council was clear from the outset that the strategic objective for setting up the company was to increase the income and value derived from Council property and assets and this aligned to the 5 Year Plan objective of ensuring the Council's financial sustainability.

Pre decision scrutiny of the decision to set up the company led to wide member buy-in at the outset. But after the initial set up the lack of progress reporting to the Property Sub Committee (O&S and the Executive) meant that subsequent member engagement was limited. The business plan failed to identify robust success/outcome measures against which performance would be monitored or any agreed reporting mechanisms. The absence of a formal timetable for reporting against clear performance measures meant that the Council as stakeholder was not fully informed of progress, did not track progress effectively and did not hold the company to account. It did not set out measures which would enable it to assess whether the strategic driver was being met over time.

The absence of the appointment of Non-Executive Directors contributed to a lack of independence with little consideration of the potential conflict of interests for Directors of the Company who were Council employees and appointed without any skills audit.

Looking forward the Group consider it essential for more detailed consideration to be given to appropriate performance measures and reporting framework when agreeing the business plan so that the Council as stakeholder has a guaranteed minimum level of progressing reporting.

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Executive

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RBBC Ltd – Council Decisions summary

Date	RBBC Ltd
29 March 2018	Executive Resolved: extract only (iii) the proposal to split all activities of Pathway for Care into 2 companies (the existing Pathway for Care and a new digital monitoring company) and to secure external investment for these companies be supported; (iv) the proposal for the Directors of Pathway for Care to transfer appropriate assets , contracts and liabilities to the digital monitoring company be noted; (v) the Council subscribe for 80% of the digital monitoring company B shares representing 40% of the digital monitoring company's share capital;
11 May 2018	Executive Resolved : extract only The finance Director be authorised to enter into a loan agreement for £96 600 with RBBC Ltd to formalise the loan interest and other amounts owed to the Council within RBBC Ltd's existing liabilities

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Commercial Governance Framework

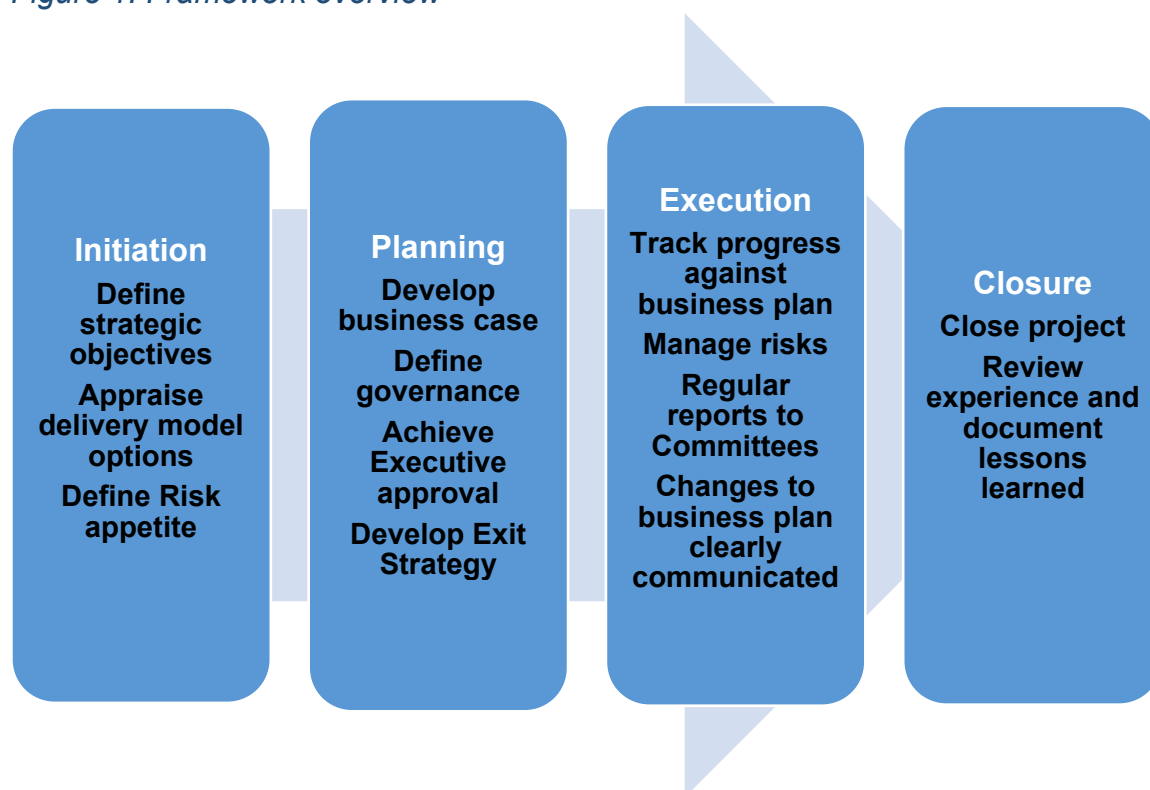
Background

1. This Framework is the distillation of lessons learnt from a review of commercial governance arrangements undertaken by a Member Task Group in 2018-19. The objective of this Framework is to set out a best practice template for the set up and delivery of commercial ventures and companies by the Council in future.

Approach

2. The Framework is structured to follow the lifecycle stages of a commercial venture, with elements applying to each stage – initiation: planning: execution: closure.
3. The Framework provides a structured approach against which individual proposals can be assessed on a “**comply or explain**” basis – ie each element must be followed, unless there is a sound and well explained justification for doing otherwise.

Figure 1: Framework overview



Scope

4. This Framework applies to any commercial venture (eg limited company or LLP in which the Council is a shareholder), or another internal or external structure whose impact on the Council is potentially similar to a commercial entity, where the Council’s actual cumulative exposure (by combination of nominal value of ordinary

or preference share capital, loan commitments, payments/remuneration to partners and other exposures) exceeds £100,000 (net of projected income).

5. For as long as the venture is of smaller scale than this threshold (which may be a result of the Council being a minority shareholder) or in a trial phase, discretion can be applied in how the Framework is applied.

Framework: Golden Rules

6. A number of key principles inform the Council's approach to the set up and delivery of commercial ventures. These principles (known as Golden Rules) should be applied before any such ventures are approved on a "comply or explain" basis. Explanations for any non-compliance should be recorded and scrutinised before the venture is approved.
 - (i) The shareholder function for all ventures will be exercised by a single, properly constituted Commercial Ventures Executive Sub-Committee. This may be supported by Member/Officer advisory group(s) where appropriate, for specific ventures, but the Sub-Committee will be the route for all formal reporting and decision making (except where items are taken directly to the Executive or to Full Council).
 - (ii) The structure chosen and related elements (eg shareholdings, employment contracts, other incentives, lines of accountability) must be considered as a whole by the Executive to ensure that there is alignment between incentives of the commercial venture /company and the Council's objectives.
 - (iii) The allocation of Council resources to a venture by the Executive will only occur on the basis of a report containing a completed version of the Initiation and Planning Checklist (Figure 2), with supporting documents as appropriate. Such resources will then only be transferred following execution of appropriate agreements (eg loan agreements).
 - (iv) The Sub-Committee will receive updates from ventures, based on the Execution and Closure Checklist (Figure 3) on a quarterly basis (the level of detail of such updates being proportionate to the scale of each venture). Reporting should capture reasons for decisions and the underlying supporting evidence relied upon.
 - (v) Internal financial reporting (ie to the Council's finance function) will be undertaken monthly, with reconciliation of cross charges and intragroup balances.
 - (vi) Any material changes to the business plan for any venture will be reported to and agreed by the Executive Sub-Committee.

- (vii) There will be strong controls over, and transparency relating to, potential conflicts of interest and related party transactions – covering officers, members, other shareholders, customers and suppliers. The highest risk applies to s151 Officer, Monitoring Officer, Head of Paid Service and Executive members and therefore there is a presumption against the appointment of any of these postholders to a Director role.
- (viii) Business plans will require the early appointment of a Non-Executive Director (or equivalent independent member).
- (ix) Appointment to all roles will be skills led, informed by a documented skills audit.
- (x) The Local Authorities (Companies) Order 1995 sets out the rights for an authority and individual member to receive company specific information. In applying the reasonableness test the Council will apply a presumption in favour of sharing relevant information with individual members. The presumption (to be confirmed as part of the initial business case/approval) should be that companies should file full accounts to the Council and publicly (on a voluntary basis if other criteria require a lesser form of reporting).

Commercial Governance Checklist

- 7. A practical checklist is set out below, which is based on the suite of Key Lines of Enquiry (KLOE) which were used in the Task Group's review of past commercial ventures, and is therefore grounded in the Council's practical experience. For each line of enquiry it records evidence of compliance (or the rationale for non-compliance).
- 8. The Checklist has two parts, covering different stages of the lifecycle and therefore to be used at different stages and, most likely, to different governance bodies:
 - **Initiation and Planning:** to be presented to the Executive when a request is made to approve the venture, and hence provides a reference point against which the operation of the venture can be measured.
 - **Execution and Closure:** to be presented to the Executive Sub-Committee on a regular (at least annual) basis, to enable it to discharge its role in monitoring delivery of the venture against the business plan.

Figure 2: Checklist - Initiation and Planning

Requirement	Evidence of compliance (or explanation for non-compliance)
Initiation	
a. How does the project fit with the Council's vision?	
b. What are the objectives of the venture?	
c. What is the Council's appetite for each of the risks involved with the venture? Do we understand the risks?	
d. What are the pros and cons of potential delivery vehicles? Why do we need a corporate entity (if that is what is recommended)?	
e. Why is this the preferred delivery vehicle?	
f. What is the structure of the proposed corporate entity? <ul style="list-style-type: none"> i. Structure (limited company, LLP, other). ii. Other shareholders/partners involved. iii. Capital structure (equity, debt, other). 	
g. What actions have been taken to obtain Member buy in?"	
h. What actions have been taken to obtain officer buy in?"	
i. Is the Council's role in commercial decision making clear?	
Planning	
a. Does the assessment cover relevant criteria including costs, complexity, risks, return on investment?	
b. Is there a robust business case (to a comparable standard to that which an external investor would require)? Does the business case adequately cover?: <ul style="list-style-type: none"> i. Projected income and expenditure, over a reasonable time horizon. ii. A clear view of the amount of financing required from the Council, and other parties, over the same time horizon. iii. A range of scenarios covering both optimistic and pessimistic outcomes, showing the financial impact on the Council in each. iv. Success/outcome measures, translated into KPIs which 	

Requirement	Evidence of compliance (or explanation for non-compliance)
<p>will be reported regularly to the Executive Sub-Committee.</p> <ul style="list-style-type: none"> v. Any other requirements on the Council, eg staff time, office space, or use of other Council assets. vi. Potential tax (corporation tax, VAT, other) and other liabilities arising. vii. How any unexpected losses would be absorbed. viii. Market and other research on which the financial forecasts are based. ix. Any Intellectual Property already possessed or expected to be developed as part of the venture, and clarity over its ownership. x. Resolution/shutdown plans/exit strategy in the event of a significant adverse event. 	
<p>c. What is the proposed governance model?</p> <ul style="list-style-type: none"> i. Role of Chairman of the Board (or equivalent). ii. Composition of the Board (or equivalent), including Non-Executive Director(s). iii. The proposed measures for training and evaluation of performance of the Board. iv. Arrangements for reporting back to the Council: <ul style="list-style-type: none"> i. To officers. ii. To the Commercial Ventures Executive Sub-Committee. iii. To the Overview & Scrutiny Committee. v. Potential constraints on sharing of information with the Council, and ways of addressing them (eg if there is to be a minority shareholder, ensuring that the Articles of Association and/or other documentation allow for full information flow to the Council). vi. Any other governance mechanisms proposed, eg advisory board, stakeholder committee. 	

Requirement	Evidence of compliance (or explanation for non-compliance)
<p>d. Who are the key people involved and how have we satisfied ourselves that their skills and experience are relevant and sufficient?</p> <ul style="list-style-type: none"> i. Identities, skills and experience of key personnel (covering people management, leadership, financial and commercial skillsets). ii. Results of due diligence on key personnel. iii. Assessment of potential conflicts of interest – including any current or expected involvement of related parties/companies. 	
<p>e. What controls will be in place to minimise/mitigate risk?</p> <ul style="list-style-type: none"> i. Procurement and fraud controls. ii. Financial controls (within the Council) to ensure funds advanced are in line with approved limits. iii. Financial controls (within the company/venture) including authorisation of expenditure. iv. Controls relating to other risks arising from the venture. 	

Figure 3: Checklist – Execution and Closure

Requirement	Evidence of compliance (or explanation for non-compliance)
Execution	
a. Is performance, resource and financial information being adequately tracked?	
b. Is the delivery of the project being tracked and monitored and early action being taken to address risks?	
c. What business management reporting processes are in place?	
d. What processes are in place to manage income/sales and to confirm compliance with the agreed business case?	
e. Is financial forecasting reviewed and managed to ensure adequate funding and cashflow available to confirm compliance with the business case? Is there a clear separation between the reports from the company/venture and	

Requirement	Evidence of compliance (or explanation for non-compliance)
the covering analysis by the Council's officers?	
f. What financial controls are in place to ensure expenditure complied with the agreed business case? Have the directors attested that these controls have been complied with during the previous reporting period?	
g. Are processes in place for agreeing changes to the business case (services delivered/sold/finances and resources required)?	
h. Is there assurance that no project creep is occurring? What change control processes are in place?	
i. Have all contracts entered into (since the previous review) been checked for any conflicts of interest, and if any such conflicts arise, have these been resolved and/or made transparent?	
j. What corporate actions/filings have been reported to Companies House since the previous report?	
k. What are the results of the most recent evaluation of Board performance?	
Closure	
a. Was the agreed exit strategy (as set out in the Planning stage) followed? If not, why not?	
b. Has there been a review of the venture, appropriate to the scale of the venture and involving all relevant stakeholders?	
c. Are lessons learnt being captured and implemented?	

Review

9. The Framework and its implementation shall be reviewed regularly and initially no later than 12 months after its adoption to ensure that it is meeting its objective and that lessons learnt drive improvement.

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Extract of the Overview and Scrutiny Committee Minutes**14 February 2019****COMMERCIAL GOVERNANCE REVIEW**

The Committee considered the report on the Commercial Governance review, as conducted by the Commercial Governance Review Member Task Group, to be considered by the Executive on 18 March 2019.

Councillor Ellacott, chair of the task group, introduced the report and outlined the approach and key aspects of the review. It was noted that the review had sought to be forward facing and to identify lessons learned for the future. It was identified that the task group had undertaken a thorough review of previous commercial activities, including consultation with relevant Members and officers, and with advice from an independent consultant. It was identified that all Members had been updated during the course of the review, and thanks were offered to all those who had contributed to the process.

Attention was drawn to the proposed commercial governance framework, which the task group had recommended form the basis for future consideration of potential commercial activities, and questions and comments from the Committee were invited.

There were a number of questions and comments relating to the following topics:

- **Internal Audit review of the draft Framework.** It was confirmed that the internal audit review of the draft Framework was in progress and was expected to be completed in time for any information arising to be considered by the Executive on 18 March.
- **Live risks.** It was confirmed that the panel was satisfied that appropriate actions were in place in response to any ongoing risks for existing commercial ventures identified as part of the review process.
- **Pathway for Care business case.** It was identified that the finding that the business case for the Pathway for Care company initially established was considered to have been insufficient to persuade a commercial bank to lend funds was made on the basis that the business case would have been expected to provide additional detail in order to do so. It was identified that the requirement for sufficient detail in this area formed part of the proposed future rules for establishment of commercial ventures.
- **Due diligence.** It was confirmed that the previous commercial activities of all key parties involved with the Path had been considered as part of the due diligence process, and that the panel had considered this information as part of their review.
- **Non-Executive Directors.** It was confirmed that the panel supported the use of non-executive directors to Council commercial ventures, and that the framework identified that this should be considered in future on a comply-or- explain basis. It was recommended that the wording in the framework on this topic, particularly point 6.(viii) should be clarified to make clear that appointment of non-executive directors should be considered as part of the establishment of commercial ventures, as part of the associated Executive report, rather than at a later date.

- **Governance and the role of the Overview & Scrutiny Committee.** A number of comments were made regarding the role of the Committee in future governance, and associated matters. Attention was drawn to the importance of ensuring that meetings providing important information to Members supporting decision making be minuted appropriately, to ensure that a record of the information being provided was maintained. It was identified that where Members wished to register a dissenting opinion to a decision, this should be clearly identified, and that any objections or requested amendments to minutes should be identified prior to the approval of said minutes. Attention was drawn to ensuring that consideration was given to ensuring any future commercial partners were aware of the requirements of working with a local government organisation and associated requirements for availability of information. It was identified that the Committee's work programme should make allowance for work emerging from the review.
- **Task group findings.** It was confirmed that where no initial task group findings were listed in the annexes, this indicated that the task group was content with the information provided in the evidence.
- **Consistency of reporting.** It was identified that reporting around property investment performance should, where possible, be consistent across assets owned directly by the Council and those owned by Greensand Holdings.
- **Executive Sub-Committee.** It was confirmed that reports to the proposed Executive Sub-Committee would be required to be published and made available to Members in the same way as reports to the full Executive, and that they would be eligible for the scrutiny in the same way. It was identified that consideration of all commercial ventures by a single sub-committee was intended to ensure regular reporting and availability of information.
- **Risk consideration.** It was confirmed that the proposed framework required consideration of the risks associated with any commercial ventures, and that this formed part of the requirements laid out in the proposed framework.
- **The constitution.** It was recommended the proposed framework, if agreed by the Executive, then be incorporated into the Council's constitution to ensure its consideration in future governance.
- **Member buy-in.** It was identified that the framework set out the requirement for sufficient Member buy-in to future commercial ventures. It was identified that this assessment would require a degree of judgement, but that where the proposed framework formed part of the Council's governance requirements, the requirements would be supported by the Council's statutory officers in addition to decision-making Members. It was identified that it was hoped that the requirements for availability of information and supporting details would support all Members in considering such matters in future.
- **Further review.** It was identified that the task group had not sought to conduct a forensic review of all previous decision making, but had focussed on lessons learned and how to benefit the Council in future. It was identified that an expanded review of details would be expected to incur significant additional costs of funding and resources, but that any Members supporting such activity could contact the chairman of the task group to discuss their suggestions.

The Committee thanked the members of the task group and supporting

Members and officers for their work in conducting the review. It was:

RESOLVED that the report to be considered by the Executive on 18 March 2019 be noted and;

RECOMMENDED that:

- i). The wording of the framework in relation to the appointment of non-executive directors, particularly section 6.(viii), be clarified to make clear that appointment of non-executive directors should be considered as part of the establishment of commercial ventures, as part of the associated Executive report, rather than at a later date and;
- ii). The proposed framework, if agreed by the Executive, then be incorporated into the Council's constitution.

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REIGATE AND BANSTEAD BOROUGH COUNCIL

Commercial Governance Framework

FINAL

Advisory - Internal audit report: 13.18/19

27 February 2019

This report is solely for the use of the persons to whom it is addressed.

To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

Executive

18 March 2019



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Debrief held	N/a	Internal audit team	Mike Cheetham - Head of Internal Audit Lorna Raynes - Client Manager Chris Benn - Assistant Manager
Draft report issued	25 February 2019		
Responses received	27 February 2019		
Final report issued	27 February 2019	Client sponsor	Caroline Waterworth - Head of Legal
		Distribution	Caroline Waterworth - Head of Legal Doula Pont – Head of Projects and Performance

1 EXECUTIVE SUMMARY

1.1 Agreed Scope

This advisory review examined those aspects of control and scrutiny that the Framework proposes to ensure that key areas of good governance are addressed. In particular:

- the rationale for commercial ventures are challenged and demonstrated;
- an effective commercial structure is chosen,
- suitable terms of reference are proposed, delegated powers defined and personal responsibilities prescribed;
- monitoring and reporting structures are considered to ensure effective scrutiny and oversight of performance and outcomes;
- separations of duty are considered and conflicts of interest avoided;
- risk consideration is factored into all stages of the venture from conception, implementation to reporting and closure;
- financial accounting is efficiently recorded and effectively reported.

As agreed with management, the following limitations apply to the scope of our work:

- The scope of the work will be limited to the areas listed in the 'areas for consideration' section above.
- In addition, our work does not provide absolute assurance that material error; loss or fraud does not exist.
- We will not comment on any decisions or actions taken as a result of the framework, only on the framework itself.
- Our review will be advisory and will not result in a formal assurance level.

1.2 Background

A draft governance framework has been prepared by officers to set out a best practice template for the creation and delivery of commercial ventures and companies by the Council in future. It will be presented to members for consideration and approval in March 2019. The Framework is structured to follow the lifecycle stages of a commercial venture, with elements applying to each stage.

The framework is the distillation of lessons learnt from a review of commercial governance arrangements undertaken by a Member Task Group in 2018-19. The objective of this Framework is to set out a best practice template for the set up and delivery of commercial ventures and companies by the Council in future

1.3 Conclusion

The proposed Commercial Governance Framework provides good high-level guidance on key areas of expected control. This prescriptive approach for determining areas for governance and the consideration of future commercial relationships with the Council ensures that a systematic and consistent methodology can be demonstrated. We have made some minor suggestions for improvement to the draft proposal as set out at Appendix A of this document.

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1.4 Key findings

We have identified a number of examples of good practice within the drafted framework. In particular the framework sets out clear lines of guidance that address the initiation, planning, execution and closure of commercial activities. These considerations are galvanised through a self-assessment checklist that is intended to mitigate risk and detail controls.

APPENDIX A: SUGGESTIONS FOR IMPROVEMENT

We have identified the following areas of potential improvement

Framework Content	Further Suggestions
Initiation / Business Plan / Governance Structure / Self-Assessment Checklist	<p>1.1 There is potential within the draft to make clear where responsibility lies for completing the checklist, to whom this will be reported and where the record of the completed checklist will be archived. We would anticipate that the Council's monitoring officer or Chief Executive would hold this responsibility.</p> <p>1.2 We note that the Guidance makes reference to the need for an examination of the 'pros and cons' in respect of the need for a commercial venture. This could be somewhat refined to highlight the need for specific SWOT analysis of the proposed business cases.</p> <p>1.3 The self-assessment checklist could also prescribe the highlighting of any specific CIPFA, DCLG or Cabinet Office Guidance on the area proposed which could impact on the decision to create a commercial venture.</p>
<p>The Framework applies to any commercial venture (e.g. limited company or LLP in which the Council is a shareholder, where the Council's actual cumulative exposure exceeds £100,000.</p> <p>The shareholder function for all ventures will be exercised by a single, properly constituted Commercial Ventures Executive Sub-Committee. This may be supported by Member/Officer advisory group(s)</p>	<p>1.4 The framework should provide a cross reference or link to the Council's own Code of Conduct for Members and the Cabinet Office Guide for Members of Public Office that makes reference to Councillor duties for ensuring the safeguarding of public funds and the proper custody of assets.</p>
Success/outcome measures will be translated into KPIs which will be reported regularly to the Executive Sub-Committee.	<p>1.5 We would stipulate that the outcomes proposed within Business plans must be specific, measurable and time bound.</p> <p>1.6 Where performance reports to the Sub-Committee are made and outcomes are claimed we would expect an element of independent assurance to provide verification of these claims.</p>

Framework Content	Further Suggestions
<p>Checklist - Is the delivery of the project being tracked and monitored and early action being taken to address risks?</p>	<p>1.7 We would recommend that the framework would require the external commercial entity to maintain an active risk register that is routinely monitored by its own management board and that this register accompanies the proposed quarterly performance report to the Council's Commercial Ventures Executive Sub-Committee. Controls and further actions intended to mitigate risk must be recorded together with a risk/action owner within the risk register</p>

FOR FURTHER INFORMATION CONTACT

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TO	Executive
DATE	Monday, 18 March 2019
EXECUTIVE MEMBER	Leader of the Council Deputy Leader and Portfolio Holder for Housing and Benefits

KEY DECISION REQUIRED	NO
WARDS AFFECTED	ALL WARDS

SUBJECT	Corporate Plan 2020-2025
----------------	--------------------------

RECOMMENDATIONS
<p>(i) That the Draft Corporate Plan 2020-2025 at Annex 1 be approved for discussion with Council members following the elections in May, and prior to public consultation in accordance with the Council's Policy Framework</p> <p>(ii) That the Motion presented to Full Council on 8 February 2019 regarding climate change be noted and the following actions be agreed:</p> <ul style="list-style-type: none"> - That the Draft Corporate Plan include a new commitment in relation to environmental sustainability and climate change - That the Council review, and as necessary update, its plans in relation to carbon management and local action on climate change
REASONS FOR RECOMMENDATIONS
<p>(i) The Corporate Plan forms part of the Council's Policy Framework. A draft Plan has been developed and is being published for discussion purposes, recognising that content will need to be re-visited following the borough's all-out elections in May. In accordance with the Council's Constitution, the draft Corporate Plan will also be the subject of a consultation lasting no less than 8 weeks.</p> <p>(ii) The proposed approach will allow the Council to develop and report on its activities in</p>

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relation to climate change over the period of the new Corporate Plan.

EXECUTIVE SUMMARY

It is best practice for a Council to have an up-to-date Corporate Plan to communicate its priorities to local residents, businesses and partners, and to inform the organisation's service and financial planning activities.

Since the current Corporate Plan ('Our Five Year Plan 2015-2020') was adopted in late 2014, significant progress has been made in delivering against its priorities. However, the context in which the Council operates continues to change, with new opportunities, challenges and uncertainties, and the Council needs to make sure it is in the best possible position to respond to these.

A revised Corporate Plan has been drafted, which takes account of the changing national, sub-national and local political, financial, social, environmental and economic landscape.

It confirms the Council's commitment to delivering high quality services and providing value for money, and includes updated priorities across the three themes of People, Place and Organisation. These will be used to inform and align Council activities to meet the needs and aspirations of local residents, businesses and Councillors, whilst also recognising the continuing financial challenges that the organisation is faced with.

Executive agreement of the revised draft Corporate Plan is sought, although it is recognised that the content will need to be re-visited following the Council's all-out elections in May. Consultation on the draft Plan will also need to be undertaken in line with the Council's Policy Framework. The results of this consultation will inform the final version of the new Corporate Plan, which will be presented to Executive and Full Council for formal adoption later in 2019.

At its meeting on 8 February 2019, the Council resolved to refer a motion to the Executive for consideration. The motion proposed (in summary) that the Council be requested to update its Carbon Management Plan and set a carbon neutral target for the Council, that the Executive be requested to take account of the climate change challenge through its review of the Council's Corporate Plan, and that the Council be requested to call on Government to make local action on climate change easier.

This report considers the background to the motion and recommends that the updated Corporate Plan commits the Council to review and as necessary update its plans in relation to environmental sustainability and carbon management, taking account of the latest evidence and national policy.

Executive has authority to approve the above recommendations

STATUTORY POWERS

1. There is no statutory requirement for the Council to produce or maintain a Corporate Plan.
2. However, the Council has in recent years adopted a Corporate Plan to set out its overall vision for the borough and explain the priorities that guide its service and financial planning. Maintaining an up-to-date Corporate Plan is seen as best practice

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within the sector.

BACKGROUND

Corporate Plan

3. The Council adopted its current Corporate Plan (titled 'Our Five Year Plan 2015-2020') in December 2014¹.
4. This Plan sets out a vision that the Council will be a leading Council, which would:
 - a. Deliver quality services and support
 - b. Provide value for money
 - c. Make the borough a great place to live
 - d. Be flexible and sustainable, responding to the needs and demands of our borough, residents and businesses; and
 - e. Become an increasingly commercial organisation.
5. The current Plan is based around three themes, People, Place and Organisation. Since it was adopted, significant progress has been made in delivering its priorities – this progress has been reported on annually, most recently to the June 2018 Executive.
6. At the same time, the context in which the Council operates continues to change, with new opportunities, challenges and uncertainties arising. These include the complete removal of the Council's Revenue Support Grant by Government, new national policies and legislation, and changes to how our partner organisations fund and deliver their services. The Council needs to make sure it is in the best possible position to respond to these things.
7. In light of these changes, a review of the current Plan has been undertaken to ensure that it continues to accurately reflect the Council's priorities and that the Council's activities remain relevant to the borough's residents and businesses in the coming years.

Climate change

8. At the Council meeting on 8 February 2019, it was resolved that the following motion be referred to the Executive for consideration:
 - a. That the Council be requested to update its Carbon Management Plan in light of the IPCC Special Report on Global Warming published in October 2018. This should include the setting of a carbon neutral target for Reigate and Banstead Borough Council and a governance structure to ensure close monitoring of the Plan
 - b. That the Executive be requested to take full account of the IPCC Special Report on Global Warming published in October 2018 as part of its upcoming review of the Corporate Plan for the 2020-2025 period and to consider integrating this Motion into the draft Corporate Plan to be considered by the council later in the year; and
 - c. That the Council be requested to call on Government to provide the necessary

¹ Available at: http://www.reigate-banstead.gov.uk/info/20205/plans_and_policies/280/our_5_year_plan

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powers and resources in order to make local action on climate change easier.

9. The motion agreed was an amended version of the original motion moved by Cllr Essex and seconded by Cllr Brown.

KEY INFORMATION

Evidence base

10. The revised draft Corporate Plan included at **Annex 1** has been developed taking into account a wide range of evidence and information:
11. Performance against the current Five Year Plan: Since it was adopted in late 2014, the Council has regularly reported its performance against the Five Year Plan priorities to the Overview & Scrutiny Committee and the Executive. These reports are available via the Meetings section of the Council website. Our successes and experiences in delivering these priorities have informed the new priorities included within the draft Corporate Plan appended to this report. Since the current Plan was adopted, key achievements have included:
 - a. People
 - 92% of families assisted through our Family Support programme showing an improvement in their circumstances, and 7 Syrian refugee families settled within the borough
 - Introduction of a successful 'wellbeing prescription' service, and opening of the new leisure and community centre in Preston
 - Creation of a new Community Development Team supporting residents and local communities
 - Considerable reduction in our bed & breakfast costs for people facing homelessness and opening of our new 'in-borough' emergency temporary accommodation.
 - b. Place
 - Introduction of the Community Infrastructure Levy and - since 2016 - collection of nearly £20m for infrastructure improvements from CIL and section 106 agreements
 - Successful progression of the Development Management Plan through public examination hearings; and planning permission and confirmation of the compulsory purchase order for the Council's Marketfield Way development
 - The continued success of our business support activities, including the provision of 50-60 small business grants a year
 - Two 'Green Flag' parks within the borough and multiple 'In Bloom' awards for our green spaces
 - Increase in recycling levels from 49% in 2015 to 54% in 2018.
 - c. Organisation
 - Over £8.7m of cumulative revenue savings since 2015
 - Over £4m per year of income now generated through our property portfolio

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and being put towards delivering Council services

- National and regional recognition for our Communications work
- A successful LGA Peer Challenge in 2015, and more recent follow up visit in late 2017 praising the Council's ambition and innovation.

12. Since the Five Year Plan was adopted, residents' surveys have been carried out to ensure that customers' views on Council services are collected and inform future service provision. The results of these surveys have been included in plan performance reports and it is anticipated that a new round of surveys will be commissioned to support implementation of the new Corporate Plan.
13. Borough Profile: The Borough Profile brings together a range of demographic, economic and social datasets which provide insight into the borough's characteristics now, and how this may change in future years. The information it contains can help the Council consider those services and areas of the borough where greater support may need to be provided in the future.
14. Due to the size of the Borough Profile it is not appended to this report, but it is available on the Council website² and a copy has been placed in the Members' Room.
15. National, sub-national and local challenges and opportunities: The wider socio-economic context in which the Council operates, as well as future government policy, will impact on our priority setting. Particular national, sub-national and local considerations that have informed the development of the draft Corporate Plan include:
 - a. The continuing economic uncertainties associated with Brexit and the challenges that this may present for local residents and businesses
 - b. The Government's plans for local authority funding reform and business rates reform, which will impact on our future funding position
 - c. New and emerging national legislation and policy, including in relation to industrial strategy, housing and homelessness, planning, and welfare reform
 - d. Changes at the sub-national level to how healthcare is planned and provided, and how transport and economic development funding is devolved
 - e. The financial challenges being faced by partner organisations, particularly Surrey County Council.
16. Member engagement: A member workshop was held in Spring 2018 to consider the challenges that the Council and its residents and customers are likely to be faced with over the coming years and how the Council should respond to these. Common themes identified included:
 - a. The need to continue to operate in a financially sound and transparent way and offer value for money to residents and other customers
 - b. Opportunities for the Council to do more to help local people and workers access suitable housing
 - c. The need for the Council to work more closely with other providers to deliver the

² Available at <http://www.reigate-banstead.gov.uk/corporateplan>

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range of services, facilities and infrastructure that residents need

- d. The opportunity for better collaboration and alignment across the Council's activities to support vulnerable people and those of partners, including the voluntary sector
 - e. The role of the Council in promoting individual wellbeing and strong communities
 - f. The role of the Council in supporting local businesses and ensuring continued economic prosperity in the borough, including revitalising town centres
 - g. A continued commitment to providing high quality public open spaces
 - h. The chance to lead by example on environmental and 'green' initiatives.
17. Further member engagement was undertaken in early 2019 on the emerging draft Corporate Plan and comments have taken into account in preparing the document at Annex 1.
18. Stakeholder views: The views of a range of stakeholders have also helped inform the draft Corporate Plan. This has included the views of Council staff. As well as supporting the themes identified at the Member workshop, some of the suggestions made by stakeholders included:
- a. Opportunities to expand the Council's activities to help address the challenges of child poverty, food poverty, household debt, mental ill-health and social isolation
 - b. Opportunities to promote volunteering and corporate social responsibility as a means of helping the Council to achieve its priorities
 - c. The value of early intervention by the Council and partner organisations to help the most vulnerable people
 - d. The role of the Council in working with employers and education providers to ensure local people develop the right skills, and to help provide a range of business accommodation in the borough to meet different requirements
 - e. The chance to do more to secure a wider choice of types of homes and tenancies
 - f. The central role of the Council in community safety, reducing the fear of crime and preventing high-harm and serious organised crime.

Climate Change

19. In December 2015, 195 countries (including the UK) adopted a legally binding global climate agreement. The agreement set out 4 key actions to avoid climate change and limit global warming, including to keep global temperatures 'well below' 2°C above pre-industrial times and – if possible - 1.5°C; and to limit the amount of greenhouse gases emitted by human activity to the same levels that trees, soil and the ocean can absorb naturally, at some point between 2050 and 2100.
20. This 'Paris Agreement' is due to enter into force in 2020.
21. As part of the decision to adopt the Paris Agreement, the Intergovernmental Panel on Climate Change (IPCC) was invited to produce a Special Report on global warming of 1.5°C above pre-industrial levels and related global greenhouse gas

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emission pathways.

22. The Special Report was approved by the IPCC in October 2018. It concluded that global warming to 1.5°C would require rapid, far-reaching and unprecedented changes in all aspects of society. It highlighted a number of climate change impacts that could be avoided by limiting global warming to 1.5°C compared to 2°C, or more.
23. The Council has previously committed to undertake activities to reduce carbon emissions and tackle climate change. In 2009, the Council adopted a Sustainable Energy Strategy. This was incorporated into the 2011-15 Corporate Plan, in which the Council set out an operational priority to implement a Sustainable Energy Strategy and Low Carbon Management Plan, with a target of reducing CO2 emissions by 30%. These strategies were very successful and were both largely delivered against, including through:
 - a. Energy efficiency measures within our own estate
 - b. Promoting energy efficiency schemes to local residents and businesses; and
 - c. Improving the efficiency of our fleet operations
24. However, the 2015-2020 Five Year Plan did not include priorities within this area, and the officer posts with responsibility for implementing these strategies were deleted. Since 2015, the Council's approach has been to support carbon reduction within our own estate through mainstream activities and to promote energy efficiency schemes to local residents and businesses in partnership with other bodies and organisations.

Content of the proposed new Corporate Plan

25. The proposed new Plan represents an evolution of the current Plan. The proposed vision has its roots in the current Plan and remains largely the same, with some minor updates. The three themes of People, Place and Organisation are proposed to be retained given the success of the Council in meeting many of the priorities under the current Plan. The main differences between the proposed new Corporate Plan and the current Five Year Plan include:
 - a. A new set of 'cross-cutting commitments' describing how the Council will deliver services, covering aspects such as communications, customer contact, partnership working and environmental sustainability
 - b. A new 'housing' objective confirming Executive commitments (building on those made at the meeting in April 2017) to do more to secure the delivery of homes that are more affordable for local people. The Outline Housing Strategy report elsewhere on this meeting's agenda will help deliver this objective
 - c. Expanded objectives about communities and vulnerable people, reflecting the Council's proactive housing, family support and community development activities
 - d. A new objective that recognises the need for the Council to support towns and villages in the borough to thrive in the face of changing shopping habits and competition from larger centres
 - e. An updated objective on Local Planning recognising the future focus of our work in this area beyond the Development Management Plan
26. The draft Plan includes a continuing commitment to achieve financial sustainability,

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including through commercial activities to generate income and increase our reserves, and a recognition that to continue to deliver high quality services and deliver corporate objectives will require ongoing investment in operational assets and skills.

Partnership

27. Partnership working is particularly important at a time when public finances are stretched. It can help make best use of the limited funding which is available. As such, partnership working is a theme that runs throughout the draft Corporate Plan.
28. To maximise the benefits that can be realised from working together, the Council has - in the past - agreed Memorandums of Understanding with key partners including Surrey County Council, health partners and – most recently – Raven Housing Trust. In support of the new Corporate Plan, arrangements with these and other organisations will be reviewed to ensure that, as far as possible, we can align activities to help deliver our corporate objectives. This may include information sharing, collaborating on joint projects, agreeing updated Memorandums of Understanding, or entering into formal Service Level Agreements or Joint Ventures.

Climate Change

29. Reflecting the 8 February 2019 Council motion, and recognising the climate change challenge, it is now proposed to introduce a new ‘cross cutting commitment’ within the draft Corporate Plan 2020-2025 covering environmental sustainability. This commits the Council to reducing waste and emissions across its own estate and using natural resources more efficiently, and to reviewing (and as necessary updating) Council plans in relation to carbon management.
30. Further work will be required to determine the content of, and commitments within, an updated Carbon Management Plan (or equivalent). Provision to report progress on this work is included within the draft Corporate Plan commitment to report annually on plan performance.

OPTIONS

31. The options available to the Executive are:
 - a. Option 1: To approve the Draft Corporate Plan 2020-2025 for discussion, and incorporate a commitment in relation to environmental sustainability (including climate change). This option is recommended as it will ensure that progress can be made towards adopting a new Corporate Plan in a timely fashion that continues to accurately reflect the Council’s priorities and mean that the Council’s activities remain relevant to the borough’s residents and businesses in the coming years. It also ensures that new Council members elected in May will have the opportunity to input into the emerging Plan.
 - b. Option 2: To approve the Draft Corporate Plan 2020-2025 for discussion, without incorporating any commitment in relation to environmental sustainability. This option is not recommended as it fails to capitalise on an opportunity to confirm the Council’s commitment and approach to climate change.
 - c. Option 3: Not to approve the Draft Corporate Plan, and request that further work be undertaken before a revised draft is reported back to the Executive. This option is not recommended as it will delay getting an updated and current Plan

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in place. Option 1 allows further opportunities to develop and amend the content of the revised Corporate Plan before it is adopted in any event.

LEGAL IMPLICATIONS

32. There are no legal implications to consider.

FINANCIAL IMPLICATIONS

33. The Council's service and financial plans are developed in line with its Corporate Plan. In parallel to developing this Corporate Plan, a new Capital Investment Strategy is being prepared. The Outline Capital Investment Strategy appears elsewhere on the agenda of this meeting. Work on the Capital Investment Strategy Action Plan will continue as the Corporate Plan is finalised throughout 2019.
34. For the year 2020/21, service and financial planning will be undertaken taking account of not only the current Five Year Plan priorities, but also the emerging priorities set out in the revised Draft Corporate Plan appended to this report (subject to the Executive's agreement of the draft and any further changes agreed after May).
35. The Council will, where possible, deliver its Corporate Plan priorities through mainstream services and budgets, and by working with partners to combine resources and lever in external funding. However, some additional funding may be required to support specific projects and activities and the Council has established a Corporate Plan Delivery Fund to support these.

EQUALITIES IMPLICATIONS

36. An Equalities Impact Assessment (EqIA) has been carried out on the draft Corporate Plan, and is available as a background paper. This concludes that, if successfully delivered, the vision and priorities in the draft Corporate Plan will have a positive or, at worst, a neutral impact on the equality target groups. Only one potential negative impact was identified, in relation to people from equalities target groups who are not local being unable to access new homes provided under the proposed 'housing' objective. However, given that the scale of housing secured under this objective will be very small compared to the availability of housing in the borough generally, any negative impact will be very low such that overall impact is judged to be neutral.
37. Where new projects or policies are being developed to deliver the Corporate Plan priorities, separate EqIAs will be carried out in support of these by the relevant responsible officers. The draft Corporate Plan EqIA identifies that consideration should be given through this process as to whether positive equalities impacts can be secured.
38. The EqIA also recommends that equalities target group representatives and 'hard to reach' or 'seldom heard' groups be consulted as part of the public consultation on the draft Corporate Plan and that measures should be put in place so consultation material can be provided in accessible formats. The Council will take the necessary steps to do this.

COMMUNICATION IMPLICATIONS

39. As part of the Council's Policy Framework, public consultation will be undertaken on

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the draft Plan. At the appropriate time, a communications plan will be developed for this consultation exercise.

40. After the public consultation, and once finalised and agreed by Full Council, the revised Corporate Plan will be formally launched. A separate communications plan will be developed for the launch and will include measures to publicise the Corporate Plan to residents, businesses, partners, members and staff.

RISK MANAGEMENT CONSIDERATIONS

41. The drafting of a new Corporate Plan is not identified specifically as a strategic risk. However, failure to regularly review the Council's corporate priorities may mean that future service and financial planning does not properly reflect local needs and aspirations.
42. Reviewing the Corporate Plan means that the changing national, sub-national and local context in which the Council operates, and the needs of local residents and businesses, will continue to be taken into account in the planning and funding of Council services and activities.

OTHER IMPLICATIONS

43. There are no other implications to consider.

CONSULTATION

44. A range of informal consultation has been undertaken to inform the revised draft Corporate Plan. This has included:
 - a. Engagement with Council staff via team meetings and workshop sessions in Spring 2018
 - b. An all-member briefing and workshop in Spring 2018
 - c. Two external stakeholder workshops in Spring 2018, attended by over 30 people in total, and a series of staff workshops
 - d. Discussion of draft Plan content with the Leader, Deputy Leader, and Executive Members throughout Autumn/Winter 2018
 - e. A member briefing and member workshop in February 2019.
45. The outcomes of this informal consultation have informed the content of the draft Corporate Plan at Annex 1. Subject to agreement of the draft Plan by the Executive, further engagement with Council members will be undertaken in advance of public consultation.

POLICY FRAMEWORK

46. The Corporate Plan forms part of the Council's Policy Framework. In line with the Constitution, an 8 week consultation will be undertaken on the revised draft Plan at the appropriate time. This will include consideration of the draft Plan by the Overview & Scrutiny Committee and a public survey.
47. Responses to the consultation will be reported (in summary form) to the Executive, to be considered when recommending a final Corporate Plan to the Full Council for

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adoption.

BACKGROUND PAPERS

1. Five Year Plan 2015-20: <http://www.reigate-banstead.gov.uk/corporateplan>
2. Five Year Plan Performance Report, Executive 21 June 2018: <https://reigate-banstead.moderngov.co.uk/ieListMeetings.aspx?Committeeld=137>
3. Updated Borough Profile 2018: <http://www.reigate-banstead.gov.uk/corporateplan>
4. Draft Corporate Plan Equalities Impact Assessment

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Reigate & Banstead 2025

Our Five Year Corporate Plan

**Draft for Discussion,
March 2019**

WELCOME

Welcome to our draft Corporate Plan

This Plan sets out our proposed priorities for the next five years, and explains how we will focus our resources and deliver services to those living, working and spending time in Reigate & Banstead.

Our current Five Year Plan runs to 2020, and a lot has changed since we published it.

We want to ensure the work we do, and how we do it, remains relevant to our residents and service users, so we have had a good look at what has changed, what is likely to change in the future, and what our partners and residents are saying. The result is this document, our new draft Corporate Plan.

We would like your views on what we are proposing.

Cllr Mark Brunt
Leader

Cllr Graham Knight
Deputy Leader

What we do

We carry out a wide range of services and activities which benefit those who live in, work in, and visit the borough.

What we do	
✓ Waste & recycling collection	✓ Leisure and community centres
✓ Street cleaning	✓ Local Plan and planning applications
✓ Council car parks and parking enforcement	✓ Community safety
✓ Council greenspaces and allotments	✓ Business support
✓ Housing register and homelessness services	✓ Licencing and environmental health
	✓ Community development and family support

For all the services we provide, a typical (Band D) household pays £227.46 a year through its Council Tax– less than £4.38 per week.

The way local government is set up in Surrey means that the rest of your Council Tax goes to different authorities, who are responsible for providing the other services residents receive or need. For example, Surrey County Council provides many important services: education, adult social care, highways maintenance to name but a few. If you live in Salfords & Sidlow or Horley, your Parish or Town Council also provides important local services. Our residents also benefit from services provided by the NHS, Police and other service providers.

What we don't do	
Surrey County Council services <ul style="list-style-type: none"> ✗ Community recycling centres; waste disposal ✗ Highways maintenance and potholes ✗ On street parking restrictions ✗ Highways trees, public rights of way ✗ Minerals & waste planning; transport planning ✗ Fire & Rescue ✗ Education and libraries ✗ Trading standards ✗ Adult social care, Children's services 	Registered housing providers eg Raven <ul style="list-style-type: none"> ✗ Management of social housing Surrey Police <ul style="list-style-type: none"> ✗ Policing NHS & Clinical Commissioning Groups <ul style="list-style-type: none"> ✗ Primary and acute healthcare Private landowners <ul style="list-style-type: none"> ✗ Private car parks and private land

The context in which we operate

Our new draft Corporate Plan reflects the borough's local characteristics, the needs of our residents and businesses, and the wider context in which we operate (for example new and changing central government legislation and regulation).

You can find out more about the borough at www.reigate-banstead.gov.uk/corporateplan

Over the term of our new Corporate Plan, we expect changes to the statutory framework in which we operate in, and changes to how local government is financed. We want to make sure we can respond to these changes by planning for the future.

Working in partnership

Partnership working is a theme throughout this draft Corporate Plan.

Our work is influenced by what other public sector organisations do. Some of these other organisations operate locally, others over a wider area. Some make decisions about priorities and funding which we can influence. Others provide services directly in our borough.

Some of our partners and key external organisations



Working in partnership can deliver best value for our residents at a time when public finances are stretched. We will work closely with our partners to make sure their activities align with ours and to ensure their future funding decisions do not have a disproportionate negative impact on our residents and businesses.

Our relationship with Surrey County Council (SCC) is particularly important. Many of our services are complementary to SCCs, and we also carry out a number of services on their behalf. We will continue to work with SCC to plan and coordinate future service provision in the borough.

We also cannot deliver our Corporate Plan without you, our residents, customers and service users. Later in this draft Plan we have highlighted what you do can make a real positive difference, help us achieve our goals and help strengthen our local communities. Tell us what you think or if there is more you can do!

OUR VISION

Our vision is:

**To be recognised by our residents, businesses and partners as a leading Council.
This means:**

- **Delivering quality services and support**
- **Providing value for money**
- **Making the borough a great place to live, work in and visit**
- **Being flexible and sustainable, responding to the needs and demands of our borough, residents and businesses; and**
- **Operating as an increasingly commercial organisation.**

We know there is much that our residents and local businesses love about the borough, from our great location between London and Gatwick to our characterful local towns, our fabulous local parks and our beautiful countryside.

We are proud of these things. Not only do we have a stewardship role to protect what is good about the borough but we also have an opportunity to make Reigate & Banstead even better.

OUR PROPOSED PRIORITIES TO 2025

Our proposed priorities explain how we intend to deliver our vision. Our priorities are divided into three themes:



These are also the themes in our current Five Year Plan. We have structured our services around them in recent years. We recognise there will be overlaps between these themes but have chosen to retain them as they reflect where we want to focus our activities and investment between now and 2025.

OUR COMMITMENTS

To continue to be a great Council, it is not just about what we do, but about how we do it. That's why we have a new section in this Plan which sets out our commitments to residents, customers and other service users.

We will:

Continue to deliver high quality core services and put our customers at the heart of what we do

Our core services include things like environmental health, licencing, planning, waste and recycling collection, housing and homelessness responsibilities, land charges, car parks, revenue collecting and benefit distribution, and street naming and numbering. We are bound by national legislation in respect of the statutory services, but where possible we will provide added value or enhanced services (although these may come at an extra cost for customers). Our operations are supported by a range of other Council teams such as legal, financial, human resources, democratic services and electoral services and project and business assurance, which ensure we deliver our services efficiently and effectively.

- ❖ We will report on our service performance, undertake service reviews and continual service improvement and run surveys to understand what our customers want from the Council and levels of satisfaction.

Communicate effectively

We know that how we communicate to our residents and other customers is important. We will focus our communications on explaining the services we provide, promoting our successes, responding to enquiries about our activities, and undertaking behaviour change and marketing campaigns to help deliver the priorities in this Plan.

- ❖ We will regularly review communications preferences and requirements and target our communications activities accordingly to meet our residents' and customers' needs.

Make it simple for our residents and customers to contact and do business with the Council

Customer care is important to us. The way people want to engage with their local Council is changing, with more people wanting to use digital methods. However we also know there will be times when our customers need different assistance.

- ❖ We will invest in technology and human resources to deliver this commitment, monitor how customers interact with the Council and focus our improvement activities in a cost-effective way.

Develop and maintain positive and constructive partnerships with other service providers and the voluntary sector

Partnership working is particularly important at a time when public finances are stretched. It can help us make the best use of the limited funding that we have. We are committed to working with a wide range of other organisations, to deliver the priorities set out in this Plan.

- ❖ Where services fall outside of our direct control, we will use our existing relationships to promote - and lobby for - the interests of our local residents and businesses.

Manage and use the data we hold responsibly and effectively

Given the wide range of activities the Council carries out, we hold a lot of data, some of it personal. We will comply with data protection legislation, only use data fairly and lawfully and only share data with external parties where there is a legal basis for doing so. We will use the data we do hold proactively so the services we provide are relevant, co-ordinated and efficient.

- ❖ We will regularly review our data protection policy and update it as required; and provide training for staff who deal with personal data.

Operate efficiently and with financial rigour

While we receive only 12 pence in every pound of Council Tax paid in the borough and a small proportion of business rates, we know our residents and businesses expect us to operate efficiently and provide value for money.

- ❖ In line with statutory requirements, we will publish our audited annual accounts, and annual revenue and capital budget proposals. We will develop a clear strategy to explain how we will invest to secure our long term financial sustainability.

Promote and support environmental sustainability and the efficient use of natural resources

Whilst environmental sustainability is a global challenge, the Council can and should do its bit. Across our own estate, assets and activities we will seek to reduce waste and emissions (including carbon emissions) and use natural resources more efficiently.

- ❖ We will review - and as necessary update - our plans in relation to environmental sustainability and carbon management to deliver this commitment, taking account of the latest evidence and national policy. We will report on our progress on delivering these plans.
- ❖ We recognise that social, economic and environmental sustainability objectives may not always align, and therefore that our decision-making will sometimes need to balance competing priorities and reflect the financial constraints we face as a Council.

Support residents and businesses to make a positive difference in our communities

We cannot deliver this Plan alone. Residents and businesses can make a real difference and help us achieve our priorities. We will help you to do this, by providing appropriate advice and support and asking our partners to do the same.

- ❖ We'll make information about how you can make a difference available on our website, via our social media channels and our print publications.

Do you want to make a positive difference? Consider:

- ✓ Volunteering for a local charity or club
- ✓ Supporting local business by 'buying local', and spending time in our town and village centres
- ✓ Looking out for, and checking in with, your neighbours
- ✓ Reporting antisocial behaviour to our JET team
- ✓ Eating healthily, exercising sensibly and visiting our local parks and countryside
- ✓ Re-using, and recycling using your kerbside boxes or one of our 'bring sites'
- ✓ Using water and energy efficiently
- ✓ Walking, cycling or using public transport where possible

Facts and figures



Population of
147,700

27% of people over
65, projected to
increase to 39% by
2035



Only 2.9%
unemployment,
compared with 4.1%
nationally

Average resident
income = £34,098



What we already do

- Our three **leisure centres** receive over 1.2 million visits every year
- Last year our housing team helped over 250 households avoid **homelessness**
- In 2018/19 we provided over £330,000 of **grants** to local community groups and charities
- 91% of the families our **Family Support** Team have helped have seen an improvement in their circumstances
- The Council has welcomed 7 Syrian **refugee families** into the borough and is supporting them to access education and employment
- Our recently launched **Money Support** service provides practical advice about managing money well
- The borough's Mayor attends as many as 400 engagements per year and carries out fundraising event to support two charities each year

Housing

Some of the challenges we face

- The average house price is £414,790¹ - over 11 times the average income² and well above the national average
- The average rent for a 2 bed flat is £1,075 per month³
- There are over 800 households on the housing register of which over 550 are on the waiting list⁴, and over 230 children in emergency or temporary accommodation⁵
- On average, the Council houses 13 households in B&B accommodation per night⁶
- It is increasingly difficult (and slow) to secure affordable housing on new developments

Our objective: Secure the delivery of homes that can be afforded by local people and which provide a wider choice of tenure, type and size of housing

To achieve this, we will:

- Develop and implement a Housing Strategy
- Work with partner organisations and developers to bring forward sites that deliver homes that can be afforded by local people and local workers and a better mix of types, sizes and tenures of homes

- If we develop our own limited land holdings for housing, deliver a minimum of 30% affordable housing on all Council schemes
- Provide local temporary and emergency accommodation
- Work with Raven Housing Trust to identify and investigate opportunities for estate renewal, supported by new infrastructure and environmental improvements
- Give priority to local people for affordable housing
- Use our planning policies to require private developers to deliver affordable housing from qualifying schemes and a mix of housing types and tenures

Communities & Community Safety

Some of the challenges we face

- The borough has generally strong communities, however there are still some areas where residents have fewer opportunities
- Crime rates are relatively low compared to other areas nationally but increasing: 62 crimes per 1000 residents per year⁷
- Reigate & Banstead has the 2nd highest level of domestic abuse in Surrey⁸

Our objective: Work with partners to create strong, safe and welcoming communities

To achieve this, we will:

- Fund community development workers in target communities across the borough
- Deliver community activities at our community centres around the borough, including activities for older and more vulnerable residents
- Work with partners to provide a range of other community services to reduce social isolation
- Use our 'place' activities to deliver wider community benefits
- Work in partnership with the Police and Surrey County Council and other organisations to tackle crime and the causes of crime, and to raise awareness of hidden crime such as domestic abuse
- Work with partners to continue to deliver joint enforcement activities to respond to and reduce anti-social behaviour across the borough

Vulnerable Residents

Some of the challenges we face

- 9.2% of children in the borough are living in poverty⁹
- The borough has the second highest level of excess winter deaths in Surrey¹⁰
- 14% of residents report their day-to-day activities are limited¹¹
- Over 3,700 of residents provide more than 20 hours of unpaid care per week¹²
- Visits to foodbanks in the borough have increased in recent years



Our objective: Deliver targeted and proactive support for our most vulnerable residents

To achieve this, we will:

- Through our housing and family support teams, provide early help and advice, enabling residents in need to access jobs, housing, money advice and other support
- Share information with relevant partners to target our support to those who need it most
- Provide advice, grants and other financial support to help older people and those at risk of homelessness, including to help them remain in their homes
- Secure accommodation through the private rented and social housing sector to prevent homelessness
- Work with partners to provide support for – and raise awareness in relation to – vulnerable older residents, those with dementia, and carers.

Leisure & Wellbeing

Some of the challenges we face

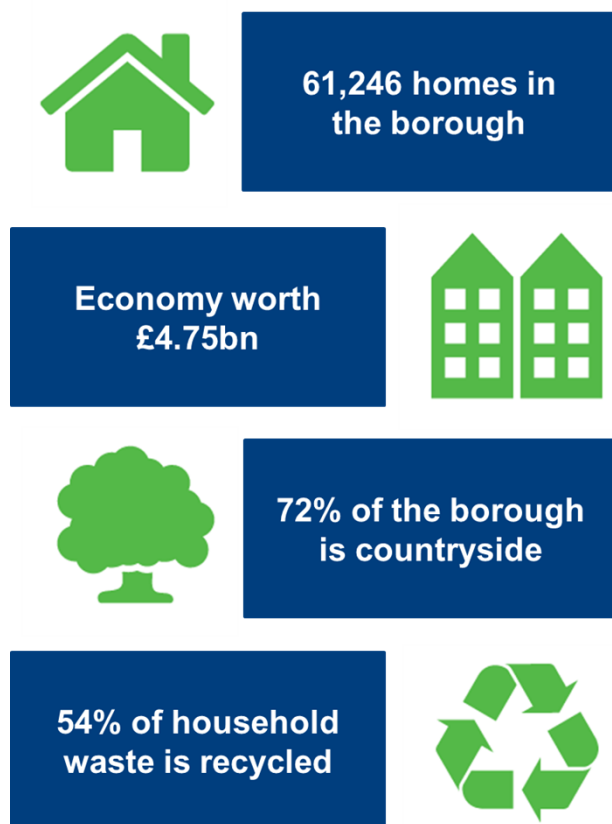
- 63% of the adult population in Reigate & Banstead is overweight or obese¹³
- 18% of reception age children in the borough are overweight or obese¹⁴
- Reigate & Banstead has the third highest proportion of mental health disorders in young people in Surrey¹⁵

Our objective: Provide leisure & wellbeing services that are accessible to, and meet the needs of, communities and visitors

To achieve this, we will:

- Undertake a review of the leisure and wellbeing services we currently provide
- Work in partnership to look at co-location of our services with those of partner organisations
- Focus on activities that address the wider determinants of both physical and mental health, including for older people, and for young adults and children

Facts and figures



What we already do

- Nearly 3,500 **new homes** have been built in the borough since 2012, of which in total 683 have been affordable homes
- Since 2016 we have collected nearly £20m from new developments to put towards **infrastructure** improvements
- In 2018/19 we provided **small business grants** to around 60 local businesses
- We are **strengthening links** between local employers and education providers – our last careers fair was attended by over 550 school children
- We maintain 55 **parks and open spaces** and 33 play areas, and manage over 1,300 allotments
- Each year we **clear the streets** of 1,400 tonnes of litter. In 2017/18 our Joint Enforcement Team dealt with nearly 4,000 incidents of **antisocial behaviour**

Towns and Villages

Some of the challenges we face

- People's shopping patterns are changing, which means the role of our town centres will need to evolve
- Our town centres face increasing competition from larger centres and online shopping
- However local residents and workers will continue to expect our towns and villages to provide the services they need

Our objective: With our partners, invest in our town and village centres, so they continue to be places where people chose to live, work and visit

To achieve this, we will:

- Use our own assets to provide new retail, leisure and business space and new homes in our town centres, including through the delivery of the Marketfield Way development in Redhill
- Work with local interest groups and partners to enhance the environment in our town and village centres and improve services for visitors and local businesses

- Use our planning policies to ensure our towns and villages can respond to changes in retailing, encourage a mix of uses in our centres and retain the facilities and services residents need

Economic Prosperity

Some of the challenges we face

- Over 35,000 residents commute out of the borough for work, with 27,000 people commuting in¹⁶
- New offices are being built in the borough, but more generally the supply of new employment space is not meeting high levels of market demand
- The way people work is changing and we need to make sure our borough provides the type of space and services (business infrastructure) that businesses need to thrive

Our objective: Drive the continued economic prosperity of the borough, facilitate improved business infrastructure, and confirm the borough's reputation as a great place to do business

To achieve this, we will:

- Work with partners to progress our plans for Horley Business Park, supported by infrastructure including new road access, bus, walking and cycling routes, and a new public park; and secure jobs for local people including during construction
- Provide support to start-up and micro businesses to increase business birth and survival rates
- Work with large employers and support them to maintain a local presence, employ local workers, build stronger relationships with local education and skills providers and support apprenticeships schemes
- Continue to facilitate networking to strengthen the business community in Reigate & Banstead
- Work with partners across the wider economic area to secure investment, promote the borough, deliver business floorspace and business infrastructure (such as 5G), and to secure a greater range of higher education provision in the local area.

Local planning

Some of the challenges we face

- Our great location, natural environment and good transport links make the borough an attractive place to live, but this comes with its own challenges
- Projected need for over 1,000 new homes in the borough every year and for 5-6,000 new homes across the Gatwick Diamond area each year¹⁷
- Infrastructure funding gap estimated to be at least £64.8m between 2016 and 2031¹⁸
- Ambitious growth plans at Gatwick Airport which would result in increased numbers of passengers and employees, which needs to be planned for

Our objective: Ensure new development is properly planned and sustainable, and benefits the borough's communities and the wider area, and use our planning policies positively to facilitate the delivery of other Corporate Plan objectives

To achieve this, we will:

- Maintain an up-to-date local plan setting out the scale and location of new development and social, economic and environmental policies to inform decision making on planning applications
- Use our planning policies alongside our development activities to enable growth and development that is consistent with this Corporate Plan and the principles of sustainability
- Collect Section 106 contributions and the Community Infrastructure Levy and spend it on infrastructure to support new development
- Engage with infrastructure providers to make sure other funding is properly targeted to benefit the borough
- Work with neighbouring authorities and partners to identify the best locations for new development and lobby for the investment in the infrastructure needed to support this

Clean & Green

Some of the challenges we face

- Increased recycling in recent years, but we could do more
- Reported incidents of fly-tipping have increased in recent years
- Our parks and greenspaces cost about £1.2m to maintain each year

Our objective: Provide high quality green spaces and neighbourhood services to ensure local people have access to the services and facilities they need and that the borough continues to be clean and attractive

To achieve this, we will:

- Continue to invest in and maintain parks, recreational facilities and countryside in Council ownership, and promote biodiversity
- Encourage greater use of our parks and countryside through the provision of new facilities, activities and events
- Work with volunteers across the borough, and help communities to maintain their own local green spaces
- Continue to roll out our full recycling service to all homes in the borough where practical and viable, and raise awareness and reduce the use of single use plastics in partnership with the Surrey Waste Partnership
- Continue to deliver a waste & recycling service that provides good value to the taxpayer and take a joint enforcement approach towards fly-tipping
- Continue to deliver a high quality cleansing and street cleaning service

Facts and figures

£0

No revenue support grant from Government

Annual net budget in 2019/20 of £16.3m



All our services for less than £4.38 Council Tax per week

What we already do

- Since 2009/10, the Council has made cumulative revenue savings of around £20m.
- Over £4m of income predicted to be generated from our property portfolio in 2019/20
- 99%+ collection rate for Council Tax and Business Rates – one of the highest in the country.
- 11 apprentices employed and over 230 paid work experience opportunities provided to borough residents since 2011

Financial sustainability

Some of the challenges we face

- The Council receives no revenue support grant from Government; we do not expect to be able to retain any of the business rates we collect in future years
- Most of the Council Tax we collect goes to other partners - only 12 pence in every £1 available to spend on Borough Council services

Our objective: Be a financially self-sustaining Council

To achieve this, we will:

- Ensure that our budgeting process is transparent and well-managed to deliver a balanced budget outcome each year
- Increase Council Tax annually to reflect increasing costs, and run an effective collection team to recover money owed to us
- Operate in an efficient and rigorous way across all our day-to-day financial operations
- Publish and keep up-to-date our Investment Strategy

Commercial Activities

Some of the challenges we face

- To be financially self sustaining we need to generate more income through commercial activities to fill the gap left from the removal of government grant.
- Commercial activities also enable us to generate capital receipts

Our objective: Undertake commercial activities to generate additional income and build our financial resilience, in order to sustain service provision



To achieve this, we will:

- Further develop our commercial revenues, benefits and fraud activities
- Investigate other opportunities to sell or diversify our services and pursue these where supported by a robust business case
- Invest in new property assets or development opportunities in our economic area where these will provide a reliable revenue income stream or longer term capital receipt and help us sustain service provision
- Use our existing property assets to generate revenue income or capital receipts for the Council, including by bringing them forward for development

Operational Assets

Some of the challenges we face

- The services we provide rely on our estate, buildings, equipment, ICT and vehicles being modern, efficient and reliable.
- Maintaining these operational assets costs money, but without investment the services we provide to residents and businesses will suffer

Our objective: Ensure that our operational assets (things like our estate, equipment, IT and vehicles) are fit for purpose

To achieve this, we will:

- Maintain an up-to-date asset management strategy
- Invest in our operational assets when required to ensure they remain fit for purpose and support environmental sustainability objectives

Skills & Great People

Some of the challenges we face

- Our Councillors and staff will require a variety of skills to deliver the objectives in this Plan
- It is increasingly difficult to recruit the people we need as we are competing with London authorities and the private sector

Our objective: Invest to ensure the Council (councillors and officers) has the right skills to deliver this Plan

To achieve this, we will:

- Develop and deliver an Organisational Development Strategy
- Invest in attracting, retaining, developing and rewarding appropriately qualified and skilled staff to deliver our Plan in an increasingly digital environment
- Draw on external advice where in-house skills do not exist
- Foster local democracy by seeking to attract candidates to stand as Councillors whose diversity reflects our communities
- Provide a modern working environment and competitive employment packages to attract and retain talented people and become an employer of choice

MONITORING AND REPORTING ON PROGRESS

We are proposing to report annually on our progress towards delivering this Plan. We will report on contextual indicators – that is, things that are not entirely within our control but paint a picture of what is happening in the borough; things like house prices, levels of employment etc. We will also identify key Corporate Plan indicators so you can understand whether we are meeting our plan objectives.

We will publish these annual progress reports on our website.

The Council may also prepare topic specific action plans explaining in more detail the work which will be undertaken to deliver its objectives and priorities

References

-
- ¹ Land Registry, October 2018
 - ² Office for National Statistics 2018
 - ³ Valuation Office Agency, December 2018
 - ⁴ Reigate & Banstead Borough Council, 2018
 - ⁵ Reigate & Banstead Borough Council, 2018
 - ⁶ Reigate & Banstead Borough Council, 2018, average on a Friday night
 - ⁷ Surrey Police, 2017
 - ⁸ Surrey Police, 2018
 - ⁹ HMRC, 2015
 - ¹⁰ Public Health England 2017
 - ¹¹ Census 2011
 - ¹² Census 2011
 - ¹³ Public Health England 2017
 - ¹⁴ Public Health England 2015 (latest data available)
 - ¹⁵ Public Health England 2015 (latest data available)
 - ¹⁶ Census 2011
 - ¹⁷ Ministry for Homes, Communities and Local Government, 2018
 - ¹⁸ Surrey Infrastructure Study, 2018

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REPORT OF:	DIRECTOR OF FINANCE & ORGANISATION (CFO)
AUTHOR:	Semena Williams/Lewis Chingwaru
TELEPHONE:	01737 276039
E-MAIL:	semena.williams@reigate-banstead.gov.uk
TO:	EXECUTIVE
DATE:	18 MARCH 2019
EXECUTIVE MEMBER:	COUNCILLOR T. SCHOFIELD

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

SUBJECT:	TREASURY MANAGEMENT STRATEGY 2019/20
RECOMMENDATIONS: That the Treasury Management Strategy 2019/20 be approved.	
REASONS FOR RECOMMENDATIONS: To support the adoption of a Treasury Management Strategy for the 2019/20 financial period.	
EXECUTIVE SUMMARY: To comply with the Code of Practice on Treasury Management, the Council must approve Prudential Indicators and a Treasury Management Strategy each year that reflect the Council's expected operations in this area for the 2019/20 financial year.	

Full Council is required to approve the recommendation noted above.
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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 the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management and the Prudential Code for Capital Finance in Local Authorities, and the Government's Investment Regulations.

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ISSUES

Background

3. The Council is required to approve an annual Treasury Management Strategy and Prudential Indicators so that borrowing and investments are prudent, affordable and sustainable.
4. The Strategy has been prepared in line with the CIPFA Treasury Management Code of Practice published in late 2017. The Treasury Management Strategy 2019/20 is attached at Annex 1.
5. The Strategy consists of four sections and appendices that have been compiled in accordance with the Council's Treasury Management Policy Statement.
6. These are:
 - Introduction (Section 1)
 - The Capital Prudential Indicators 2019/20 to 2023/24 (Section 2)
 - Borrowing (Section 3)
 - Annual Treasury Investment Strategy (Section 4)
 - Appendices
7. Each section contains the appropriate Prudential Indicators relevant to that area. In addition, the Treasury Risk Management Assessment has been incorporated in the report in Section 4, the Annual Treasury Investment Strategy.

Objectives

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

The Treasury Position 2018/19

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9. The following table shows the Council's net investment position at 31 December 2018 and the projected position for 31 March 2019. The table also splits both the borrowings and investments between fixed or variable interest rates.

	Actual as at 31/3/2018	Average Earnings or Interest Paid Rate	Current position as at 31/12/18	Average Earnings or Interest Paid Rate	Estimated Position as at 31/3/19	Anticipated Average Earnings or Interest paid Rate
	£000	%	£000	%	£000	%
Fixed Rate Borrowing	0	n/a	0	n/a	0	n/a
Variable Rate Borrowing	0	n/a	0	n/a	0	n/a
Total Borrowing	0	0	0		0	0
Fixed Investments:						
Through Broker	43,000	1.00%	46,000	1.25%	43,000	1.27%
In House	13,000	0.80%	5,000	1.50%	5,000	1.50%
Total Investments	56,000	0.95%	51,000	1.27%	48,000	1.29%
Net Investments	56,000		51,000		48,000	

Matters for Consideration

Guidance

10. A number of changes have been required when preparing the Council's 2019/20 Treasury Management Strategy as a consequence of recent revisions of MHCLG Investment Guidance, MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.
11. These changes are intended to reflect the increasingly complex business models being adopted by Local Authorities in response to reductions in other funding streams.
12. Changes to the guidance include the introduction of a new requirement to publish a Capital Investment Strategy, to provide a longer-term focus to the capital plans. There are also enhanced reporting requirements surrounding commercial activity undertaken under the Localism Act 2011.

Capital Investment Strategy and Capital Programme

13. The Council's Capital Investment Strategy is reported separately on this agenda.
14. The Capital Programme as reflected in this report represents approved capital expenditure to date and forecast future investment plans. These are also potentially subject to review as the Capital Investment Strategy is finalised.

Financial Reporting Standards

15. IFRS 9 replaces IAS 39, Financial Instruments – Recognition and Measurement – and was effective from April 2018. It is intended to respond to criticisms that IAS 39 was too complex and inconsistent with the way entities manage their businesses and risks, and defers the recognition of credit losses on loans and receivables until too late in the credit cycle. The implications of these changes for this Council will be assessed during the final accounts process for the financial year 2018/19.

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Prudential Indicators

16. The statutory Prudential Indicators contained within the Treasury Management Strategy are based on the new guidance.
17. The changes in mandatory Prudential Indicators include the removal of the following:
 - Estimates of the incremental impact of capital investment decisions on the council tax
18. There is a new mandatory prudential indicator that compares the level of gross debt to the current Capital Financing Requirement (CFR). The purpose of this indicator is ensure that gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

Summary of Key Prudential Indicators

	2018/19 Projected £'000	2019/20 Projected £'000	2020/21 Projected £'000	2021/22 Projected £'000	2022/23 Projected £'000	2023/24 Projected £'000
Capital Expenditure	45,714	20,827	29,410	27,902	18,074	2,974
Capital Financing Requirement	20,000	36,269	42,825	50,082	49,717	49,337
Authorised Limit for External Debt	80,000	80,000	80,000	80,000	80,000	80,000
Operational Boundary for External Debt	70,000	70,000	70,000	70,000	70,000	70,000
Upper Limits on Variable Rate Exposure	25%	25%	25%	25%	25%	25%
Upper Limits on Fixed Rate Exposure	100%	100%	100%	100%	100%	100%

OPTIONS

19. There are 3 options:
20. **Option 1 – Approve the recommendations within this report**
 This would provide the best opportunity to maximise the potential returns that can be earned during the coming financial year and minimise the risk of audit criticism.

 This is the recommended option.
21. **Option 2 - To defer the report and ask Officers to provide more information and/or clarification on any specific points**
 The current Investment Regulations issued by MHCLG means that this Strategy must be approved prior to the financial year to which it relates.

 Any delay in approving the Strategy could leave the Council open to the same risks identified in option 3 below.
22. **Option 3 - To not support the contents of this report**

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This would mean that Officers will not have a mandate to undertake treasury management activities, which will lead to the Council only receiving minimal returns on its investments and hence poor value for money.

It would also leave the Council not being compliant with the MHCLG statutory guidance and the CIPFA Code of Practice, which will result in criticism from our External Auditor.

LEGAL IMPLICATIONS

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

FINANCIAL IMPLICATIONS

24. The financial impacts of this proposed strategy have already been reflected within the Council's 2019/20 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

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

COMMUNICATION IMPLICATIONS

26. There are no communication implications arising from this report

RISK MANAGEMENT CONSIDERATIONS

27. These are detailed in Annex 1

OTHER IMPLICATIONS

28. There are no other implications arising from this report

CONSULTATION

29. The Draft Treasury Management Strategy was reviewed by a Member Panel led by the Portfolio Holder for Finance in early February and then by the Overview and Scrutiny Committee on 15 February. Their feedback has been taken into account when preparing the final Treasury Management Strategy Statement.

POLICY FRAMEWORK

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

Background Papers:

31. None

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Final Treasury Management Strategy Statement 2019/20

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1. INTRODUCTION

1.1 Background

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

The second main function of the treasury management service is funding of the Council's capital plans. These capital plans provide a guide to borrowing need, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. The Council anticipates taking on long-term borrowing for the first time during 2019/20.

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

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

CIPFA defines treasury management as:

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

Revised reporting is required for the 2019/20 cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a Capital Investment Strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The Capital Investment Strategy is being reported separately to Executive and full Council in March/April 2019.

1.2 Reporting requirements

1.2.1 Capital Investment Strategy

The revised CIPFA 2017 Prudential and Treasury Management Codes require, for 2019/20, all local authorities to prepare an additional report, a Capital Investment Strategy, which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of the Capital Investment Strategy is to ensure that all elected Members on the full Council fully understand the overall long-term policy objectives and resulting Capital Investment Strategy requirements, governance procedures and risk appetite.

This Capital Investment Strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset.

The Capital Investment Strategy will show:

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- The payback period (MRP policy);
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

Where a physical asset is being purchased, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.

If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the Capital Investment Strategy.

To demonstrate the proportionality between the Council's treasury operations and non-treasury operations, high-level comparators are shown throughout the report.

1.2.2 Treasury Management reporting

The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

- (i) **Prudential and Treasury Indicators and Treasury Strategy** (this report) - this first, and most important, report is forward-looking and covers:
 - capital spending plans, (including prudential indicators);
 - the minimum revenue provision (MRP) policy, demonstrating how residual capital expenditure is charged to revenue over time;
 - the Treasury Management Strategy, setting out how the investments and borrowings are to be organised), including treasury indicators; and
 - a Treasury Investment Strategy, describing the parameters for how investments are to be managed.
- (ii) **A Mid-Year Treasury Management Report** – This is primarily a progress report and will update Members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.
- (iii) **An Annual Treasury Report** – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

1.2.3 Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Overview and Scrutiny Committee.

1.2.4 Treasury Management Strategy for 2019/20

The strategy for 2019/20 covers two main areas:

- (i) **Capital**
 - the capital expenditure plans and the associated prudential indicators;
 - the minimum revenue provision (MRP) policy.
- (ii) **Treasury management**
 - the current treasury position;
 - treasury indicators which limit the treasury risk and activities of the Council;
 - prospects for interest rates;
 - the borrowing strategy;
 - policy on borrowing in advance of need;
 - debt rescheduling;
 - the Treasury Investment Strategy;
 - creditworthiness policy; and
 - the policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

1.3 Training

The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny. A workshop for members was conducted by our Treasury Advisors on 12 February 2019 and further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed.

1.4 Use of consultants

The Council uses Link Asset Services, Treasury Solutions as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

The Council also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial-type investments, such as investment properties.

For its commercial property investments the Council employs the services of specialist advisors on an asset-specific basis.

2. CAPITAL PRUDENTIAL INDICATORS 2019/20 TO 2023/24

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

Members are asked to approve the following capital expenditure forecasts which were included in the Budget 2019/20 budget report to Executive on 24 January 2019:

Table 1: Capital Expenditure Programme

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
Finance & Organisation	38,683.3	355.0	180.0	406.0	381.0	381.0
People Services	1,823.6	1,665.1	1,285.0	1,285.0	1,285.0	1,285.0
Place Services	5,207.6	18,806.7	27,944.6	26,210.5	16,407.5	1,307.5
Total Expenditure	45,714.5	20,826.8	29,409.6	27,901.5	18,073.5	2,973.5

The above Programme includes £38.2m investment in commercial property in 2018/19 under Finance & Organisation.

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
Commercial Property Investments	38,230.0	-	-	-	-	-

Commercial property investment plans beyond 2018/19 will be confirmed as the Capital Investment Strategy is developed during 2019/20.

Other long-term liabilities - The above financing need excludes other long-term liabilities, such as leasing arrangements that already include borrowing instruments. The Council does not currently have any leasing arrangements of this type.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Table 2: Capital Expenditure Programme Financing

CAPITAL EXPENDITURE FINANCING	2018/2019	2019/20	2020/21	2021/22	2022/23	2023/2024
	Projected £000	Projected £000	Projected £000	Projected £000	Projected £000	Projected £000
Capital Reserves	21,824.8	1,016.8	152.9	6,123.1	0.0	0.0
Capital Receipts	290.3	362.0	19,680.5	11,569.5	15,575.5	475.5
Capital Grants & Contributions	3,599.4	3,047.9	2,776.2	2,653.8	2,498.0	2,498.0
Total Financing	25,714.5	4,426.8	22,609.6	20,346.4	18,073.5	2,973.5
Net Financing Need	20,000.0	16,400.0	6,800.0	7,555.1	0.0	0.0
Total Expenditure	45,714.5	20,826.8	29,409.6	27,901.5	18,073.5	2,973.5

The net financing need for investment in commercial property (included in Table 2) is shown below:

CAPITAL EXPENDITURE FINANCING	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Budget £000	Projected £000	Projected £000	Projected £000	Projected £000	Projected £000
Commercial Property Investments	20,000.0	-	-	-	-	-

Commercial property investment plans beyond 2018/19 will be confirmed as the Capital Investment Strategy is developed during 2019/20.

2.2 Borrowing need (the Capital Financing Requirement)

This prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and therefore its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the PFI, PPP lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has no such schemes within the CFR.

The Council is asked to approve the CFR projections below:

Table 3: Projected Capital Financing Requirement

CAPITAL FINANCING REQUIREMENT	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000	£000
CFR – General Fund	20,000.0	36,269.0	42,825.3	50,082.5	49,716.9	49,336.8
Total CFR	20,000.0	36,269.0	42,825.3	50,082.5	49,716.9	49,336.8
Movement in CFR	20,000.0	16,269.0	6,556.3	7,257.1	-365.5	-380.2

Movement in CFR represented by:						
Net financing need for the year (above)	20,000.0	16,400.0	6,800.0	7,555.1	0.0	0.0
Less MRP/VRP and other financing movements	0.0	-131.0	-243.7	-298.0	-365.5	-380.2
Movement in CFR	20,000.0	16,269.0	6,556.3	7,257.1	-365.5	-380.2

The CFR for investment in commercial property (included in Table 3) is shown below:

CAPITAL FINANCING REQUIREMENT	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000	£000
Commercial Property Investments	20,000	19,869	19,733	19,591	19,444	19,291

Commercial property investment plans beyond 2018/19 will be confirmed as the Capital Investment Strategy is developed during 2019/20.

A key aspect of the updated regulatory and professional guidance is that Members are aware of the size and scope of any commercial activity in relation to the Council's overall financial position. The capital expenditure figures shown in Table 2 and the financing details at Table 3 above demonstrate the scope of this activity and, by approving this Strategy; the Council is confirming that it considers the scale proportionate to other investment activity.

2.3 Minimum revenue provision (MRP) policy statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

MHCLG regulations have been issued which require the full Council to approve an **MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision.

The Council is recommended to approve the following MRP Statement:

- For all unsupported borrowing (including PFI and finance leases), the MRP policy will be the **Asset Life method** on an **Annuity Basis**.
- This method results in lower revenue charges in the early years of an asset's life, to reflect how benefits from the use of the asset are expected to accrue.
- This option will also be applied for any expenditure capitalised under a Capitalisation Direction.

Repayments included in any annual PFI charges or finance leases will be applied as MRP. This Council does not currently have any PFI schemes or finance leases.

MRP Overpayments. A change introduced by the revised MHCLG MRP Guidance is the provision that any MRP charges made over the statutory minimum may be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed, the MRP policy must disclose the cumulative overpayment made each year.

Up until 31 March 2019 the Council's cumulative overpayments were £Nil.

3. BORROWING

The capital expenditure plans at Section 2 provide a summary of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to fund service activity and the Capital Investment Strategy. This will involve both the organisation of cash flows and, where capital plans require, the organisation of appropriate borrowing facilities. The Treasury Management Strategy covers the relevant treasury/prudential indicators, current and projected debt positions and the annual Treasury Investment Strategy.

3.1 External Debt

The Council's forward projections for borrowing are summarised below.

The Council is currently debt free and expects to start borrowing soon. Therefore, as the Council is starting from a nil CFR position, the gross debt will be the same as the Capital Financing Requirement.

The table below shows the prudential indicator for actual external debt, against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over- or under-borrowing.

Table 4: External Debt

EXTERNAL DEBT	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Estimate £000	Estimate £000	Estimate £000	Estimate £000	Estimate £000	Estimate £000
Gross Debt at 1 April	0	20,000	36,269	42,825	50,082	49,717
Expected Change in Debt	20,000	16,269	6,556	7,257	-366	-380
Other Long-Term Liabilities	0	0	0	0	0	0
Expected Change in Other Long-Term Liabilities	0	0	0	0	0	0
Gross Debt at 31 March	20,000	36,269	42,825	50,082	49,716	49,337
The Capital Financing Requirement	20,000	36,269	42,825	50,082	49,716	49,337
Under/ (Over) Borrowing	0	0	0	0	0	0

Within the above figures the level of debt relating to commercial property investment is:

CAPITAL EXPENDITURE FINANCING	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Budget £000	Projected £000	Projected £000	Projected £000	Projected £000	Projected £000
Commercial Property Investments Gross Debt at 31 March (£m)	20,000	20,000	20,000	20,000	20,000	20,000
Percentage of total external debt (%)	100.0%	55.1%	46.8%	39.9%	40.2%	40.5%

Commercial property investment plans beyond 2018/19 will be confirmed as the Capital Investment Strategy is developed during 2019/20.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Table 5: Operational Boundary

OPERATIONAL BOUNDARY	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual £000	Estimate £000	Estimate £000	Estimate £000	Estimate £000	Estimate £000	Estimate £000
Debt	70,000	70,000	70,000	70,000	70,000	70,000	70,000

The authorised limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

The Council is asked to approve the following authorised limit:

Table 6: Authorised Limit

AUTHORISED LIMIT	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual £000	Estimate £000	Estimate £000	Estimate £000	Estimate £000	Estimate £000	Estimate £000
Debt	80,000	80,000	80,000	80,000	80,000	80,000	80,000

3.3 Prospects for interest rates

The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table and commentary sets out their latest forecasts.

Link Asset Services Interest Rate View													
	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	2.00%
3 Month LIBID	0.70%	0.80%	1.00%	1.10%	1.20%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	0.80%	0.90%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.00%	1.10%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
10yr PWLB Rate	2.20%	2.30%	2.40%	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.00%
25yr PWLB Rate	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.20%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%
50yr PWLB Rate	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%

2018 was a year which started with weak growth of only 0.1% in quarter 1. However, quarter 2 rebounded to 0.4% in quarter 2 followed by quarter 3 being exceptionally strong at +0.6%. Quarter 4 though, was depressed by the cumulative weight of Brexit uncertainty and came in at only +0.2%. Growth is likely to continue being weak until the Brexit fog clears.

The above forecasts are based on a major assumption that Parliament and the EU agree an orderly Brexit, either by 29 March or soon after. At their 7 February meeting, the MPC repeated their well-worn phrase 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 have given a figure for this of around 2.5% in ten years' time but have declined to give a medium-term forecast. However, with so much uncertainty around Brexit, the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they could also raise Bank Rate in the same scenario if there was a boost to inflation from increases in import prices, devaluation of sterling, and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor could provide fiscal stimulus to boost growth.

The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. However, over about the last 25 years, we have been through a period of falling bond yields as inflation subsided to, and then stabilised at, much lower levels than before, and supported by central banks implementing substantial quantitative easing purchases of government and other debt after the financial crash of 2008. Quantitative easing, conversely, also caused a rise in equity values as investors searched for higher returns and purchased riskier assets. In 2016, we saw the start of a reversal of this trend with a sharp rise in bond yields after the US Presidential election in November 2016, with yields then rising further as a result of the big increase in the US government deficit aimed at stimulating even stronger economic growth. That policy change also created concerns around a significant rise in inflationary pressures in an

economy which was already running at remarkably low levels of unemployment. Unsurprisingly, the Fed has continued on its series of robust responses to combat its perception of rising inflationary pressures by repeatedly increasing the Fed rate to reach 2.25 – 2.50% in December 2018. It has also continued its policy of not fully reinvesting proceeds from bonds that it holds as a result of quantitative easing, when they mature. We therefore saw US 10-year bond Treasury yields rise above 3.2% during October 2018 and also investors causing a sharp fall in equity prices as they sold out of holding riskier assets. Since then, US 10-year bond yields have fallen back on fears that the Fed could be too aggressive in raising interest rates and was going to cause a recession. However, the Fed dropped any specific reference to expecting further rate increases at their January 30 meeting. Equity prices have been very volatile on alternating good and bad news during this period.

From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

Investment and borrowing rates:

- Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.
- Borrowing interest rates have been volatile so far in 2018-19 and while they were on a rising trend during the first half of the year, they have fallen significantly since then. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;
- There will remain a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

3.4 Borrowing strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not yet been funded with loan debt; instead cash supporting the Council's reserves, balances and cash flow has been used as a temporary funding measure. This strategy is

prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2019/20 treasury operations. The Chief Finance Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- If it was felt that there was a significant risk of a sharp FALL in long- and short-term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation) - then long-term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
- If it was felt that there was a significant risk of a much sharper RISE in long-term and short-term rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks - then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the appropriate decision-making body at the next available opportunity.

3.5 Policy on borrowing in advance of need

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

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

4. ANNUAL TREASURY INVESTMENT STRATEGY

4.1 Current portfolio position

The overall treasury management portfolio at 31 March 2018 and the position at 31 December 2018 are shown below.

Table 7: Treasury Portfolio

PORTFOLIO POSITION	2017/18		2018/19	
	Actual at 31 March 2018		Actual at 31 December 2018	
	£'000	%	£'000	%
Investments:				
Local Authorities	10,000	18%	0	0%
Clearing Banks	5,000	9%	0	0%
Other Financial Institutions ¹	8,000	14%	8,000	16%
Building Societies	33,000	59%	43,000	84%
Total Investments	56,000	100%	51,000	100%
<i>Excludes balances held with Council's bankers for day-to-day banking purposes</i>				
Long-Term Borrowing	The Council had no short-term or long-term borrowings at 31 March and 31 December 2018			

NOTE 1: Goldman Sachs

4.2 Investment policy – management of risk

The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, will be covered in the Capital Investment Strategy, (a separate report).

The Council's investment policy has regard to the following: -

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

The Council's investment priorities will be security first, portfolio liquidity second and then yield (return).

The above guidance from the MHCLG and CIPFA places a high priority on the management of risk. This Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

Table 8: Treasury Management Risk Assessment

Risk	Council's View of Risk	RAG Indicator	Mitigation actions/controls included within the Treasury Management Strategy																								
Credit & Counterparty	This is the key risk for the Council. The security of 'capital' investment is critical.	R	<p>The Council uses credit ratings and other market intelligence to access the credit quality of any potential counterparty. To be read in conjunction with Appendix 5.3.</p> <p>1. Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings. The current minimum levels are:</p> <p>Short-term (less than one year in duration)</p> <table><tr><td>Fitch</td><td>F1</td></tr><tr><td>Standard & Poor's</td><td>A-1</td></tr><tr><td>Moody's</td><td>P-1</td></tr></table> <p>Medium-term (greater than 1 year up to and including 3 years)</p> <table><tr><td>Fitch</td><td>A+</td></tr><tr><td>Standard & Poor's</td><td>A+</td></tr><tr><td>Moody's</td><td>A1</td></tr></table> <p>Longer-term (greater than one year in duration up to and including 5 years)</p> <table><tr><td>Fitch</td><td>AA-</td></tr><tr><td>Standard & Poor's</td><td>AA-</td></tr><tr><td>Moody's</td><td>Aa3</td></tr></table> <p>In addition all non UK domiciled banks we might want to invest in will need to be supported by guarantees from their national central banks and their national government will need to have their own sovereign rating of 'AAA'.</p> <p>The constitution of Money Market Funds means that they spread their investment over a wide range of counterparties and financial instruments which itself reduces the impact of this risk being realised. In addition these funds will be subject to either having UK Government guarantees or will have the following minimum credit rating.</p> <p>Longer-term (greater than one year in duration up to and including 5 years)</p> <table><tr><td>Fitch</td><td>AAA</td></tr><tr><td>Standard & Poor's</td><td>AAA</td></tr><tr><td>Moody's</td><td>Aaa</td></tr></table> <p>2. The Council sets a maximum exposure level, expressed in "£" that can be invested with any one organisation. The current limits are a maximum of £10m for UK banks, and part nationalised UK banks. Non UK domiciled banks, Building societies, other local authorities, parish or community councils; and</p>	Fitch	F1	Standard & Poor's	A-1	Moody's	P-1	Fitch	A+	Standard & Poor's	A+	Moody's	A1	Fitch	AA-	Standard & Poor's	AA-	Moody's	Aa3	Fitch	AAA	Standard & Poor's	AAA	Moody's	Aaa
Fitch	F1																										
Standard & Poor's	A-1																										
Moody's	P-1																										
Fitch	A+																										
Standard & Poor's	A+																										
Moody's	A1																										
Fitch	AA-																										
Standard & Poor's	AA-																										
Moody's	Aa3																										
Fitch	AAA																										
Standard & Poor's	AAA																										
Moody's	Aaa																										

Risk	Council's View of Risk	RAG Indicator	Mitigation actions/controls included within the Treasury Management Strategy
			<p>housing associations a maximum of £5m. UK Government backed securities form an exception, where exposure can be unlimited.</p> <p>3. To limit exposure in respect of Building Societies the Council will only invest with those societies with a minimum asset base of over £1 billion pounds.</p> <p>4. Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.</p> <p>5. Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.</p> <p>6. This authority has defined the list of types of investment instruments that the treasury management team are authorised to use. There are two lists in Appendix 5.3 under the categories of 'specified' and 'non-specified' investments.</p> <ul style="list-style-type: none"> • Specified investments are those with a high level of credit quality and subject to a maturity limit of one year. • Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by Members and officers before being authorised for use. <p>7. Non-specified investments limit. The Council has determined that it will limit the maximum total exposure to non-specified investments as being 40% of the total investment portfolio, (see paragraph 4.3).</p> <p>8. Lending limits, (amounts and maturity), for each counterparty will be set through applying the matrix table in Appendix 5.3.</p> <p>9. Transaction limits are set for each type</p>

Risk	Council's View of Risk	RAG Indicator	Mitigation actions/controls included within the Treasury Management Strategy
			<p>of investment in Table 9 and Appendix 5.3.</p> <p>10. This authority will set a limit for the amount of its investments which are invested for longer than 365 days, (see Table 10 para 4.4).</p> <p>11. Investments will only be placed with counterparties from countries outside the UK with a specified minimum sovereign rating, (see Appendix 5.3 and list at 5.4).</p> <p>12. This authority has engaged external consultants, (see page 5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.</p> <p>13. All investments will be denominated in sterling.</p> <p>14. As a result of the change in accounting standards for 2018/19 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. In November 2018, the Ministry of Housing, Communities and Local Government, [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from 1.4.18. Local authorities are required to disclose the net impact of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override in order for the Government to keep the override under review and to maintain a form of transparency.</p> <p>15. This authority will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.</p>
Liquidity	This is a managed risk for the Council. To provide services it needs to ensure that it has money available when required and that the provision of	A	<p>1. The Council maintains both an operational (1 year) and strategic (up to 5 years) Cash Flow model.</p> <p>2. Investment durations are then set to accord with when the money will be required according to the strategic cash flow model.</p>

Risk	Council's View of Risk	RAG Indicator	Mitigation actions/controls included within the Treasury Management Strategy
	the money should be delivered in the most cost effective way.		3. Each transaction takes into account the underlying macro-economic environment at the time the transaction is being considered.
Interest Rate	This is a risk to the Council of investing in transactions that have a 'variable' interest rate that might change over the duration of the transaction.	A	1. All 'cash' deposit transactions are undertaken on a 'Fixed-term' or 'Structured/stepped' deal basis which determines the interest rate and duration at the time the transaction is entered into.
Exchange Rate	This is not a risk for this Council, as all financial investment transactions are undertaken in '£' sterling.	G	Not applicable 1. All investments will be denominated in sterling.
Refinancing	This is an emerging risk for the Council.	A	1. Accurate records of loans will be maintained. Borrowing requirements will be planned well in advance of need to negotiate rates. The maturity profile of loans will be spread to reduce prospect of having to negotiate at a time that is unfavourable to the organisation.
Legal and Regulatory	This is a potential risk for the Council.	A	1. The Council's constitution and associated documentation (i.e. Financial Procedure Rules) clearly set out the governance framework within which Treasury Management activity is undertaken. 2. The Council's Treasury Management Practice notes (TMP's) clearly set out roles and responsibilities and authorisation limits. 3. In terms of the legal status of counterparties to deal with the Council, the Council relies upon advice from its Treasury Advisors and the fact that legal status is part of the elements that go to make up the 'credit rating' issued by the Rating Agencies.
Fraud, error & corruption and contingency management	This is a potential risk for the Council.	A	1. The Council's Treasury Management Practice notes (TMP's) clearly set out roles and responsibility and authorisation limits. 2. All treasury transactions require the involvement of at least two officers, split across two separate work teams in Finance. Each with the power to defer any transaction taking place. 3. Internal audit undertake periodic independent audit on both the effectiveness of the Council's treasury management control arrangements and whether all the transactions that have been undertaken are compliant with the Treasury Management Policy, Treasury

Risk	Council's View of Risk	RAG Indicator	Mitigation actions/controls included within the Treasury Management Strategy
			Management Strategy and the Treasury Management Practice.
Market risk	This is a potential risk for the Council.	A	<ol style="list-style-type: none"> 1. As all 'cash' deposit transactions are undertaken on a 'Fixed-term' or 'Structured/stepped' basis this removes the potential of this risk occurring. 2. All 'Gilt' investments are bought and held to maturity, this again removes the potential for this risk. 3. Purchasing shares in a pooled investments (such as a money market fund) means that any downward movement in the relative share price could open the Council to a potential capital loss, but the likelihood of this occurring is low given that these funds, by their nature, invest in a wide range of financial instruments and financial institutions and earn their commission from increases in the share price.
Property investments	These are properties which are being held for capital appreciation or for a longer term rental income stream. These are a risk to the Council due to the potential for property prices to fall or for rental voids.	A	<ol style="list-style-type: none"> 1. Each acquisition will require appropriate approval. 2. Property holding will be re-valued regularly and reported annually with gross and net rental streams 3. All investments will be required to demonstrate a return in excess of the opportunity cost of capital which is calculated with reference to the Council's interest payable on equivalent borrowing and the statutory minimum revenue provision (MRP) that sets aside funds for the repayment of the borrowing. 4. The progress made in respect of achieving an appropriately balanced and diversified portfolio over the longer term will be monitored. 5. Note: This is detailed in the separate Capital Investment Strategy report
Loans to third parties, including soft loans	These are investments at market rates of interest. These types of investments may exhibit credit risk.	A	<ol style="list-style-type: none"> 1. Each third party loan requires appropriate approval and each application is supported by the rationale behind the loan and the likelihood of default.
Changes in accounting policy	This is a potential risk for the Council if the change in policy results in changes to how forecast costs/receipts are subsequently reported	A	<ol style="list-style-type: none"> 1. As a result of the change in accounting standards for 2018/19 under IFRS 9, this Council will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund.

Risk	Council's View of Risk	RAG Indicator	Mitigation actions/controls included within the Treasury Management Strategy
	in the Council's accounts.		<p>2. In November 2018, the Ministry of Housing, Communities and Local Government, [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from 1.4.18.</p> <p>3. Local authorities are required to disclose the net impact of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override in order for the Government to keep the override under review and to maintain a form of transparency.</p>

The above risk management approach has been reviewed and updated to reflect Link Asset Services' latest guidance for 2019/20.

4.2 Creditworthiness policy

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

The Chief Finance Officer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

Credit rating information is supplied by Link Asset Services, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating "Watches" (notification of a likely change), rating "Outlooks" (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating Watch applying to

counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

The Council's criteria for achieving a pool of high-quality investment counterparties, (for both specified and non-specified investments) are set out below and at Table 8. The Council uses credit ratings and other market intelligence to access the credit quality of any potential counterparty.

The Council sets limits as to the minimum level of credit rating that it will accept for any individual counterparty. The current minimum levels are:

Table 9: Counter-Party Criteria

Counterparty List			Credit Rating & Duration			
			Fitch	Standard & Poor	Moody's	
UK Banks	Covers UK Retail & Clearing Banks	Short-Term	F1	A-1	P-1	less than or equal to 1 yr.
		Medium-Term	A+	A+	A1	greater 1 yr. & incl. 3 yrs.
		Long-Term	AA-	AA-	Aa3	greater 1 yr. & incl. 5 yrs.
Non-UK domiciled Banks	Non-UK Banks must be domiciled in a country which has a minimum sovereign Long Term rating of 'AAA'	Short-Term	F1	A-1	P-1	less than or equal to 1 yr.
		Medium-Term	A+	A+	A1	greater 1 yr. & incl. 3 yrs.
Part Nationalised UK Banks	These banks can be included provided they continue to be part nationalised or meet the ratings in UK Banks above.	Short-Term	F1	A-1	P-1	less than or equal to 1 yr.
		Medium-Term	A+	A+	A1	greater 1 yr. & incl. 3 yrs.
		Long-Term	AA-	AA-	Aa3	greater 1 yr. & incl. 5 yrs.
The Council's own banker for day to day banking transactional purposes.	If the bank falls below the following criteria, in this case balances will be minimised in both monetary size and time invested.	Short-Term	F1	A-1	P-1	less than or equal to 1 yr.
		Medium - Term	A+	A+	A1	greater 1 yr. & incl. 3 yrs.
		Long-Term	AA-	AA-	Aa3	greater 1 yr. & incl. 5 yrs.
Building societies	The Council will use all societies which meet the following criteria	The Council may use building societies but only if they have a minimum asset size of £1 Billion.				Up to 3 years

Table 9: Counter-Party Criteria cont....

Counterparty List			Credit Rating & Duration			
			Fitch	Standard & Poor	Moody's	
Money Market Funds (MMFs)	Constant Net Asset Value (CNAV)	Short-Term	F1+	A-1+	P-1	less than or equal to 1 yr.
		Long-Term	AAA	AAA	Aaa	greater 1 yr. & incl. 5 yrs.
Money Market Funds (MMFs)	Low-Volatility Net Asset Value (LVNAV)	Short-Term	F1+	A-1+	P-1	less than or equal to 1 yr.
		Long-Term	AAA	AAA	Aaa	greater 1 yr. & incl. 5 yrs.
Money Market Funds (MMFs)	Variable Net Asset value (VNAV)	Short-Term	F1+	A-1+	P-1	less than or equal to 1 yr.
		Long-Term	AAA	AAA	Aaa	greater 1 yr. & incl. 5 yrs.
UK Government (including gilts, Treasury Bills and the DMADF)	No credit rating UK Government guarantees		N/A	N/A	N/A	up to 3 years
Local authorities, parish councils etc.	No credit rating UK government guarantees		N/A	N/A	N/A	up to 3 years
Supranational institutions (e.g. European Investment Bank or World Bank)	The Council will use supranational institutions which meet the following criteria	Short-Term	F1	A-1	P-1	less than or equal to 1 yr.

Use of additional information, other than credit ratings. Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating Watches/Outlooks) will be applied to compare the relative security of differing investment counterparties.

Time and monetary limits applying to investments. The Council sets a **maximum exposure level, expressed in “£” that can be invested with any one** organisation. The current limit is a maximum of £10m for UK banks, and part nationalised UK banks. Non UK domiciled banks. Building societies, other local authorities, and parish or community councils; and housing associations a maximum of £5m. UK Government backed securities form an exception, where exposure can be unlimited.

UK banks – ring-fencing. The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as “ring-

fencing". Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless. Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and "riskier" activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other Members of its group. While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others. Those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

4.3 Other limits

Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.

- (i) **Non-specified investment limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 40% of the total investment portfolio.
- (ii) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AAA from Fitch (or equivalent). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.4 This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.
- (iii) **Other limits.** In addition:
 - no more than 10% will be placed with any non-UK country at any time;
 - limits in place above will apply to a group of companies;

4.4 Treasury Investment Strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.

- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations. On the assumption that the UK and EU agree a Brexit deal in spring 2019 or soon after, then Bank Rate is forecast to increase steadily but slowly over the next few years to reach 2.00% by quarter 1 2022. Bank Rate forecasts for financial year ends (March) are:

- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.50%
- 2021/22 2.00%

The estimated budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are therefore as follows:

- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.25%
- 2021/22 1.75%
- 2022/23 2.0%
- 2023/24 2.25%
- Later years 2.5%

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 dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the following treasury indicator and limit:

Table 10: Treasury Limits

Upper limit for principal sums invested for longer than 365 days			
£m	2019/20	2020/21	2021/22
Principal sums invested for longer than 365 days	£20m	£20m	£20m
Current investments as at 31.12.18 in excess of 1 year maturing in each year	£12m	-	£13m

For its cash flow-generated balances, the Council will seek to utilise business reserve, instant access and notice accounts, pooled investments (such as money

market funds) and short-dated deposits (overnight to 100 days), in order to benefit from the compounding of interest.

4.5 Investment risk benchmarking

This Council will use the 7-day LIBID rate as an investment benchmark to assess the performance of its investment portfolio.

4.6 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

4.7 External fund managers

Where the Council employs external fund manager(s) they will comply with the Annual Treasury Investment Strategy. The agreement(s) between the Council and the fund manager(s) will additionally stipulate guidelines and duration and other limits in order to contain and control risk. The Council does not currently employ external fund managers.

5. APPENDICES

- 5.1 Capital, prudential and treasury indicators 2019/20 to 2023/24 and MRP statement
- 5.2 Economic background – link asset services
- 5.3 Treasury Management Practice (TMP1) – Credit and counterparty risk management
- 5.4 Approved countries for investments
- 5.5 Treasury management scheme of delegation
- 5.6 Treasury management role of the Section 151 Officer

5.1 Capital, prudential and treasury indicators 2019/20 to 2023/24 and MRP statement

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

5.1.1. Capital expenditure

Details of the Capital Programme 2019/20 to 2023/24 by service are shown below.

APPROVED CAPITAL 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
Strategic Property	38,363.0	50.0	50.0	76.0	76.0	76.0
IT Services	139.3	275.0	100.0	300.0	275.0	275.0
Organisational Development	181.0	30.0	30.0	30.0	30.0	30.0
Housing	1,549.1	1,495.1	1,115.0	1,115.0	1,115.0	1,115.0
Wellbeing & Intervention	245.0	145.0	145.0	145.0	145.0	145.0
Community Partnerships	29.5	25.0	25.0	25.0	25.0	25.0
Neighbourhood Operations	1,323.4	1,742.0	3,661.0	2,927.5	1,307.5	1,307.5
Place Delivery	3,884.2	17,064.7	24,283.6	23,283.0	15,100.0	0.0
Total Expenditure	45,714.5	20,826.8	29,409.6	27,901.5	18,073.5	2,973.5

CAPITAL EXPENDITURE FINANCING	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Budget £000	Projected £000	Projected £000	Projected £000	Projected £000	Projected £000
Capital Reserves	21,824.8	1,016.8	152.9	6,123.1	0.0	0.0
Capital Receipts	290.3	362.0	19,680.5	11,569.5	15,575.5	475.5
Capital Grants & Contributions	3,599.4	3,047.9	2,776.2	2,653.8	2,498.0	2,498.0
Total Financing	25,714.5	4,426.8	22,609.6	20,346.4	18,073.5	2,973.5
Net Financing Need	20,000.0	16,400.0	6,800.0	7,555.0	0.0	0.0
Total Expenditure	45,714.5	20,826.8	29,409.6	27,901.5	18,073.5	2,973.5

The above Programme includes £38.23m investment in commercial property.

APPROVED CAPITAL EXPENDITURE	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Budget £000	Projected £000	Projected £000	Projected £000	Projected £000	Projected £000
Commercial Property Investments	38,230.0	-	-	-	-	-

Commercial property investment plans beyond 2018/19 will be confirmed as the Capital Investment Strategy is developed during 2019/20.

5.1.2. Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential

indicators, but within this framework prudential indicators are also required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicator:

a. Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream.

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs.

The financing costs are the interest payable on borrowing, finance lease or other long term liabilities and the amount defined by statute which needs to be charged to revenue to reflect the repayment of the principal element of the Council's borrowing. Any additional payments in excess of the statutory amount or the cost of early repayment or rescheduling of debt would be included within the financing cost. Financing costs are expressed net of investment income.

The net revenue stream is defined as the amount required to be funded from Government Grants and local taxpayers, in effect the budget requirement. Estimates of the ratio of financing costs to net revenue (or budget requirement) are as follows:

FINANCING COSTS AS % OF NET REVENUE STREAM	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Projected	Estimate	Estimate	Estimate	Estimate	Estimate
Net Revenue stream	15,494.5	16,044.6	16,755.1	17,472.2	18,203.0	18,947.7
Financing costs	-569.2	443.4	599.8	762.3	686.5	718.4
%	-3.67%	2.76%	3.58%	4.36%	3.77%	3.79%

The estimates of financing costs include current commitments and the proposals in the 2019/20 Budget Report.

5.1.3. Control of interest rate exposure

Please see paragraphs 3.3, 3.4 and 4.4.

5.2 Economic background – Link Asset Services

Global Outlook.

World growth has been doing reasonably well, aided by strong growth in the US. However, US growth is likely to fall back in 2019 and, together with weakening economic activity in China and the Eurozone, overall world growth is likely to weaken.

Inflation has been weak during 2018 but, at long last, unemployment falling to remarkably low levels in the US and UK has led to an acceleration of wage inflation. The US Fed has therefore increased rates nine times and the Bank of England twice. However, the ECB is unlikely to start raising rates until late in 2019 at the earliest.

Key Risks

Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as quantitative easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that period of stimulating economic recovery and warding off the threat of deflation, is coming towards its close. A new period is well advanced in the US, and started more recently in the UK, of reversing those measures i.e. by raising central rates and, (for the US), reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of a reduction in spare capacity in the economy and of unemployment falling to such low levels, that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this also encouraged investors into a search for yield and into investing in riskier assets such as equities. Consequently, prices in both bond and equity markets rose to historically high valuation levels simultaneously. This meant that both asset categories were exposed to the risk of a sharp downward correction and we did, indeed, see a sharp fall in equity values in the last quarter of 2018. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery, by taking too rapid and too strong action, or, conversely, let inflation run away by taking action that was too slow and/or too weak. The potential for central banks to get this timing and strength of action wrong are now key risks. At the time of writing, (early January 2019), financial markets are very concerned that the Fed is being too aggressive with its policy for raising interest rates and is likely to

cause a recession in the US economy.

The world economy also needs to adjust to a sharp change in liquidity creation over the last five years where the US has moved from boosting liquidity by QE purchases, to reducing its holdings of debt (currently about \$50bn per month). In addition, the European Central Bank ended its QE purchases in December 2018.

UK.

The flow of positive economic statistics since the end of the first quarter of 2018 has shown that pessimism was overdone about the poor growth in quarter 1 when adverse weather caused a temporary downward blip. Quarter 1 at 0.1% growth in GDP was followed by a return to 0.4% in quarter 2 and by a strong performance in quarter 3 of +0.6%. However, growth in quarter 4 is expected to weaken significantly.

At their November quarterly Inflation Report meeting, the MPC repeated their well-worn phrase 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 declined to give a medium-term forecast. However, with so much uncertainty around Brexit, they warned that the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they warned they could also raise Bank Rate in the same scenario if there was a boost to inflation from a devaluation of sterling, increases in import prices and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor could potentially provide fiscal stimulus to support economic growth, though at the cost of increasing the budget deficit above currently projected levels.

It is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. Getting parliamentary approval for a Brexit agreement on both sides of the Channel will take well into spring 2019. However, in view of the hawkish stance of the MPC at their November meeting, the next increase in Bank Rate is now forecast to be in May 2019, (on the assumption that a Brexit deal is agreed by both the UK and the EU). The following increases are then forecast to be in February and November 2020 before ending up at 2.0% in February 2022.

Inflation.

The Consumer Price Index (CPI) measure of inflation has been falling from a peak of 3.1% in November 2017 to 2.1% in December 2018. In the November Bank of England quarterly Inflation Report, inflation was forecast to still be marginally above its 2% inflation target two years ahead, (at about 2.1%), given a scenario of minimal increases in Bank Rate.

As for the labour market figures in October, unemployment at 4.1% was

marginally above a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high, 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 3.3%, (3-month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates less CPI inflation), earnings are currently growing by about 1.2%, the highest level since 2009. This 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 was 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.

In the political arena, the Brexit deal put forward by the Conservative minority government was defeated on 15 January. It is unclear at the time of writing, how this situation will move forward. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to reaching an orderly Brexit though the risks are increasing that it may not be possible to get full agreement by the UK and EU before 29 March 2019, in which case this withdrawal date is likely to be pushed back to a new date. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary and fiscal 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 and 3.5%, (3.0% y/y), in quarter 3, but also an upturn in inflationary pressures. The strong growth in employment numbers and the reduction in the unemployment rate to 3.9%, near to a recent 49 year low, has fed through to an upturn in wage inflation which hit 3.2% in November. However, CPI inflation overall fell to 2.2% in November and looks to be on a falling trend to drop below the Fed's target of 2% during 2019. The Fed has continued on its series of increases in interest rates with another 0.25% increase in December to between 2.25% and 2.50%, this being the fifth increase in 2018 and the ninth in this cycle. However, they did also reduce their forecast for further increases from three to two. This latest increase compounded investor fears that the Fed is over doing the speed and level of increases in rates and that it is going to cause a US recession as a result. There is also much evidence in previous monetary policy cycles of the Fed's series of increases doing exactly that. Consequently, we have seen stock markets around the world falling under the weight of fears around the Fed's actions, the trade war between the US and China and an expectation that world growth will slow.

The tariff war between the US and China has been generating a lot of heat during 2018, but it is not expected that the current level of actual action would have much in the way of a significant effect on US or world growth. However, there is a risk of escalation if an agreement is not reached soon between the US

and China.

Eurozone.

Growth was 0.4% in quarters 1 and 2 but fell back to 0.2% in quarter 3, though this was probably just a temporary dip. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of its manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of nearly 2% for 2018, the horizon is less clear than it seemed just a short while ago. Having halved its quantitative easing purchases of debt in October 2018 to €15bn per month, the European Central Bank ended all further purchases in December 2018. The ECB is forecasting inflation to be a little below its 2% top limit through the next three years so it may find it difficult to warrant a start on raising rates by the end of 2019 if the growth rate of the EU economy is on a weakening trend.

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. Progress has been made in reducing the rate of credit creation, particularly from the shadow banking sector, which is feeding through into lower economic growth. There are concerns that official economic statistics are inflating the published rate of growth.

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. It is likely that loose monetary policy will endure for some years yet to try to stimulate growth and modest inflation.

Emerging countries.

Argentina and Turkey are currently experiencing major headwinds and are facing challenges in external financing requirements well in excess of their reserves of foreign exchange. However, these countries are small in terms of the overall world economy, (around 1% each), so the fallout from the expected recessions in these countries will be minimal.

Interest Rate Forecasts

The interest rate forecasts provided by Link Asset Services are predicated on an assumption of an agreement being reached on Brexit between the UK and the EU. On this basis, while GDP growth is likely to be subdued in 2019 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement is likely to lead to a boost to the rate of growth in 2020 which could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of

stronger growth and in the corresponding response by the Bank in raising rates.

In the event of an orderly non-agreement exit, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.

If there was a disorderly Brexit, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

However, there would appear to be a majority consensus in the Commons against any form of non-agreement exit so the chance of this occurring has now substantially diminished.

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.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for ten years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

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

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England** monetary policy takes action too quickly, or too far, 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 in 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. The EU rejected the initial proposed Italian budget and demanded cuts in government spending which the Italian government initially refused. However, a ‘fudge’ was subsequently agreed, but only by delaying the planned increases in expenditure to a later year. This can have therefore

only been kicked down the road to a later time. The rating agencies have started on downgrading Italian debt to one notch above junk level. If Italian debt were to fall below investment grade, many investors would be unable to hold it. Unsurprisingly, investors are becoming increasingly concerned by the words and actions of the Italian government and consequently, Italian bond yields have risen – at a time when the government faces having to refinance large amounts of debt maturing in 2019.

- **Weak capitalisation of some European banks.** Italian banks are particularly vulnerable; one factor is that they hold a high level of Italian government debt - debt which is falling in value. This is therefore undermining their capital ratios and raises the question of whether they will need to raise fresh capital to plug the gap.
- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD is reviewing whether it can continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018, (a new party leader has now been elected). However, this makes little practical difference as she is still expected to aim to continue for now as the Chancellor. However, there are five more state elections coming up in 2019 and EU parliamentary elections in May/June; these could result in a further loss of electoral support for both the CDU and SPD which could also undermine her leadership.
- **Other minority Eurozone governments.** Spain, Portugal, Ireland, the Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile. Sweden is also struggling to form a government due to the anti-immigration party holding the balance of power, and which no other party is willing to form a coalition with. The Belgian coalition collapsed in December 2018 but a minority caretaker government has been appointed until the May EU wide general elections. Austria, the Czech Republic and Hungary now form a strongly anti-immigration bloc within the EU while Italy, in 2018, also elected a strongly anti-immigration government. Elections to the EU parliament are due in May/June 2019.
- Further increases in **interest rates in the US** could spark a sudden flight of investment funds from more risky assets e.g. shares, into bonds yielding a much-improved yield. Throughout the last quarter of 2018, we saw sharp falls in equity markets interspersed with occasional partial rallies. Emerging countries which have borrowed heavily in dollar denominated debt, could be particularly exposed to this risk of an investor flight to safe havens e.g. UK gilts.
- There are concerns around the level of **US corporate debt** which has swollen massively during the period of low borrowing rates in order

to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is now rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.

- **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

- **Brexit** – if both sides were to agree by 29 March a compromise that quickly removed all threats of economic and political disruption and so led to an early boost to UK economic growth.
- **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.

Brexit timetable and process

March 2017	<ul style="list-style-type: none"> • UK government notified the European Council of its intention to leave under the Treaty on European Union Article 50 on 29 March 2019.
25 November 2018	<ul style="list-style-type: none"> • EU27 leaders endorsed the withdrawal agreement
December 2018	<ul style="list-style-type: none"> • Vote in the UK Parliament on the agreement was postponed
21 December 2018 – 8 January 2019	<ul style="list-style-type: none"> • UK parliamentary recess
15 January 2019	<ul style="list-style-type: none"> • Brexit deal defeated in the Commons vote by a large margin
By 29 March 2019	<ul style="list-style-type: none"> • Second vote (?) in UK parliament
By 29 March 2019	<ul style="list-style-type: none"> • If the UK Parliament approves a deal, then ratification by the EU Parliament requires a simple majority

Brexit timetable and process

By 29 March 2019	<ul style="list-style-type: none"> • If the UK and EU parliaments agree the deal, the EU Council needs to approve the deal; 20 countries representing 65% of the EU population must agree
29 March 2019	<ul style="list-style-type: none"> • Either the UK leaves the EU, or asks the EU for agreement to an extension of the Article 50 period if the UK Parliament has been unable to agree on a Brexit deal.
29 March 2019	<ul style="list-style-type: none"> • If an agreement is reached with the EU on the terms of Brexit, then this will be followed by a proposed transitional period ending around December 2020.
29 March 2019	<ul style="list-style-type: none"> • UK continues as a full EU member until March 2019 with access to the single market and tariff free trade between the EU and UK. Different sectors of the UK economy may leave the single market and tariff free trade at different times during the transitional period.
29 March 2019	<ul style="list-style-type: none"> • The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
29 March 2019	<ul style="list-style-type: none"> • The UK would aim for a negotiated agreed withdrawal from the EU, although the UK could also exit without any such agreements in the event of a breakdown of negotiations.
29 March 2019	<ul style="list-style-type: none"> • If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
29 March 2019	<ul style="list-style-type: none"> • The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
29 March 2019	<ul style="list-style-type: none"> • On full exit from the EU: the UK parliament would repeal the 1972 European Communities Act.

5.3 Treasury management practice (TMP1) – credit and counterparty risk management

MHCLG issued Investment Guidance in 2018, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council adopted the code on 11 April 2019 and will apply its principles to all investment activity. In accordance with the Code, the Chief Finance Officer has produced treasury management practices (TMPs). This part, TMP 1(1), covering **Investment Counterparty Policy** requires approval each year.

Annual Treasury Investment Strategy - The key requirements of both the Code and the investment guidance are to set an annual Treasury Investment Strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Council is:

Strategy guidelines – the main strategy guidelines are contained in the body of the treasury strategy statement.

Specified investments – these investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.

3. A local authority, parish council or community council, and housing association
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4 this covers pooled investment vehicles, such as money market funds, rated AAA by Standard and Poor's, Aaa for Moody's and AAA for Fitch rating agencies
5. A body that is considered of a high credit quality (such as a bank or building society). For category 5 this covers bodies with a minimum Short Term rating of A-1 as rated by Standard and Poor's, P-1 for Moody's and F1 for Fitch rating agencies. A building society not requiring a credit rating with a minimum asset base of over £1 billion pounds is also considered as high credit quality.

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies.

Non-specified investments – are any other type of investment (i.e. not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non-specified investments would include any sterling investments with:

Non Specified Investment Category						
Counterparty List		Credit Rating & Duration				Limit (£ or %)
			Fitch	Standard & Poor's	Moody's	
UK Banks (Covers UK Retail & Clearing Banks)	Any UK Bank, regulated by the Prudential Regulation Authority that has a minimum medium to long-term credit rating from all three of the Credit Rating Agencies; for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	Medium-Term	A+	A+	A1	£5m up to 3 years for an individual counterparty (or group)
		Long-Term	AA-	AA-	Aa3	£10m up to 5 years for an individual counterparty (or group)
Non-UK domiciled Banks	Non-UK Banks must be domiciled in a country which has a minimum sovereign rating of 'AAA'	Medium-Term	A+	A+	A1	£5m up to 3 years for an individual counterparty (or group)
Part Nationalised UK Bank	These banks can be included provided they continue to be part nationalised or meet the ratings in UK Banks above.	Medium-Term	A+	A+	A1	£5m up to 3 years for an individual counterparty (or group)
		Long-Term	AA-	AA-	Aa3	£10m up to 5 years for an individual counterparty (or group)
UK Building societies, regulated by the Prudential Regulation Authority.	The Council will use all societies which meet the following criteria	The Council may use building societies but only if they have a minimum asset size of £1 Billion				£5m up to 3 years for an individual counterparty (or group)
UK Government (including gilts, Treasury Bills and the DMADF)	No credit rating UK Government guarantees		N/A	N/A	N/A	Unlimited
Local authorities, parish councils etc.	No credit rating UK government guarantees		N/A	N/A	N/A	£5m up to 3 years for an individual counterparty up to maximum of 20% of the portfolio

Monitoring investment counterparties - the credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link Asset Services as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Chief Finance Officer, and if required new counterparties which meet the criteria will be added to the list.

Use of external fund managers – the Council does not currently use external fund managers. If the Council decides to use external fund managers in future it is anticipated that they will use both specified and non-specified investment categories and will be contractually committed to keep to the Council's investment strategy. The performance of each manager will be reviewed at least half-yearly by the Chief Finance Officer and the managers will be contractually required to comply with the annual investment strategy and limits for non-specified investments will be set with consideration to the fund managers' parameters. The Council will confirm the acceptance of the strategy with all managers used.

5.4 Approved countries for investments

Link Asset Services: This list is based on those countries which have sovereign ratings of AA- or higher (lowest rating from Fitch, Moody's and S&P) and also, (except for Hong Kong, Norway and Luxembourg) have banks operating in sterling markets which have credit ratings of 'green or above' in the Link Asset Services credit worthiness service.

Based on lowest available rating at 12.2.19

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Hong Kong
- U.K.

AA-

- Belgium
- Qatar

5.5 Treasury management scheme of delegation

(i) Executive

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual Treasury Management Strategy.
- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;

(ii) Overview & Scrutiny Committee

- reviewing treasury management policy and procedures and making recommendations to the responsible body.

(iii) Chief Finance Officer

- approving the selection of external service providers and agreeing terms of appointment.

5.6 Treasury management role of the Section 151 Officer

The Chief Finance Officer, as Section 151 Officer is responsible for:

- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- Submitting regular treasury management policy reports;
- Submitting budgets and budget variations;
- Receiving and reviewing management information reports;
- Reviewing the performance of the treasury management function;
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- Ensuring the adequacy of internal audit, and liaising with external audit;
- Appointing external service providers.
- Preparation of a Capital Investment Strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe
- Ensuring that the Capital Investment Strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- Ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the council
- Ensure that the council has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- Ensuring the proportionality of all investments so that the council does not undertake a level of investing which exposes the council to an excessive level of risk compared to its financial resources
- Ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities
- Provision to Members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- Ensuring that Members are adequately informed and understand the risk exposures taken on by an authority
- Ensuring that the Council has adequate expertise, either in house or externally provided, to carry out the above
- Creation of Treasury Management Practices which specifically deal with how non-treasury investments will be carried out and managed, to include the following:
 - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;
 - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;
 - Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements

for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;

- Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;
- Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

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Agenda Item 7



REPORT OF:	DIRECTOR OF FINANCE & ORGANISATION (CFO)
AUTHOR:	Pat Main
TELEPHONE:	01737 276063
E-MAIL:	pat.main@reigate-banstead.gov.uk
TO:	EXECUTIVE
DATE:	18 MARCH 2019
EXECUTIVE MEMBER:	COUNCILLOR T. SCHOFIELD

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

SUBJECT:	OUTLINE CAPITAL INVESTMENT STRATEGY 2019/20
RECOMMENDATIONS: That the Outline Capital Investment Strategy 2019/20 be approved.	
REASONS FOR RECOMMENDATIONS: To support the adoption of an Outline Capital Investment Strategy for the 2019/20 financial period.	
EXECUTIVE SUMMARY: This Strategy sets out the Council's approach to capital investment for the next five years. It forms a key part of the Council's governance arrangements and provides a mechanism by which investment and financing plans can be prioritised, ensuring that capital decisions take account of stewardship, value for money, prudence, sustainability and affordability.	

Executive has authority to approve the above recommendation.

STATUTORY POWERS

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

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ISSUES

Background

3. The Outline Capital Investment Strategy (the 'Strategy') is a new report for 2019/20, providing a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services.
4. Purpose of the Strategy is to
 - Ensure capital expenditure contributes to the achievement of the Council's organisational strategy
 - Set a capital programme which is affordable and sustainable
 - Maximise the use of the Council's assets
 - Provide a clear framework for decision making and prioritisation relating to capital expenditure
 - Establish a corporate approach to the review of asset utilisation

It is intended to be read in combination with the Treasury Management Strategy (reported separately on this agenda).

5. The Outline Strategy covers:
 - How the Council's capital investment plans will support delivery of corporate priorities and key strategies - including the new Corporate Plan and Housing Strategy
 - How capital investment options are evaluated – to demonstrate effective governance, robust decision-making and compliance with new regulations and guidance
 - How the Council plans to achieve a balance between capital investment to support service delivery and investments that deliver a financial return to support the budget
 - How the capital programme will be funded and how the Council will ensure it is affordable over the medium term
 - How capital investment risks are managed
 - How the Council plans to extend capital investment planning timescales from short/medium-term to longer-term (10+ years)
6. The approach to development of the Capital Investment Strategy has been subject to review by the Treasury Management Panel at a workshop with the Council's treasury management advisors on 12 February and the Outline Strategy document has been reviewed by the Overview and Scrutiny Committee on 14 March. Their feedback will be reported at this meeting.
7. Going forward the priority areas for further work to develop the final Strategy include:
 - Refreshing the Council's 5-year Medium Term Financial Plan in order to confirm scale of the Council's future financial challenge and investment ambitions

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- Evaluating the performance and risk profile of existing and planned capital investments – covering investment in operational assets, commercial properties, company loans and other treasury investments
 - Further development of the supporting Governance and decision-making frameworks
8. This initial Outline Strategy will therefore develop further over coming months as priorities in the new Corporate Plan and Housing Strategy are confirmed. Further updates to the Strategy will be reported during 2019/20 as these plans are confirmed. Thereafter the intention is to update the Strategy on an annual basis.

Matters for Consideration

Guidance

9. The requirement to prepare a Capital Investment Strategy has been introduced as a consequence of recent revisions of MHCLG Investment Guidance, MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.
10. These changes are intended to reflect the increasingly complex business models being adopted by Local Authorities in response to reductions in other funding streams.
11. The objective is to demonstrate a longer-term focus to local authority capital plans. There are also enhanced reporting requirements surrounding commercial activity undertaken under the Localism Act 2011.

OPTIONS

12. There are 3 options:
13. **Option 1** – Approve the recommendations within this report
- This will provide the best opportunity to ensure compliance with the new reporting standards as well as establishing a framework for future investment decisions.
- This is the recommended option.
14. **Option 2** - To defer the report and ask Officers to provide more information and/or clarification on any specific points
- The updated Prudential Code stipulates that the authority's Capital Investment Strategy must be approved prior to the financial year to which it relates.
- Any delay in approving the Strategy could leave the Council open to the same risks identified in option 3 below.
15. **Option 3** - To not support the contents of this report
- This would mean that the Council fails to meet the new reporting standards and also lacks the required frameworks for undertaking future investment decisions.

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LEGAL IMPLICATIONS

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

FINANCIAL IMPLICATIONS

17. The financial impacts of the Capital Investment Strategy have already been reflected within the Council's 2019/20 Budget proposals. There are no additional direct financial implications that arise from this report or from the changes to the CIPFA Prudential Code.

EQUALITIES IMPLICATIONS

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

COMMUNICATION IMPLICATIONS

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

RISK MANAGEMENT CONSIDERATIONS

20. These are detailed in Annex 1

OTHER IMPLICATIONS

21. There are no other implications arising from this report

CONSULTATION

22. The proposals in this report have been reviewed by a Member Panel led by the Portfolio Holder for Finance in February and then by the Overview and Scrutiny Committee at its March meeting.

POLICY FRAMEWORK

23. The Capital Investment Strategy will be part of the Council's Policy Framework as set out in Article 4 of the Constitution.

Background Papers:

24. None

Outline Capital Investment Strategy

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FOREWORD

This Outline Capital Investment Strategy sets out Reigate & Banstead Council's approach to capital investment. This builds on well-established decision-making structures and policies that support our investment ambitions.

We anticipate that the underlying details will develop further over coming months as priorities in our new Corporate Plan and Housing Strategy are confirmed and our commercial investment ambitions develop further.

As this Strategy evolves it will form an important part of our governance arrangements and provide a mechanism for prioritising our capital investment and financing plans, ensuring that decisions take account of stewardship, value for money, prudence, sustainability and affordability.

Throughout this document we describe the follow-up actions that are planned to develop our approach further to help ensure that our capital investment decisions continue to support delivery of corporate priorities.

1. INTRODUCTION

Reigate & Banstead Borough Council is committed to delivering high quality services and support, and providing value for money for our customers, be they residents, workers, local businesses or visitors.

However, being a great Council is not just about what we do, but about how we do it. The ways in which local government is funded has changed in recent years: we now receive no revenue support grant from central government and are able to retain only a small amount of the business rates that we collect. We therefore need to operate in a more commercial way, and become self-financing, if we are to deliver the quality of services that our residents and our other partners expect.

This Outline Capital Investment Strategy is an important part of the jigsaw which explains how we will do that.

It is focused on the investment activity we need to undertake to deliver the priorities set out in our current corporate Five-Year Plan which runs until 2020. Throughout 2019, we will be developing a new Corporate Plan, for the period 2020 to 2025, and so, of course, this Strategy will develop to ensure we can deliver our new priorities as well as our existing ones.

In the meantime this document provides a clear framework for our future investment activity so that Reigate & Banstead can continue to provide high quality services, value for money and make the borough a great place to live, work in and visit.

2. PURPOSE

This Strategy has been developed by Members and officers to set out the framework for future investment decisions and to ensure transparency in how these activities are reported.

The underlying principles are summarised below:

- Capital investment decisions reflect the aspirations and priorities included within our Corporate Plan and supporting strategies. This is underpinned by the commitment of Members and senior officers to adopt a strategic approach, making effective use of our capital resources to deliver corporate priorities, balancing ambition with prudence, sustainability and affordability.
- We will seek opportunities to work in in partnership across the public and private sector to deliver our aims.
- New capital investment opportunities will be prioritised according to availability of resources and scheme-specific funding along with factors such as legal obligations, health and safety considerations and the longer-term impacts on our financial position.
- Commissioning and procuring capital schemes will comply with the requirements set out in our Constitution, financial procedure rules and contract standing orders.
- Risks will be identified and monitored as investments are evaluated and pursued.

3. SUMMARY

This Outline Capital Investment Strategy presents an overview of:

- how capital expenditure, capital financing and treasury management activities contribute to the provision of services
- how the associated risks are managed; and
- how the implications for our future financial sustainability are assessed.

Going forward it is intended to be an integral part of our service and financial planning framework and should be read in conjunction with the current Five-Year Corporate Plan, Capital Programme 2019 to 2024, the Medium-Term Financial Plan, the Treasury Management Strategy Statement and the Asset Management Plan.

Figure 1: Service & Financial Planning Framework



Over the medium term the intention is for this Strategy to include a longer-term vision, covering the time frame for the 10 years to 2033/34. The plan is to take a forward look at those projects that are likely to run beyond the initial five-year Strategy and programme period.

The Strategy includes information on non-treasury investments and is aligned to, but reported separately from the Treasury Management Strategy Statement. This ensures the separation of information about commercial investments from the core treasury function which operates under the principles of security, liquidity and yield.

In relation to non-treasury investments, the Strategy will cover:

- The governance and decision-making arrangements;
- An overview of service objectives relating to capital investments;
- The expected income, costs and resulting contribution to support our budget;
- Information about borrowing and associated financing costs;
- The debt payback period (Minimum Revenue Provision Policy);
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

Our approach to developing the Strategy has included:

- Taking on board the relevant guidance and regulations
- Collating information about current custom and practice relating to our investments so that it can be reviewed and made available in one place
- Calling on support from our Treasury advisors, Link Asset Services ('Link')
- Briefing senior management and Executive Members
- Holding a workshop with a group of representative Members, facilitated by Link; and
- Adopting a 2-stage reporting and approval process to reflect the fact that our investment plans will change as the new Corporate Plan and Housing Strategy are developed.

Next Steps - Action Plan

Action	Timescale
Further development of the 5-year Medium Term Financial Plan – to confirm scale of the financial challenge and future investment ambitions	Q2 19/20
Capital Investment Strategy updates to reflect: <ul style="list-style-type: none"> • the new Corporate Plan 2020 to 2024 • the new Housing Strategy 2020 to 2024 • relevant recommendations from the recent Commercial Governance Review • relevant recommendations from the planned Corporate Governance Review 	Q3 19/20
Recommendations on types of assets / commercial activity that will be considered and investment durations where appropriate along with the maximum level of investment and any other decision-making criteria.	Q3 19/20
Further work to develop a longer-term vision, a forward-look at those projects that are likely to run beyond the five-year Strategy. This will cover a timeframe for the 10 years to 2033/34	Q4 19/20

4. INFLUENCES ON CAPITAL INVESTMENT

Influences on Investment

Current capital investment plans that underpin this Strategy reflect external, partner and internal influences. We aim to take a strategic view in relation to capital investment so that it can be directed to make a real and demonstrable impact on service delivery and the local economy by:

- Ensuring that service delivery is supported by fit for purpose assets
- Regenerating the borough, building on the established investment programme, by attracting external investment to supplement Council resources and deliver an enhanced borough-wide regeneration offer
- Using regeneration investment to drive up gross value-added and increase the yield from business rates and commercial rents
- Working with partners, including Surrey Council and other public and private sector bodies, to take advantage of joint investment opportunities, co-location and the release of surplus assets
- Adopting transformational approaches to the delivery of services with and by local communities
- Aiming to get the basics right and drive improved business performance through investment in technology and instigating new service delivery models.

Next Steps - Action Plan

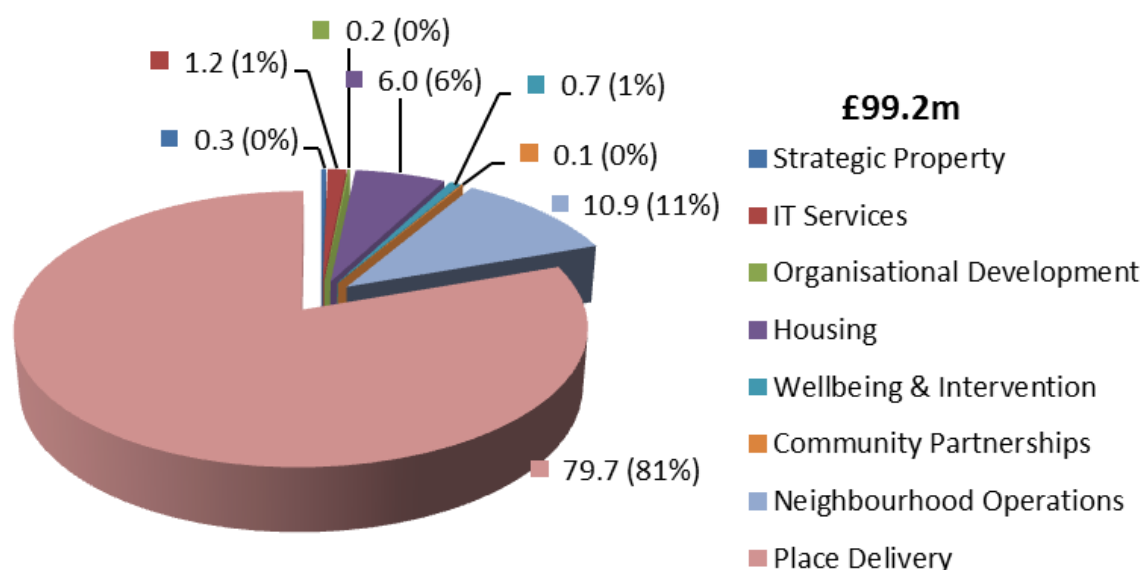
Action	Timescale
Asset Management Plan refresh	2020/21

5. CURRENT CAPITAL EXPENDITURE

Capital Programme

The Capital Programme for 2019/20 to 2023/24 includes initial forecasts for capital growth during the 2019/20 year and the resources available to fund it. New capital schemes will be reported to Executive for approval during the year as our Commercial Investment Strategy priorities are confirmed and new investment opportunities are identified.

Figure 2: Capital Programme 2019/20 to 2023/24 by Service



Source: Budget Report 2019/20, Executive 24 January 2019

Asset Management

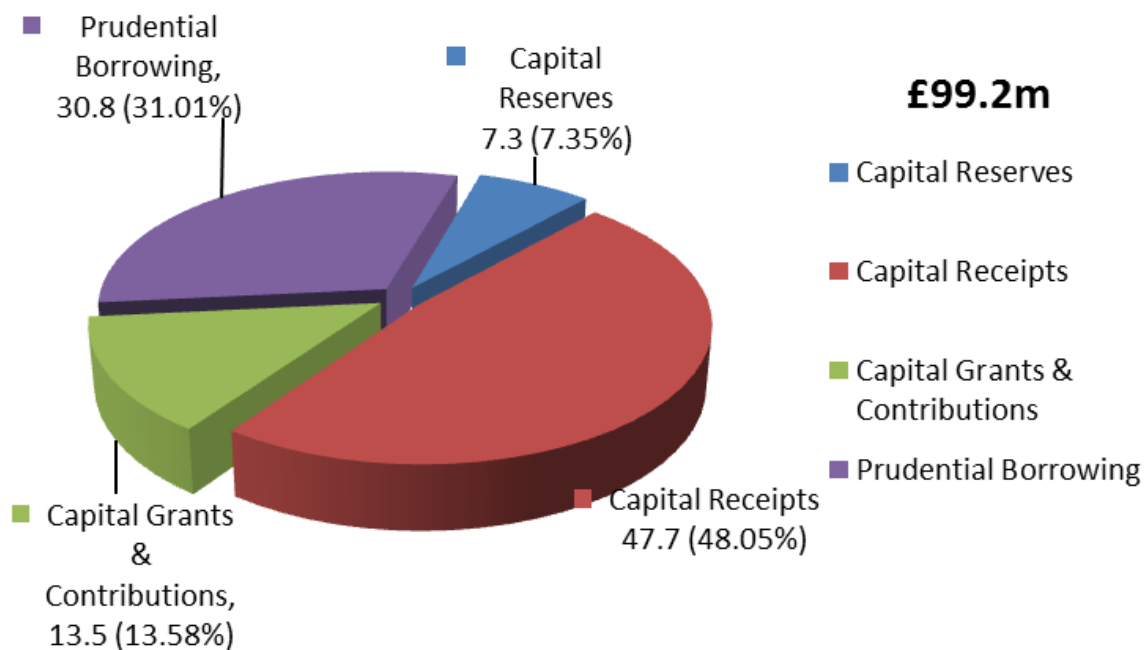
For an organisation like the Council, with a diverse property portfolio, the Asset Management Plan describes the general direction that the organisation's property portfolio will take over the next 5-10 years, the approach to be adopted in getting there and the policies that will be applied to decision making. The Asset Management Plan presents such a vision and reflects the operational and business strategies of the Council. It is essential to achieving efficient use of corporate assets.

Commercial Investment

Our current approach to making property investment decisions was approved by Executive in 2014 and explains how investment decisions are made, delivery approaches and how risks will be managed.

In order to support investment decisions we rely upon the principles established in our evolving Commercial Investment Strategy and powers under the Localism Act 2011. This forms the framework for maximisation of new and existing income streams to support service provision. We will continue to identify suitable property investments and to complete substantial due diligence.

Capital Funding

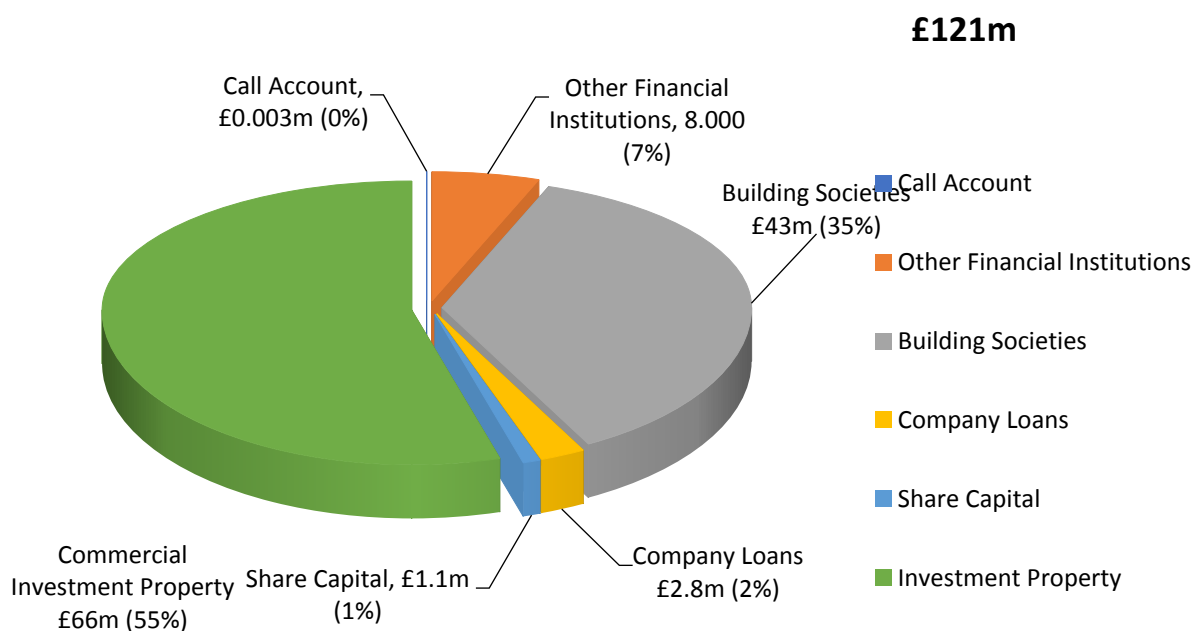
Figure 3: Capital Programme Financing 2019/20 to 2023/24

Source: Budget Report 2019/20, Executive 24 January 2019

Treasury Management Investments

Our Treasury Management Strategy Statement is reported each year to Executive and full Council. Treasury investments are central in providing an income stream to help fund our revenue activities.

Figure 4: Investment Portfolio Components at 31 December 2018



Next Steps - Action Plan

Action	Timescale
Evaluate performance and risk profile of existing and planned capital investments in treasury investments - to help inform capital investment decision-making and investment prioritisation in future.	Complete - see Treasury Management Strategy and Q3 Performance Report
Evaluate performance and risk profile of existing and planned capital investments in company loans - to help inform capital investment decision-making and investment prioritisation in future.	Complete - see Company Performance Report
Evaluate performance and risk profile of existing and planned capital investments in commercial properties - to help inform capital investment decision-making and investment prioritisation in future.	Q1 19/20
Evaluate performance and risk profile of existing and planned capital investments in operational assets - to help inform capital investment decision-making and investment prioritisation in future.	Q3 19/20

6. COMMERCIAL PROPERTY INVESTMENT STRATEGY

Commercial Investment Strategy

We plan to develop a Commercial Investment Strategy which is anticipated to cover:

- Our objectives for generating sustainable future income streams to support service delivery
- The role of commercial investments acquisition in achieving that objective
- The commercial investment decision-making process
- The financial resources that will be available to facilitate commercial investments
- How commercial investments will be managed

Next Steps - Action Plan

Action	Timescale
Further development of our Commercial Property Investment approach and priorities. Including reviewing current Commercial Property Investment Property decision criteria	Q2 19/20
Monitor and respond to further developments in relevant CIPFA guidance and Government regulations	Ongoing
Develop organisation capacity and skills to support delivery of our commercial investment ambitions	Ongoing

7. FUTURE CAPITAL INVESTMENT PLANS

Capital Investment Plan 2019/20 to 2023/24

The proposed Capital Programme includes £20.8m of investment in 2019/20, with an indicative programme for the subsequent four years of £78.4m. Our intention is to develop this Programme over the coming year to include longer-term (10-year) forecasts.

How Future Capital Requirements Will Be Prioritised

We plan to assess our approach to capital expenditure and investment, and aim to avoid over-exposure to specific markets, sectors or activity. This will reflect investments made to deliver Council services and those designed for wider economic benefit.

Overall, the intention is that our portfolio will comprise an acceptable balance of risk and return, based on market conditions and the level of secured / unsecured investments. Appropriate risk management tools will be applied, tailored to individual schemes and projects.

Asset Management Planning

Our Asset Management Plan will both inform, and be informed by, this Capital Investment Strategy. The overriding objective of asset management within the Council is to achieve a portfolio of property assets that is appropriate, fit for purpose and affordable. Our property portfolio consists of operational property, commercial investment property and property held for specific community or regeneration purposes.

Purchase of Shares/Provision of Loans:

We may make investments to support delivery of local public services, including making loans to and buying shares in service providers, local businesses to promote economic growth and our subsidiaries that provide services or which have been established for the purposes of trading.

During 2018/19 our Members have carried out a Commercial Governance Review that focussed on our companies and Executive has agreed a number of recommendations that are intended to further develop the governance arrangements relating to their operation.

Non-Specified Investments

Shares are the only investment type that we have identified that meets the definition of a non-specified investment in the government guidance.

Treasury Management Investments

Our Treasury Management Strategy Statement and Annual Investment Strategy set out our current decision-making arrangements, investment position and forward view.

Non-Treasury Investments

This will be covered in our Commercial Investment Strategy

Next Steps - Action Plan

Action	Timescale
Develop 10-year capital investment plan to support an improved view of affordability and better identification of the financial and non-financial outcomes of capital investment	2020/21
Implement recommendations from the Commercial Governance Review of the Council's companies	Timescales as agreed by Executive in March 2019

8. RISK MANAGEMENT

Our capital investment activity requires us to manage a range of risks.

This section of the Strategy provides an initial overview of known risks. Next step will be to develop a more detailed Risk Register, including an assessment of risk tolerances and risk appetite with cross-references to the Corporate Risk Register.

Affordability and Delivery Risks

We are exposed to a range of risks with regard to the continued affordability and delivery of the Capital Programme and Commercial Investment Strategy as follows:

- Financial risks related to the investment of our assets, cash flow and market volatility
- Macroeconomic risks related to the growth or decline of the local economy, interest rates, inflation and the wider national and global economy
- Credit and counterparty risks related to investments, loans to public and private institutions
- Operational risks related to operational exposures within the organisation, its counterparties, partners and commercial interests
- Strategic risks related to key initiatives undertaken by we such as areas of organisational change necessary to enable the Council to meet its goals and objectives, significant capital schemes and major purchases and new ventures
- Reputational risks related to our dealings and interests, and the impact of adverse outcomes on our reputation and public perception
- Environmental and social risks related to the environmental and social impact of our Strategy and interests
- Governance risks related to ensuring that prudence and careful consideration are prominent in Council decision-making, augmented by quality independent advice and appropriate checks to ensure that we have the correct level of oversight, scrutiny and efficiency.

Next Steps - Action Plan

Action	Timescale
Develop a detailed Capital Investment Strategy Risk Register, including and assessment of risk tolerances and risk appetite and cross-references to the Corporate Risk Register	Q2 1920

9. CAPITAL APPRAISAL PROCESS

In considering schemes for inclusion in the capital programme, regard will be had to the following principles:

- schemes to be included in the Capital Programme will follow an appropriate level of due diligence and assurance regarding deliverability
- prior to mobilisation, all projects will be supported by an affordable and sustainable plan, including careful consideration of value for money and options appraisal
- capital appraisal will promote schemes which provide a direct gain to our revenue budget position within agreed risk appetite limits, e.g. council tax and business rate growth, commercial investment return, 'invest to save' outcomes
- environmental and social sustainability issues in line with Council policy will be built into project appraisal
- the financial implications of capital investment decisions will be properly appraised as part of the determination process
- available resources will be identified for investment over the capital planning period
- available capital funding will be optimised e.g. through surplus asset disposal, maximising use of planning gain, by pooling capital receipts and by exploring external financing sources
- capital funding decisions will seek to minimise or mitigate the ongoing revenue implications of investment decisions
- the financial implications of capital investment decisions will be fully-integrated into revenue budget and longer-term financial plans
- robust governance arrangements will be in place for all programmes and projects, clearly defining responsibility for the delivery of individual schemes within the Capital Programme
- capital schemes will follow appropriate project management arrangements
- there will be effective working relationships with partners
- projects will be reviewed on completion to ensure key learning opportunities are captured.

Next Steps - Action Plan

Action	Timescale
Further development of the approach to capital investment appraisal.	Continual improvement of schemes brought forward for approval.

10. GOVERNANCE

Capital Programme

Democratic decision-making and scrutiny processes provide overall political direction and ensure accountability for investment in our Capital Programme. These processes include:

- Executive and full Council approve the Corporate Plan and supporting Strategies which set out our strategic priorities
- Full Council is ultimately responsible for approving the Capital Investment Strategy, Treasury Management Strategy Statement and Capital Programme
- The Executive receives regular capital monitoring reports, approves variations to the programme and considers new bids for inclusion in the Capital Programme
- Overview & Scrutiny Committee can call in Executive reports and routinely receive and scrutinise reports
- All projects progressing to the Capital Programme comply with the Constitution and financial procedure rules
- The Capital Programme is subject to internal and external audit.

Any new capital expenditure is subject to thorough evaluation which focuses on the key benefits that are expected in relation to Council priorities. The evaluation includes financial considerations such as the expected cost and funding sources identified. Risks to either the delivery or cost forecasts are considered as part of the evaluation.

Approval to spend on individual capital schemes will only be given once procedural guidelines have been complied with and assessed to the satisfaction of the Section 151 Officer. Designated budget managers monitor the delivery of individual capital schemes.

Treasury Management

Day to day decisions on investment and borrowing are delegated to the Section 151 Officer and the Finance Team, who act in line with the Treasury Management Strategy Statement, which is approved by full Council before the start of each financial year. The underlying framework is explained at Appendix 1.

The Overview & Scrutiny Committee is responsible for scrutiny and governance of Treasury Management. It reviews the Treasury Management policy and procedures and all Treasury Management reports. It also scrutinises the full suite of budget reports prior to their presentation to Executive and Council for final approval.

Throughout the year the Overview & Scrutiny Committee receives regular updates on performance and emerging issues and the Mid-Year Treasury Management report which is also reported to full Council. The Treasury Management function is also subject to regular internal and external audit reviews.

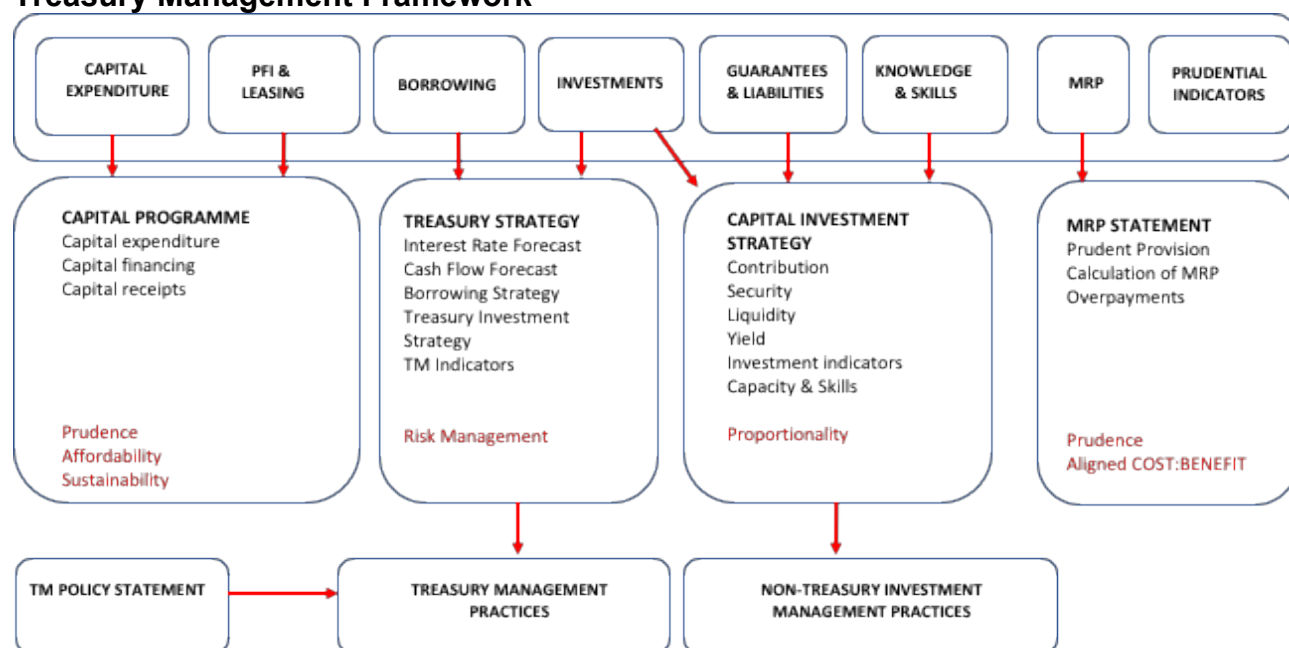
APPENDICES

1. TREASURY MANAGEMENT FRAMEWORK

APPENDIX 1**TREASURY MANAGEMENT FRAMEWORK**

To be read in conjunction with the Treasury Management Strategy Statement 2019/20.

The implications of financing capital expenditure from borrowing is that the expenditure is not funded immediately but charged to the revenue budget over a number of years. We may defer the timing of external borrowing on a short to medium term by using temporary cash resources held in reserves and balances. This practice, which is referred to as 'internal borrowing', does not reduce the magnitude of borrowing required or the level of funds held in reserves and balances; the funds are merely being utilised in the short term until they are required for their intended purpose. The timing of external borrowing and the balance of external / internal borrowing is determined by market conditions and our cash flow position. Officers manage this position on a day to day basis in line with the overall Treasury Management Strategy Statement, as approved by full Council each year.

Treasury Management Framework

Debt is only a temporary source of finance, loans must be repaid. We have a statutory duty to set aside an amount that we consider to be prudent, in line with guidance, for the repayment of borrowing. This is known as the Minimum Revenue Provision (MRP). See our Treasury Management Strategy Statement for the MRP Policy for 2019/20.

Our underlying debt liability will be repaid in line with the MRP Policy, amortised over the life of the assets creating the debt liability. Alternatively we may repay debt from selling capital assets (capital receipts).

Although capital expenditure is not charged directly to the revenue budget, interest payable and MRP are charged to revenue. The cost is offset by income and

investment income. Our treasury and non-treasury investments make a contribution to our services, and in meeting our strategic aims and objectives.

Our ability to borrow to fund our capital investment plans is governed by CIPFA's Prudential Code, which requires local authorities to publish indicators to demonstrate that the level of borrowing is affordable, prudent and sustainable.

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DIRECTOR	Director of People
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EMAIL	Alison.Robinson@reigate-banstead.gov.uk
TO	Executive
DATE	Monday, 18 March 2019
EXECUTIVE MEMBER	Deputy Leader and Portfolio Holder for Housing and Benefits

KEY DECISION REQUIRED	Y
WARDS AFFECTED	(All Wards);

SUBJECT	Outline Housing Strategy for the Borough
----------------	--

RECOMMENDATIONS
(i) A Housing Strategy and Action Plan for the borough be developed and brought back to the Executive.
REASONS FOR RECOMMENDATIONS
<p>The outline Housing Strategy sets out the Council's commitment to enabling more housing choice for residents and those who work in the borough who may want the opportunity to live where they work but currently can't afford to. It directly supports the draft Corporate Plan objective to secure more homes that are affordable to local people.</p> <p>The outline Strategy identifies a number of housing priority areas and activities that will be explored in more depth. Agreement to undertake further work will produce a more detailed Strategy with a plan of projects and actions to support housing delivery.</p>
EXECUTIVE SUMMARY
<p>Access to housing and housing choice has become a crucial issue for many borough residents and for those that work here. An outline Housing Strategy for the borough has been produced which starts the process of developing a more detailed housing strategy and action plan to be published later in the year.</p>

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The outline Strategy provides a brief overview of the housing challenges in the borough such as house prices, income ratios and private rented costs. It considers the housing issues facing specific groups in the borough including low income and young families, single people and aspiring homeowners. A number of priority action activities are outlined with the aim of enabling more housing delivery and a wider choice of tenures, type and size of home and an increased ability for people to move through the housing cycle.

The report seeks agreement to further develop this outline Strategy into a more detailed document with priority actions and projects, an action plan and resources. Engagement with Members, partners and other parties including the public will be undertaken during this process. The final strategy will support the delivery of the Housing objective in the draft Corporate Plan (see elsewhere on this agenda)

Executive has authority to approve the above recommendations.

STATUTORY POWERS

1. There are no legal requirements for the Council to publish a Housing Strategy. The Council has a range of powers available to enable direct provision of housing. The Localism Act 2011 s1-7 enable local authorities to establish wholly owned local authority housing companies and enable the Council to undertake land and property purchases. The Act also enables local authorities to work in partnership with other providers. Furthermore, s1-7 of Localism Act and s2 of the Local Government Act 2000 enable the Council to provide social rents for housing through the General Fund.
2. The Council also has access to other powers which can enable housing such as the provision of loans to organisations such as Registered Providers, use of Compulsory Purchase Orders and granting its own permission for development.

BACKGROUND

3. Delivering housing that is affordable to local people who live or work in our borough is a council priority and is a commitment in the draft Corporate Plan, which is being considered elsewhere on the agenda at this meeting. This outline Housing Strategy marks a way forward for the development of a more detailed Strategy to deliver this priority.

KEY INFORMATION

Outline Housing Strategy

4. An outline of the Strategy is attached as Annex 1. In summary, the outline Strategy sets the local housing scene by outlining current issues in the local housing market, our record of housing delivery through planning and consideration of need and demand.
5. The outline strategy also identifies priority activities which will inform the final strategy. Activities include:
 - Explore opportunities to set up housing delivery vehicles on a site specific

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basis.

- Deliver supported accommodation for single people with complex needs
 - Maximise opportunities to work in partnership with public and private land owners to redevelop redundant or underused land and / or sites into mixed tenure housing schemes or mixed use development schemes
 - Complete a housing capacity study of council owned land with the purpose of identifying the quantum of housing and tenures that can be delivered, opportunities to deliver in partnership and options to acquire other land
 - Review the Core Strategy housing delivery targets in accordance with revised government guidance
 - Undertake a review of development density levels across the borough to maximise housing delivery numbers whilst maintaining a balance between good design of buildings and the physical environment.
6. Further more detailed analysis of national and locally produced data sources will be undertaken to understand the pressures, constraints and opportunities within the broad housing market as well as at more localised levels. This information will inform what works well, less well and identify gaps in provision. It will be used to assist decision making on how the Council can best target its intervention in the market.

OPTIONS

7. The first option available to the Executive is to agree for officers to complete the development of a Borough Housing Strategy and an action plan so that the Council's draft Corporate Plan housing commitments can be delivered. A Housing Strategy would provide direction and prioritisation of the Council's activities and identify resources. This is the recommended option.
8. The second option is for the Executive not to support the development of a Borough Housing Strategy. This would present a challenge for the Council in terms of delivering the draft Corporate Plan Housing priority and lead to difficulties with the identification and prioritisation of housing projects and activities. This is not the recommended option.
9. The third option is for the Executive is to proceed with a different scope to what is set out in the Annex. This would require a re-appraisal of the Council's priorities and options and delay the Strategy. This is not the recommended option.
10. The fourth option for the Executive is to defer the development of a Housing Strategy until the draft Corporate Plan is adopted. This would delay the development of the strategy which could in turn impact on housing project delivery timescales and risk missing development opportunities. This is not the recommended option.

LEGAL IMPLICATIONS

11. There are no legal implications arising out of the development of this outline Housing Strategy. In the future, housing delivery projects may require the creation of legal

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entities in the form of housing delivery partnerships or a local housing company to secure investment, land and other resources. Any future legal implications of such arrangements will be put to and considered by the Executive as appropriate in due course.

FINANCIAL IMPLICATIONS

12. There are no financial implications at this point in the process of producing an outline Housing Strategy. The final Strategy will contain commitments to undertake specific activities and projects which will require a variety of resource commitments in the future. These commitments will be taken into account when updating the Capital Investment Strategy, the new strategic framework for managing the Council's capital resources (see elsewhere on this Executive Agenda), and as part of the annual service and financial planning process.
13. Future resources required to deliver specific sites or projects may include land, investment of capital receipts, use of section 106 developer contributions, external investment opportunities and access to Homes England funding programmes. In all cases an assessment will be made of the most appropriate financial, legal and delivery partnerships.

EQUALITIES IMPLICATIONS

14. An Equalities Impact Assessment will be undertaken during the drafting of the final Strategy.

COMMUNICATION IMPLICATIONS

15. There are no immediate communication implications for the outline Housing Strategy.

RISK MANAGEMENT CONSIDERATIONS

16. There are no specific risk management considerations at this point in the development of the Housing Strategy. Risks will be considered in more detail as the Strategy evolves in greater depth.

CONSULTATION

17. To date no consultation has been undertaken on the draft outline Strategy. However, consultation has been undertaken on the draft Corporate Plan housing objective. Members, partners and other relevant organisations and groups (including the wider public) will be consulted during the detailed drafting of the Strategy and Action Plan.

POLICY FRAMEWORK

18. The draft Corporate Plan sets out the Council's vision for the borough and priorities over the next five years. The development of a Housing Strategy directly supports delivery of the draft Corporate Plan priority 'Housing' and the specific objective to secure the delivery of homes that are affordable to local people and which promote a wider choice of tenure, type and size of housing.
19. The outline Housing Strategy aims to take forward actions set out in the Plan

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including commitments to work in with partnership organisations and developers to bring forward sites that deliver affordable housing and use our own land to deliver a minimum 30% affordable housing, continuing to provide emergency and temporary accommodation and prioritising local people for affordable housing.

BACKGROUND PAPERS

1. Corporate Plan 2015-20 - http://www.reigate-banstead.gov.uk/council_and_democracy/about_the_council/plans_and_policies/corporate_plan/index.asp

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Outline Housing Strategy for the Borough

Foreword

- 'In 2025 we will be helping enable more housing choices for residents and those who work in our borough than they are getting today'

1. Borough Housing Market

- The borough housing challenge is considerable. It is driven by a combination of housing costs, land values, earnings, employment opportunities and population growth.
- Market housing costs are high with an average house price of £428,088¹. In terms of property type, the average flat price is £266,738, terraced home is £369,580 and semi-detached home is £452,368.
- Affordability remains an issue for many households. The current borough affordability ratio, assessed as average house prices and median borough incomes, is now 11.58. The affordability ratio has risen from 6.87 in 2002, with the sharpest rises over the last five years.
- Private renting is often the only option for those unable to afford to buy. It is an expensive option, particularly for single people, with the median private sector monthly rent² for a one bedroom property £825, a two bedroom property £1,075 and a three bedroom property averaging £1,350.

2. Delivering through Planning

- The Core Strategy target is to deliver at least 6,900 additional homes, of which a minimum of 1,500 are expected to be affordable units, between 2012 and 2027. The borough continues to meet or exceed the Core Strategy annual average target of 460 additional homes a year.
- The Core Strategy target to deliver 1,500 affordable homes at an average of 100 a year to 2027 is being met.
- By 2018, 583 affordable homes³ had been delivered in the borough of which overall 50% were rented homes and 50% intermediate tenures, mainly shared ownership. Over the last three years the proportion of affordable rented homes delivered has declined to 25%.
- Site viability continues to be an issue on a number of urban sites and means that the full affordable housing requirement cannot always be secured.

3. Housing Need and Demand

- The housing affordability challenge continues to drive the need for more housing across all tenures. Residents and those who work here seek a variety of housing options. There is a need for low cost homeownership products, private rented options, social housing tenures and emergency accommodation.

¹ Land Registry December 2018

² Valuation Office Agency Private Rental Market Statistics December 2018

³ Housing Delivery Monitor 2018

- The Council is aware of the following target areas of need that require further exploration:

3.1. Low income & young families

- As house prices have risen sharply the numbers of lower to moderate income households able to enter the market has reduced. This shift has been accompanied by more demand for private rented housing and a consequential increase in costs.
- In recent years, the rise in private sector rents is being experienced by more households occupying the cheapest homes.
- Some households are just about managing in private rented housing and others are waiting for the offer of a social housing tenancy. In 2016/17 181 households were offered family size homes. During 2017/18 the number assisted fell to 159 family sized homes.

3.2 Single people

- Single people of all ages are impacted by affordability including young people, young professionals, those single as a result of relationship breakdown, but the availability of high quality shared housing and high quality discounted market rent homes is limited.

3.3 Aspiring homeowners

- Homeownership is an aspiration for many households despite the challenges posed by house price rises and higher deposit levels.
- Many aspiring younger homeowners are part of 'generation rent' and the main difficulty they face is saving for a deposit whilst paying a market rent level. Lower private rents would enable more households to save for a deposit.

3.4 Older people

- In common with the overall national picture of an ageing society, the borough's population aged over 65 will increase by 26% in the next ten years.
- Specialist older people developers continue to deliver older person's accommodation here indicating an ongoing demand for this type of housing.
- Information indicates around 750 social rented homes are occupied by over 65s with no dependents.

3.5 Homelessness

- In March 2018, 140 households were living in emergency and temporary accommodation, including over 230 children. All but seven of these were families.
- Time spent in temporary accommodation is dependent on the availability of other options. A lack of social housing tenancies means families will live in self-contained temporary accommodation for 2-4 years whilst waiting for a social tenancy.
- The insecurity of the private rented sector in its current form is the main trigger for risk of homelessness.
- The affordability of the private rented sector is another risk factor. Rental values are high. This impact is felt by many working households on moderate incomes.

3.6 Single people with complex needs

- Whilst single people with complex needs are a relatively small group, our experience suggests that the group is increasing in size, with more people with mental health / drug / alcohol / offending history and debt presenting to the Housing Service.

- Accommodation options are extremely limited or non-existent for this group but the Council retains a responsibility for them and arranges nightly paid accommodation.

4. Housing Delivery Priorities

- Our Council ambition is to deliver more housing that is affordable for local people. We recognise that there are many different household types all at different points in their housing journey and all with different challenges.
- Our aim is to enable households to enter the housing cycle they need at the time it is needed. For some this will be private rented accommodation, for others a social housing tenancy, many seek a foot on the property ladder and others would like a room in a good quality house share.
- Intervening in the housing market is complex and is driven by many linked factors around demand, land costs, investment interest, capital resources and planning. A variety of housing delivery approaches will maximise the numbers and diversity of housing options that can be delivered.

4.1 Explore opportunities to set up housing delivery vehicles on a site specific basis and review the option to establish a Council owned Local Housing Company to deliver additional housing:

- Delivery of the Council's ambition to deliver more housing affordable to local households requires a different approach to partnership working. A range of housing delivery vehicle options exist and can include partnerships with Registered Providers / private developers / private investors / local authorities. Partnership offers access to experienced development teams, greater capacity to identify development opportunities and projects, as well as shared resources and risks.
- The Council is committed to investigating all housing delivery vehicle options on a site specific basis to secure investment and maximise development opportunity.
- In addition, Local Housing Companies have the ability to attract private investment and undertake commercial activities in a different manner from Local Authorities.
- The Council will fully investigate the operation and funding arrangements required to set up a local housing company to identify whether this is a viable housing delivery route and could assist in delivery of the Council's housing priorities. Deliberation will be given to the potential for a company to intervene on section 106 development sites to secure the delivery of affordable housing on marginal schemes, opportunities to provide additional high quality private market rent housing, discount private market housing and market homes.

4.2 Deliver supported housing for single homeless people with complex needs:

- Whilst single people with complex needs are a relatively small group, our experience is that the group is increasing whilst accommodation options remain extremely limited or non-existent. These households require safe accommodation with intensive support. The Council is committed to working in partnership with supported housing providers to deliver suitable accommodation for single complex needs households in the borough.

4.3 Maximise opportunities to work in partnership with public and private land owners to redevelop redundant or underused land and / or sites into mixed tenure housing schemes or mixed use development schemes:

- The need for more housing affordable to local people is an issue which affects all public authorities. Within the borough public authorities have sites and land with development potential which are currently either vacant, underused or require redevelopment. The Council is keen to progress a partnership approach to the redevelopment of sites to maximise their potential to deliver the right type of housing and tenure housing for local households.

4.4 Complete a housing capacity study of Council owned land with the purpose of identifying the quantum of housing and tenures that can be delivered, opportunities to deliver in partnership and options to acquire other land:

- The Council owns land in a variety of locations across the borough, whilst most is unsuitable for development, such as common land, parks and other public open space, other sites may have potential to deliver small scale housing projects. We have already embarked on the development of Pitwood Park, Tadworth a redundant industrial site to deliver affordable homes and the redevelopment of a building in Cromwell Road, Redhill to deliver market homes, lower cost market homes and retail units. A detailed review of Council owned land will be undertaken to assess development potential, deliverability and viability.

4.5 Review the Core Strategy housing delivery targets in accordance with revised government guidance:

- The Government is committed to significantly boosting the supply of housing nationally and has published changes to the assessment of local needs to facilitate reviews of housing delivery targets at a planning authority level.
- Our Core Strategy, adopted in 2014, will be subject to a review over the next few years. A significant element of the review will be a re-assessment of the annual housing delivery target and the need to undertake further strategic land assessments to ensure that we have a robust strategy to bring forward a blend of sites, in the right locations, which are capable of delivering choice to meet the range of housing needs in the borough.

4.6 Undertake a review of development density levels across the borough to maximise housing delivery numbers whilst maintaining a balance with between good design of buildings and the physical environment:

- The numbers of homes that must be delivered in the borough will rise in the future as a result of growing demand and national requirements. We are committed to maintaining the attractiveness of the local area and to ensuring residents enjoy living in a quality environment.
- Identifying more land for development, and making better use of it will be necessary to meet rising delivery targets and it is essential that new development delivers wider benefits to the communities within which it is located. This means balancing higher

densities with exemplary building design and good quality amenity space to ensure national space standards are met and communities are sustainable into the future.

5. Resources

- A full range of funding options will be explored including accessing Homes England funding and investment programmes, private investment opportunities and partnership delivery investment options.
- The Council will assess how it can use its own resources to deliver housing including investment of capital receipts, redevelopment of some of our land where appropriate and use of developer contributions.
- Commitments arising from this strategy will be taken into account when developing the Capital Investment Strategy, the new strategic framework for managing the Council's capital resources.
- Additional staff resources and skills and external consultant support will be needed for feasibility work and to enable delivery of the Council's housing priorities.

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SIGNED OFF BY	Head of Legal and Governance
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TO	Executive
DATE	Monday, 18 March 2019
EXECUTIVE MEMBER	Leader of the Council

KEY DECISION REQUIRED	Yes
WARDS AFFECTED	(All Wards)

SUBJECT	Governance Task Group (Constitution)
----------------	--------------------------------------

RECOMMENDATIONS
<p>(1) That the definition of a Key Decision, set out in Article 14 (14.3.2 – 14.3.4) of the Constitution should remain unchanged.</p> <p>(2) That the membership of the Overview and Scrutiny Committee remain at 15 Members.</p> <p>(3) That the membership of the Licensing and Regulatory Committee be reduced to 12 Members.</p> <p>(4) That the existing arrangements for Licensing and Regulatory Sub-Committee Chairs remain at 5 (the existing number).</p> <p>(5) That Members of the Executive be not allowed to be members or substitutes of the Planning Committee and that the Constitution be amended to reflect this.</p> <p>(6) That Members of the Planning Committee be not allowed to participate as Members of the Committee nor vote on any matters that relate to their own Wards and that the Constitution be amended to reflect this.</p> <p>(7) That the role of Ward Members at Planning Committee be changed to strengthen and formalise the role with the ability to make representations on behalf of their Ward constituents, with clarification provided in the Constitution on the following:</p>

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- a. Providing any Ward Members with a time-limited opportunity (i.e. 3 minutes per Member with the Chair's discretion to adjust the time allowed and the frequency of contributions to the meeting) for input on each application considered by the Committee, requesting (but not moving) reasons for refusal* and attendance at site visits.

** A summary of how this would work in practice is:*

- *Ward members can request reasons for refusal but not move motions.*
- *Reasons for refusal would only be provided to the Member requesting them.*
- *The content of those reasons for refusal (requested by ward members) can be put to the Planning Committee during their dedicated speaking slot.*
- *The Chairman should maintain an independent role and therefore would not propose reasons for refusal motions on behalf of ward members.*
- *Committee members may ask for reasons for refusal to be moved and voted upon, which may include those requested by Ward Members. In the event that no reasons for refusal are moved and the Committee do not agree the Officer Recommendation (e.g. to grant permission) then the matter would stand referred to the next meeting of the Committee for re-consideration.*

- b. A reserved seat be provided in the Chamber for use by Ward Members (including Planning Committee Members who are not able to take up their Committee seat if the application relates to their Ward), to advocate on behalf of their Ward on each relevant application.

- c. That the Planning Committee be requested to review its Planning Protocol to consider introducing wider scope for questioning / speaking at meetings (including the public) and to reflect a. and b. above.

(8) That:

- a. That the Officer Scheme of Delegation be amended to increase the delegation to the Head of Service with responsibility for Planning to determine applications for commercial works not exceeding 250 sqm.
- b. That it be noted that the principle of referring matters to the Planning Committee, as set out in the Planning Protocol, would apply to a. (above).

(9) That the membership of the Planning Committee be broadly representative of the geographic coverage of the Borough and that it be reduced from 19 Members to 15 with a further review 6 months after the first Planning Committee of 2019/20. This review should be carried out by the Governance Task Group in consultation with the Chair and Vice Chair of the Planning Committee.

(10) That the membership of the Standards Committee remain at 5 Members and two Co-opted Members.

(11) That the membership of the Employment Committee remains as set out in the Constitution i.e. 5 Members at least one of which must be an Executive Member.

(12) To ensure the Employment Committee makes a positive input to strategic recruitment and cultural development, the following roles and responsibilities be added to the terms of reference for the Employment Committee:

- a. Oversight and engagement (with relevant Officers) in respect of the

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development of the Organisational Development Strategy – which includes the talent attraction/development/ retention strategy for staff and the Council's Management Structure.

- b. Establishing a critical friend role in relation to ensuring the Organisational Development Strategy is on track and fit for purpose. This should include consultation around the annual Service and Financial Planning process and Pay Policy Statement.
- c. That the application of a. and b. (above) be detailed in an annual work programme to be agreed at the start of each Municipal Year by the Employment Committee.

(13) That Annex 1 of Procedure Rule 9 (Officer Employment Rules responsibility for functions) be amended with the following additions:

- a. Direct Reports to the Chief Executive be recruited by the Employment Committee (taking into account the advice of the Head of Paid Service).
- b. Employment Committee to be consulted and briefed on the disciplinary / dismissal arrangements (including any compensation agreements) for Direct Reports to the Chief Executive.
- c. That the wording of "Other Employees*" be amended to clarify that this includes Heads of Service.
- d. That the lead Member of the Executive be consulted and briefed in the recruitment of any Head of Service under their Portfolio.

(14) That Chair training be provided to all line Committee Chairs, Vice Chairs, Mayor and Deputy Mayor.

(15) That all Employment Committee Members (including Substitute Members) to receive appropriate mandatory Member Learning and Development on equality and diversity in employment and related recruitment matters (e.g. fair recruitment processes, interviewing skills, etc.) in advance of sitting as a member of the Committee to ensure they can positively contribute to the Committee and the development of the Council's culture.

(16) All Executive Members to receive mandatory Member Learning and Development on equality and diversity in employment and recruitment matters.

(17) That, in addition to the mandatory Licensing and Regulatory training at the start of the Municipal Year, all Licensing and Regulatory Committee Members should attend "refresher training" half way through the year.

(18) That a standing cross-party "Task Group" be established to provide a Forum for the continued review of governance matters by the Council.

(19) That the membership, and terms of reference, of the standing "Task Group" be appointed annually at the Annual Council meeting applying the spirit of the political proportionality rules. The Task Group would agree its own Work Programme at its first meeting of the Municipal Year.

(20) That a delegation be provided to reflect the wording set out in Paragraph 12 of the Notes to the Officer Scheme of Delegation (Part 3b of the Constitution) to

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clarify the Monitoring Officer's role within the scheme.

Paragraph 12 - The Monitoring Officer shall determine any issues as to the form and manner of the Scheme's operation, implementation or interpretation, for example, where clarification is required as to which officers can exercise a delegation or which Executive Member(s) must be consulted, or referred to in paragraph 6. above (ref new legislative provisions).

- (21) **That the Monitoring Officer be authorised to update the Constitution in accordance with the tracked changes set out in Annex 4 to this report, to reflect the recommendations agreed by the Executive.**
- (22) **That a delegation be provided to the Monitoring Officer to make administrative and consequential amendments to the Constitution arising from the key principles of decisions taken by Council both in response to this report and any other adjustments to clarify points in the Constitution that do not change the key principle of its origin. The Governance Task Group Members would be consulted on the proposed changes two weeks in advance of their publication for any comments.**

REASONS FOR RECOMMENDATIONS

This report sets out the findings from the Governance Task Group and puts forward a number of recommendations to ensure Council business is well managed and decisions are taken effectively and efficiently, in accordance with statutory requirements.

EXECUTIVE SUMMARY

In December 2018, the Leader of the Council established a cross-party Task Group to review a range of governance issues to ensure the Constitution provides a full and effective framework for the Council's decision making structures.

Councillors J.E. Durrant (Chair), T. Archer, J.M. Ellacott, J.C.S. Essex, K. Foreman, A.M. Lynch, J. Paul and T. Scofield sat on the Group and it was supported by Officers from across the Council including the Head of Legal and Governance (Monitoring Officer).

The findings and recommendations arising from the review are presented to the Executive following consideration by the Governance Task Group on 5 March 2019.

Executive has authority to approve Recommendations 14, 15, 16, 17 and 18.

Full Council has authority to approve Recommendations 1, 2, 3, 5, 6, 7a, 7b, 8a, 8b, 9, 10, 11, 12, 13, 19, 20, 21, 22.

Recommendation 7c is to be considered by the Planning Committee at the first meeting of the 2019/20 Municipal Year.

Recommendation 4 is to be considered by the Licensing and Regulatory Committee at the first meeting of the 2019/20 Municipal Year.

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STATUTORY POWERS

1. Section 37 of the Local Government Act 2000 (as amended by the Localism Act 2011) requires the Council to prepare, keep up to date and publicise a Constitution. This sets out how the Council operates, how decisions are made and the procedures to be followed to ensure these are efficient, transparent and accountable to the community.
2. The current Constitution was originally adopted in 2001, as the Council moved from the Committee system to an Executive model of governance. This was based upon national guidance and a model developed, for use by all Councils, by the Department for Transport, Environment and the Regions and the Local Government Association.
3. As set out in the Constitution, both legislation and regulations provide for the division of functions between executive functions (Executive) and non-executive functions (Full Council and Committees). All functions of a local authority are the responsibility of the Executive unless otherwise specified in regulations. For example, quasi-judicial responsibilities, Human Resources and Elections. Functions such as approving the budget, adopting various plans and strategies constituting the Council's Policy Framework are only exercisable by Full Council itself. Other non-executive functions may be exercisable by a Committee or Sub-Committee and those not reserved to Full Council or a Committee are exercisable by Officers. If not reserved to the Executive, Full Council, another Committee or some other body, the decision can be taken by an Officer but only if set out via the Officer Scheme of Delegation, Contract Procedure Rules, other Procedure Rules including Financial, or specific delegation from the Executive.
4. Since 2001 there have been no further updates from Government. As a result, Councils have updated their Constitutions themselves, usually by adding to the document as new legislation has been enacted or in response to internal changes within the Council, such as the reorganisation of governance arrangements or restructures of the Council's management.
5. Reigate and Banstead Borough Council has been typical in this regard and overtime the Constitution has been revised to reflect additional requirements and duties from a range of legislation and guidance.

BACKGROUND

Terms of Reference

6. The Governance Task Group was, initially, established by the Leader of the Council for a time-limited duration to review certain areas of the Constitution and related governance issue. With the last in-depth review of the Constitution taking place in March 2014 work in this area was seen as timely, especially as from May 2019 the Council will be represented by 45 councillors (six fewer than now) following recommendations from the Local Government Boundary Commission.
7. A copy of the Terms of Reference including a draft indicative work programme, agreed by the Leader to provide a framework for the review, is attached at **Annex 1**. However, in view of the tight reporting schedule the Task Group realised that the

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volume of work it requested to review was more than could be covered in the first phase of its work. Therefore, it was agreed that the following areas should be prioritised for immediate review:

- Key Decision Definition;
- The role of the Employment Committee, including its terms of reference and Procedure Rule 9 (Officer Employment);
- Committee Sizes and related matters;
- Commercial Governance Review;
- Considering how to keep the Constitution and related governance issues under review.

8. As a result, some of the areas highlighted in **Annex 1** have not been progressed at this stage. In addition, during scoping and evidence gathering the Task Group identified other issues for review. These important work streams, set out in **Annex 2**, will be revisited on completion of the immediate work.

Methodology and Approach

9. The Task Group adopted an evidence led approach and held six meetings, which were open to all Members, receiving evidence from the following Members and Officers (in order of their appearance): John Jory, Chief Executive; John Jones, Interim Head of Legal and Governance (Monitoring Officer)¹; Chris Phelan, Democratic Services Manager; Christian Scade, Deputy Democratic Services Manager; Andrew Benson, Head of Planning; Councillor B.A. Stead, Chairman, Overview and Scrutiny Committee; Councillor A.M. Lynch, Chairman, Licensing and Regulatory Committee; Dianne Mitchell, Senior Licensing Officer; Councillor S. Parnall, Chairman, Planning Committee; Councillor M.A. Brunt, Leader of the Council; Caroline Waterworth, Head of Legal and Governance (Monitoring Officer)²; and Councillor M.S. Blacker, Vice-Chairman, Planning Committee.
10. The Task Group also considered a range of documentary evidence and other material, including:
 - Information from the Council's Constitution;
 - Comparative data from Surrey Districts and CIPFA's Nearest Neighbours;
 - Information from Knowles on Local Authority Meetings: Manual of Law and Practice (8th Edition);
 - The Council's Planning Protocol (July 2017) ;
 - An audit report concerning planning decision approval (September 2017); and
 - Options and modelling information for the future allocation of line committee seats.
11. Findings from these activities informed the recommendations set out in this report.

¹ (Interim) Head of Legal and Governance (Monitoring Officer) 1 August 2018 - 27 January 2019

² Head of Legal and Governance (Monitoring Officer) from 28 January 2019 – Present

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KEY INFORMATION

Key Decision Definition

12. As set out in the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 (SI 2012/2089), a Key Decision means an executive decision, which is likely: (a) to result in the relevant local authority incurring expenditure which is, or the making of savings which are, significant having regard to the relevant local authority's budget for the service or function to which the decision relates; or (b) to be significant in terms of its effects on communities living or working in an area comprising two or more wards or electoral divisions in the area of the relevant local authority.
13. "Quite what the above means in practice has been the subject of debate for several years, but authorities have generally set a figure for expenditure/savings that clarifies matters in respect of their own constitutions." (Knowles on Local Authority Meetings: A Manual of Law and Practice (8th Edition).
14. With this in mind, the Task Group reviewed comparative information on how other local authorities defined their key decisions. This highlighted a range of definitions were in use and that the definition utilised by Reigate and Banstead remained consistent with most Surrey authorities and some of the statistical neighbouring authorities.
15. During the Task Group's investigation:
 - It was highlighted that adjustments had been made to governance operational arrangements for managing the business of the authority through its publishing requirements for business being transacted by the Executive. As a result a degree of settlement had been achieved to manage the business.
 - The Interim Head of Legal and Governance provided clarity on key aspects of review undertaken by a Monitoring Officer in relation to matters scheduled for consideration by the Executive. This included whether the authority had the legal powers to do what was being proposed and whether consultation requirements had been complied with. These were noted as being important areas that could result in the authority's decision making processes being challenged if they were not complied with. Managing the arrangements for Key Decisions was highlighted as an important part of this process.
16. The Task Group tested the business need and whether a change would help improve the flow of business. It was concluded, from the information reviewed, there was no significant need to change the definition of a Key Decision and that it should remain unchanged. However it noted that this could be reviewed in the future if there was an identified need.

Recommendation 1.

That the definition of a Key Decision, set out in Article 14 (14.3.2 – 14.3.4) of the Constitution should remain unchanged.

Committee Sizes and Related Matters

17. In addition to receiving comparative data on the size of other local authority Committee structures, during the Task Group's investigation it was recognised that:

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- Following recommendations made by the Local Government Boundary Commission for England, from May 2019 Reigate and Banstead Borough Council would have fifteen wards, four fewer than there are now, and be represented by 45 councillors, six fewer than now.
 - The Council's Independent Remuneration Panel (IRP), in its report to Council in December 2018, highlighted that in recent years the workloads and responsibilities for Reigate and Banstead Borough Councillors had increased and become more complex. The IRP's report also emphasised that nationally it was becoming increasingly difficult to recruit people to stand for office as councillors. A major disincentive for this was the time commitment required.
18. The theory of "group-think" was also considered in relation to committee sizes with the following observations provided by the Head of Legal and Governance from the perspective of encouraging good governance and monitoring compliance:
- "Large committees have the disadvantage of "group-think" where a couple of key people state a view and the rest then go along with it rather than challenging. There are lots of reasons for why this happens but the outcome is that the decision-making process is often not rigorous, even if lots of questions are asked, because often the key assumptions are not challenged if they are missed by the group leaders. A smaller number within a group, in this case, a committee, allows for greater deliberation and a proper debate and testing of recommendations.*
- Finally, training for smaller numbers is likely to be more thorough and increase the expertise within the committees leading to better decision-making and improved reputational standing within the community we serve."*
19. Whilst the Task Group did not reach consensus on the theory of "group-think", the points above were considered as part of evidence gathering on committee sizes and related matters, including the importance of Member Learning and Development.

Overview and Scrutiny Committee

20. The Task Group heard from the Chair of the Overview and Scrutiny Committee, Councillor B.A. Stead, that the existing size of the Committee operating at 15 was, in his opinion, working well and allowed for the appropriate level of challenge to be provided.
21. Comparative data from Surrey Districts also highlighted that 15 was not inconsistent with other such Committees across Surrey and that generally its size had not been an issue to date.
22. During evidence gathering:
- The Task Group thought that changing the size to a smaller number was unlikely to affect the quality of discussion at the Committee.
 - It was highlighted that the application of the proportionality rules for a model of 13 maintained the same level of opposition members on the Committee, reducing the number of Members from the Administration by 2 (based on the percentage composition of the Council at May 2018).
 - It was agreed, in view of the future work streams set out in **Annex 2** including the need to review the Overview and Scrutiny Committee's operating arrangements,

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that now was not a good time to make changes to the existing size of the Committee.

23. It was therefore concluded that, on balance, the Committee should continue at 15.

Recommendation 2.

That the membership of the Overview and Scrutiny Committee remain at 15 Members.

Licensing and Regulatory Committee

24. The Group heard from the Chair of the Committee, Councillor A.M. Lynch and the Council's Senior Licensing Officer. This included consideration of requirements under the Licensing Act 2003 regarding Committee sizes and structures. Each licensing authority must establish a licensing committee consisting of at least ten, but not more than fifteen, Members of the authority.
25. The Group also responded to a suggestion, put forward by the IRP in December 2018, concerning reviewing the number of Licensing and Sub-Committee Chairs for the Municipal Year 2019/20.
26. It was noted that the Committee operated with an effective structure of Sub Committees that considered the majority of its work. This resulted in the main Committee meeting less frequently.
27. In recognition of moving to 45 councillors in May 2019, it was accepted that changing the Committee size to 12 would not be detrimental provided that the operational arrangement of 5 Sub Committee Chairs was maintained to ensure there was flexibility when organising hearings at short notice.
28. It was also highlighted, as a result of infrequent meetings, that Members might require additional training to support them in undertaking their role.
29. In conclusion the Task Group agreed that the Committee should reduce to 12 (from 15) on the basis that the principle of 5 Sub Committee Chairs would continue and that increased training opportunities be provided.

Recommendation 3.

That the membership of the Licensing and Regulatory Committee be reduced to 12 Members.

Recommendation 4.

That the existing arrangements for Licensing and Regulatory Sub-Committee Chairs remain at 5 (the existing number).

Planning Committee

30. One of the key purposes of the planning system is to manage development in the public interest. In performing this role, planning necessarily affects land and property interests, particularly the financial value of landholdings and the quality of their settings. It is important, therefore, that the local planning authority, both planning officers and the planning committee, make, planning decisions affecting these interests openly, impartially, with sound judgement and for justifiable reasons.
31. The process should leave no grounds for suggesting that a decision has been partial, biased or not well founded in any way. Moreover, planning decision making is not an exact science but a process of informed judgement taken within a firm

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policy and legislative context.

32. Decisions can be highly controversial due to their capacity to affect amenity and well-being as well as land and property interests, more so because the system actively invites public opinion as part of the decision making process. It is important, therefore, that the planning processes at the Council are characterised by open, objective and transparent decision-making.
33. The Group heard from the Council's Head of Planning, the Chair of the Committee, Councillor S. Parnall, and the Vice-Chair of the Committee, Councillor M.S. Blacker. The Leader of the Council, Councillor M.A. Brunt, also provided input based on his experience as Chair of the Committee from 2011/12 to 2017/18.
34. In addition, the Group heard from the Head of Legal and Governance, in her capacity as the Council's Monitoring Officer, to clarify that in her opinion there was a potential perceived misunderstanding of the role of the Planning Committee and that of a Ward Member. Therefore, in determining the size of the Committee the Monitoring Officer advised that the size of the Committee should be different to the number of wards. This was to remove any perceived linkage between the roles and responsibilities of a Ward Member and those of a Member of the Planning Committee.
35. The role of ward councillors, as democratically-elected local representatives, was recognised as being a unique and privileged position. It was noted that an important aspect of the role was to represent their ward and the people who live in it.
36. It was highlighted by some members that they considered that Ward Members had the greatest local knowledge in relation to matters before Planning Committee and the benefits of providing a ward based system for representation were discussed. In addition, roles and responsibilities for Members of the Planning Committee were considered, including the requirement to remain open minded and to consider applications without bias or predetermination.
37. During evidence gathering a wide range of issues were considered, including:

Training:

- This was regarded as a matter for Group Leaders' to ensure good attendance;
- Whether changing the format of training could increase the level of importance attributed;
- The need for chairmanship training to help develop the skills required for managing often complex meetings.

Size:

- There were mixed views on whether the perceived ward based principle for the size of the Committee was the most appropriate (or indeed whether that was actually the case now). Some Members felt strongly that this was important and others challenged that this was the case;
- The submission to the Boundary Committee was cited as an example of support for selecting the Committee size of 15;
- The value of local knowledge being retained on the Committee;
- That it was not necessary to have an 'odd' number of members on the Committee, particularly as there had been no recent issues of tied voting taking place on matters;
- Full attendance at meetings was not always possible;

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- The convention of the Chairman remaining impartial on voting had not always been followed;
- Challenging the suggested benefit of reducing the Committee size in relation to fulfilling its quasi-judicial responsibilities;
- Challenging the value of a smaller Committee as it would continue to have Ward representation that could result in problems arising for example it could be unduly influenced by a dominant Member;
- A size higher than 15 would be consistent with the comparative evidence provided for other Surrey authorities.

Other Issues:

- Support for allowing Visiting Members the dedicated provision to speak at meetings;
- Noting the operational practice in some wards that 'frees up' a member to not participate in discussions with residents allowing them to contribute at Committee without constraint;
- The view was expressed that Ward Members should be invited to Site Visits (as operated by Surrey County Council) to balance the discussion and local knowledge, which could be achieved without pre determining the application;
- That Executive Members had an increased possibility of a conflict of interest in considering matters before the Committee and that it would be better if the convention (of not appointing Executive Members) be confirmed in the Constitution.

38. Before developing recommendations, the Task Group received a key principles document. This sought the Task Group's response to issues that had been identified during evidence gathering and how best to associate those principles to the size of the Committee. The information set out in **Annex 3** reflects the Task Group's response to the key principles and to support the rationale for each of their proposed changes emerging in the recommendations.
39. An Internal Audit Report from September 2017 in relation to the Council's Planning Decision Approval Process, was also considered. This highlighted the importance of demonstrating transparency and negating conflicts of interests in relation to Members of the Executive that was increasingly involving property or commercial investment related decisions.

Recommendation 5.

That Members of the Executive be not allowed to be members or substitutes of the Planning Committee and that the Constitution be amended to reflect this.

40. From the evidence received, the Task Group agreed it was important to strengthen the role of the Ward Member at the Planning Committee, as opposed to being a Ward Member on the Committee. The Group heard a range of evidence that supported separating out the Ward Member involvement in debates at Planning Committee meetings that would help to remove allegations of predetermination or bias and reduce the likelihood of challenge based on procedural grounds.

Recommendation 6.

That Members of the Planning Committee be not allowed to participate as Members of the Committee nor vote on any matters that relate to their own

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Wards and that the Constitution be amended to reflect this.

Recommendation 7.

That the role of Ward Members at Planning Committee be changed to strengthen and formalise the role with the ability to make representations on behalf of their Ward constituents, with clarification provided in the Constitution on the following:

- a. Providing any Ward Members with a time-limited opportunity (i.e. 3 minutes per Member with the Chair's discretion to adjust the time allowed and the frequency of contributions to the meeting) for input on each application considered by the Committee, requesting (but not moving) reasons for refusal* and attendance at site visits.**

** A summary of how this would work in practices is:*

- Ward members can request reasons for refusal but not move motions.*
- Reasons for refusal would only be provided to the Member requesting them.*
- The content of those reasons for refusal (requested by ward members) can be put to the Planning Committee during their dedicated speaking slot.*
- The Chairman should maintain an independent role and therefore would not propose reasons for refusal motions on behalf of ward members.*
- Committee members may ask for reasons for refusal to be moved and voted upon, which may include those requested by Ward Members. In the event that no reasons for refusal are moved and the Committee do not agree the Officer Recommendation (e.g. to grant permission) then the matter would stand referred to the next meeting of the Committee for re-consideration.*

- b. A reserved seat be provided in the Chamber for use by Ward Members (including Planning Committee Members who are not able to take up their Committee seat if the application relates to their Ward), to advocate on behalf of their Ward on each relevant application.**

- c. That the Planning Committee be requested to review its Planning Protocol to consider introducing wider scope for questioning / speaking at meetings (including the public) and to reflect a. and b. above.**

41. To ensure effective use of Council resources, including time spent at Planning Committee the following recommendation was put forward.

Recommendation 8.

- a. That the Officer Scheme of Delegation be amended to increase the delegation to the Head of Service with responsibility for Planning to determine applications for commercial works not exceeding 250 sqm.**

- b. That it be noted that the principle of referring matters to the Planning Committee, as set out in the Planning Protocol, would apply to a. (above).**

42. The Group deliberated long and hard over the various matters associated with Planning Committee size, including options for decoupling the perceived link between the number of Wards on the Council and the seats on the Committee to demonstrate separation of responsibilities. In addition, the Group considered the total number of seats that would be available on line committees in 2019/20. While there was no consensus on the optimum Committee size, the Group realised it had reached an impetus in its deliberations and concluded, subject to a further review in

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6 months, that a committee size of 15 was an appropriate number, at least in the interim, to carry out the business required.

Recommendation 9.

That the membership of the Planning Committee be broadly representative of the geographic coverage of the Borough and that it be reduced from 19 Members to 15 with a further review 6 months after the first Planning Committee of 2019/20. This review should be carried out by the Governance Task Group in consultation with the Chair and Vice Chair of the Planning Committee.

Note: Councillor J. Paul requested his dissent for **Recommendation 9** be recorded in the report.

Standards Committee

43. The Task Group agreed that the Standards Committees should continue to retain a membership of 5 and 2 Co-opted Members. It was noted that the Standards Committee had requested in June 2018 that it undertake a separate review of its operations particularly in relation the Member complaints process.

Recommendation 10.

That the membership of the Standards Committee remain at 5 Members and two Co-opted Members.

Employment Committee (Terms of Reference and Procedure Rule 9)

44. The Council needs to understand, plan and develop its workforce requirements for the future in order to provide excellent services to the community it serves and to support the Council's vision, aims and values.
45. With this in mind, the Group heard from the Leader of the Council, Councillor M.A. Brunt, and the Chief Executive, Mr Jory, in his role as Head of Paid Service.
46. In considering Procedure Rule 9 (Officer Employment) and the Terms of Reference for the Employment Committee, set out in the Constitution, the Group's discussions focused on:
- Ensuring the Council has access to the right skill sets in order to deliver ambitious future objectives.
 - The importance of attracting a diverse future workforce to ensure an ongoing supply of suitable applicants across a broad range of occupations, tackling skill shortage areas and attracting the right people with the right skills and competencies at the right time.
 - Ensuring skills and capacity are in place to support change, focusing on future skill requirements to support service improvements, management and staff development and creating a more adaptable and flexible workforce.
 - Ensuring pay and reward policies are equitable, flexible and affordable, support the Council's performance management systems and are responsive to market pressures.
 - The need to enhance and clarify governance arrangements associated with Member involvement in senior officer recruitment, including functions relating to disciplinary / dismissal.

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- The importance of Member Learning and Development, especially in relation to the roles and responsibilities of the Employment Committee and Member involvement in recruitment.
47. It was recognised that much of the above could be achieved through the development, implementation and ongoing review of an Organisational Development Strategy. With this in mind, recommendations set out in this report reflect a desire to ensure greater alignment between the Council's emerging Corporate Plan (2020-2025) and the shape of the organisation.

Recommendation 11.

That the membership of the Employment Committee remains as set out in the Constitution i.e. 5 Members at least one of which must be an Executive Member.

Recommendation 12.

To ensure the Employment Committee makes a positive input to strategic recruitment and cultural development, the following roles and responsibilities be added to the terms of reference for the Employment Committee:

- a. **Oversight and engagement (with relevant Officers) in respect of the development of the Organisational Development Strategy – which includes the talent attraction/development/ retention strategy for staff and the Council's Management Structure.**
- b. **Establishing a critical friend role in relation to ensuring the Organisational Development Strategy is on track and fit for purpose. This should include consultation around the annual Service and Financial Planning process and Pay Policy Statement.**
- c. **That the application of a. and b. (above) be detailed in an annual work programme to be agreed at the start of each Municipal Year by the Employment Committee.**

Recommendation 13.

That Annex 1 of Procedure Rule 9 (Officer Employment Rules responsibility for functions) be amended with the following additions:

- a. **Direct Reports to the Chief Executive be recruited by the Employment Committee (taking into account the advice of the Head of Paid Service).**
- b. **Employment Committee to be consulted and briefed on the disciplinary / dismissal arrangements (including any compensation agreements) for Direct Reports to the Chief Executive.**
- c. **That the wording of "Other Employees*" be amended to clarify that this includes Heads of Service.**
- d. **That the lead Member of the Executive be consulted and briefed in the recruitment of any Head of Service under their Portfolio.**

Member Learning and Development

48. The training and development of councillors to equip them with the knowledge and skills to enable them to effectively carry out the various roles that they are expected

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to perform is consistent with the principles of good corporate governance.

49. Any council that is serious about meeting the needs of its community through its corporate plan priorities must be committed to the ongoing training and development of its councillors. These principles were considered by the Task Group as a way to ensure all Members can contribute to effective and efficient decision making.
50. The processes and procedures put in place for councillors' training and development were considered at various stages to ensure the Council provides a robust framework for responding to future challenges and legislative changes which, in turn, help the Council to deliver on all of its strategic priorities.
51. The recommendations set out in this report reflect work currently underway to develop a refreshed Member and Learning Development Programme for 2019/20. They also reflect the Group's discussions in relation to Employment Committee and Committee Sizes more generally.

Recommendation 14.

That Chair training be provided to all line Committee Chairs, Vice Chairs, Mayor and Deputy Mayor.

Recommendation 15.

That all Employment Committee Members (including Substitute Members) to receive appropriate mandatory Member Learning and Development on equality and diversity in employment and related recruitment matters (e.g. fair recruitment processes, interviewing skills, etc.) in advance of sitting as a member of the Committee to ensure they can positively contribute to the Committee and the development of the Council's culture.

Recommendation 16.

All Executive Members to receive mandatory Member Learning and Development on equality and diversity in employment and recruitment matters.

Recommendation 17.

That, in addition to the mandatory Licensing and Regulatory training at the start of the Municipal Year, all Licensing and Regulatory Committee Members should attend "refresher training" half way through the year.

Keeping the Constitution Under Review

52. Investigating how best to keep the Constitution and related governance matters under review was an important element of the Task Group's work. With the last in-depth review of the Constitution taking place in March 2014 it was agreed such matters should be considered more frequently and via a forum that allowed a range of governance matters to be considered.
53. In response to a Member enquiry, the Chief Executive highlighted that putting mechanisms in place that allowed the Monitoring Officer to update the Constitution with administrative or consequential amendments arising from the key principles taken by Council would help to facilitate efficient and effective decision making.

Recommendation 18.

That a standing cross-party "Task Group" be established to provide a Forum

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for the continued review of governance matters by the Council.

Recommendation 19.

That the membership, and terms of reference, of the standing “Task Group” be appointed annually at the Annual Council meeting applying the spirit of the political proportionality rules. The Task Group would agree its own Work Programme at its first meeting of the Municipal Year

Recommendation 20.

That a delegation be provided to reflect the wording set out in Paragraph 12 of the Notes to the Officer Scheme of Delegation (Part 3b of the Constitution) to clarify the Monitoring Officer’s role within the scheme.

Paragraph 12 - The Monitoring Officer shall determine any issues as to the form and manner of the Scheme’s operation, implementation or interpretation, for example, where clarification is required as to which officers can exercise a delegation or which Executive Member(s) must be consulted, or referred to in paragraph 6. above (ref new legislative provisions).

Recommendation 21.

That the Monitoring Officer be authorised to update the Constitution in accordance with the tracked changes set out in Annex 4 to this report, to reflect the recommendations agreed by the Executive.

Recommendation 22.

That a delegation be provided to the Monitoring Officer to make administrative and consequential amendments to the Constitution arising from the key principles of decisions taken by Council both in response to this report and any other adjustments to clarify points in the Constitution that do not change the key principle of its origin. The Governance Task Group Members would be consulted on the proposed changes two weeks in advance of their publication for any comments.

Commercial Governance Review

54. Councillor J.M. Ellacott, Chair of the Commercial Governance Task Group, provided regular updates on progress in this area. The final Commercial Governance report, considered by the Overview and Committee in February, will be considered by the Executive on 18 March 2019.
55. In the event that the Commercial Governance Task Group’s conclusions are adopted a further report to the Executive will be required in order to request detailed implementation of their recommendations. As a result, no further action is required by this Task Group.

OPTIONS

56. The Executive may:
 - (a) Approve the recommendations. The revised Constitution would be recommended to Full Council on 11 April 2019. This is the recommended option and ensures that the Council has an up to date, legal and effective Constitution. It does not prevent further Constitutional work being taken forward.

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- (b) Approve only some of the proposed changes set out in the report.
- (c) Defer the decision and request further work be undertaken by the Governance Task Group on any aspect of the proposed amendments. This would delay the adoption of a revised Constitution.

LEGAL IMPLICATIONS

- 57. Under the Local Government Act 2000 (as amended by the Localism Act 2011) it is a legal requirement for the Council to maintain an up to date Constitution, reflecting the statutory requirements for decision making.

FINANCIAL IMPLICATIONS

- 58. The main financial implications arising from this report relate to resources required to deliver increased democratic engagement and activities associated with increased Member Learning and Development.
- 59. The Member Learning and Development budget for 2019/20 is £4,000. A draft programme has been developed to take account of the points arising from the Task Group and was supported by Group Leaders' on 6 March 2019. The suggestions set out in this report can be delivered but may require additional budget or managed decisions on overspend to achieve the objectives of the wider programme.
- 60. Costs associated with the proposed increase in democratic engagement and Member support more generally cannot be stated with complete certainty. These will be dependent on future work streams which were not considered by the Task Group at this stage. For example, the future management of the Council's webcasting facility and support for the Modern Members programme.
- 61. Future financial implications will need to be considered as the Task Group progresses with its work programme to ensure deliverability.

EQUALITIES IMPLICATIONS

- 62. The Council is asked to have regard to their duties under the Equality Act 2010. This requires the Council to have due regard to the need to:
 - Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited under the Act;
 - Advance equality of opportunity between people who share a protected characteristic and those who do not;
 - Foster good relations between people who share a protected characteristic and those who do not.
- 63. There are no equalities implications arising from this report. However, it should be noted that the Constitution, including its Procedures, Rules, Codes and Protocols, acts as an enabling tool in helping the Council meet its obligations and duties.

COMMUNICATION IMPLICATIONS

- 64. There are no communication implications arising from this report.

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RISK MANAGEMENT CONSIDERATIONS

65. Risk management considerations should be an integral part of decision making and the Constitution should help facilitate such considerations.

OTHER IMPLICATIONS

66. Consideration of how policies, projects and proposals can secure environmental, social and economic benefits and reduce negative consequences should be an integral part of decision-making and the Constitution should facilitate such considerations.

CONSULTATION

67. This review was carried out by a cross-party Task Group. However, all Members were invited to attend meetings, which took place between 16 January and 5 March 2019, with a number of Members attending and contributing.
68. To ensure all Members, Directors and Heads of Service were briefed on developments the notes from each session were shared via email. Comments received were taken into account and shared with the Task Group ahead of recommendations being put forward.

POLICY FRAMEWORK

69. The Constitution sets out the Budget and Policy Framework, and the proposed changes will help to provide a clear framework for Councillors and Officers in the development, scrutiny and approval of policies.

ANNEXES

- **Annex 1:** Terms of Reference
- **Annex 2:** Future Work Programme
- **Annex 3:** Key Principles Document (Planning Committee)
- **Annex 4:** Constitution – Revised Chapters (Track Changes)

BACKGROUND PAPERS

70. The Minutes/Notes from meetings of the Governance Task Group held on: 6 January 2019; 24 January 2019; 5 February 2019; 13 February 2019 and 21 February 2019.

ANNEX1: GOVERNANCE TASK GROUP

Terms of Reference

December 2018

1. Purpose

The Governance Task Group has been established, for a time-limited duration, to initially review certain areas of the Constitution (set out in the table below) to ensure business is well managed and decisions are taken effectively and efficiently, in accordance with statutory requirements.

It will undertake this role by:

- Considering governance changes suggested by Members and Officers;
- Reviewing areas of the Constitution to ensure they are fit for purpose and putting forward appropriate changes;
- Recommending proposed changes to Council, for approval before the end of the 2018/19 Municipal Year; and
- Considering how to keep the Constitution and related governance issues under review in the future.

In view of the tight schedule, the table below sets out areas that have already been put forward by Members and Officers. At its first meeting, the Task Group will need to agree what is in scope, what is out of scope and to identify items that are appropriate for another time or forum ("parking lot") based on the following:

Draft Indicative Work Programme		
Priority Areas	Possible Areas (for further discussion)	"Parking Lot"
The role of Employment Committee and its terms of reference Procedure Rule 9 - Officer Employment	Member Role Profiles	Operational matters not requiring changes to the Constitution. For example, work that is taking place to promote open and transparent decision making i.e. webcasting; e-voting, use of social media, Modern.Gov
Committee Size Proposals	Overview and Scrutiny	
Options for increased Public/Member Engagement at Council and other Committee meetings (Motions, QT etc.)		
Level of Key Decisions		
Code of Conduct		

2. Membership

In accordance with Protocol 2 of Part 5 of the Council's Constitution, the Task Group has been established by the Leader of the Council, who is responsible for appointing / removing Councillors to the group and selecting a Chairman.

Whilst there are no legal requirements to meet political balance requirements, the Protocol states membership should generally reflect the membership of the Council. Membership is set out in Paragraph 10.

3. Timetable

Activity	Who	Date
Initial Scoping	Cllr Durrant (Chair Elect), John Jory, John Jones, Chris Phelan, Christian Scade	10 December
Task Group Established	Cllr Brunt, Leader	12 December
Scope and Ground Rules Confirmed	Task Group	early January
Evidence Gathering	Task Group	mid-January / early February
Review Evidence / Develop Recommendations	Task Group	early/mid-February
Report Signed Off	Task Group	5 March
Report considered by Executive	Executive	18 March
Proposed changes considered by Council	Council	12 April

4. Information Required

This will include: relevant contextual background on governance requirements in summary form (e.g. Knowles), information/discussion on current RBBC practices and ways of working, a comparison with other Surrey Districts, and good practice from elsewhere.

5. Meetings

Meetings will be held on dates and at times agreed by the Chair. The conduct of Task Group meetings shall be a matter for the Chair. In the absence of the Chair, the Task Group shall elect a Chair for the meeting.

6. Quorum

Not less than 3 Members.

7. Voting

Voting at the Task Group shall be by a show of hands. If required, the Chair will have a second or casting vote.

8. Attendance by non-Members

All Members have the right to attend meetings of the Task Group but may only speak with the agreement of the Chair. Meetings will generally be held in private.

9. Officer Support

The Task Group will be supported by:

- John Jones, Interim Head of Legal and Governance (Monitoring Officer);
- Chris Phelan, Democratic Services Manager;
- Christian Scade, Deputy Democratic Services Manager; and
- Other Officers as required.

10. Membership

On 12 December 2018, Councillor M.A. Brunt, Leader of the Council, appointed the following Councillors to the Governance Task Group:

- Cllr J.E. Durrant (Chair)
- Cllr T. Archer
- Cllr J.M. Ellacott
- Cllr J.C.S. Essex
- Cllr K. Foreman
- Cllr N.D. Harrison
- Cllr A.M. Lynch
- Cllr J. Paul
- Cllr T. Schofield

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Annex 2: Governance Task Group

Future Work Programme for 2019/20

Category 1 - activity needing implementation for the 2019/20 Municipal Year.	The indicative programme for Categories 2 and 3 has been combined into a single programme of activity. Priority for this work will be revisited on completion of the Category 1 (immediate) work.		
Review of Key Decision definitions/thresholds to understand if they remain correct for the operation of Council business.	Review of the Members Code of Conduct ; Member/Officer Protocol and the Officer Code of Conduct.	To clarify the governance status of the Area Forums associated with the Planning Protocol.	Scheme of Delegation – a parallel review was suggested to be undertaken by Portfolio Holders and Directors to establish if the right balance of Member involvement has been achieved in the Scheme. Outcomes to be reported to the Task Group.
Review of the size of Committees (with an options appraisal; key principles analysis and impact on the terms of reference for each Committee).	Review of the Financial and Contract Procedure Rules and how the authority's financial controls are managed e.g. operation of delegations.	Review of the governance structure options such as the merits of the Strong Leader model and those operated under the Committee system of governance.	The Chairman agreed to progress the scope and timing of a review of the process for appointments to Outside Bodies with Cllr Essex outside of meetings. This is likely to include the relevance of Ward representatives and skill sets most relevant to the organisations concerned.
Review of the terms of reference of the Employment Committee with a focus on the process for the appointment senior officers.	Increased Member engagement opportunities at Council meetings – Motions and Member Questions .	Reviewing the accessibility of the Constitution to be more user friendly.	Surrey County Council Local Committee arrangements (should it be necessary)

Implementation of the outcome of the Commercial Governance Review Group's findings.	Increased Public engagement opportunities at Council and other Committee meetings - including the use of webcasting.	Review the election process for the Mayor and Deputy Mayor .	Operational review of the Standards Committee . Suggested that the scope of this review should be agreed by the Chairman of the Standards Committee rather than the Group. Findings to be provided to the Task Group and reported by exception to the Group if required.
Clarification of the purpose of other Committees or Member Groups that are in operation and that the information be provided in an accessible area. <i>This area of work will be picked up outside of the Task Group via an officer briefing note with information published on eMembers once completed.</i>	Review of Member Role Profiles . Review of the Overview and Scrutiny Committee's operating arrangements.	Review of the Youth Council's relationship with the Council's operations.	Review the status of the Group Leaders' Meeting in relation to the Constitutional framework.

Governance Task Group

Planning Committee

Key Principles relating to the size of the Membership

Task Group responses

	Key Principle	Task Group response	Best Membership size
KP1 Perceived Ward linkage	To move away from the perceived linkage between the number of wards and the membership of the Committee to improve the objectivity of the Committee	Agreed to de-couple the perceived linkage in association with changes to the role of Ward Members at Planning Committee meetings.	Membership size was considered to be unrelated to the number of Wards on the Council.
KP2 Strategic decisions	The strategic nature of the decisions	Mixed views in relation to the operation in practice as some applications required the strategic approach whereas others focussed more on local matters/knowledge.	No consensus. Some Members considered that a smaller Committee would allow for more focussed debate, whereas other Members thought that a bigger Committee allowed for increased diversity on the issues considered.
KP3 Membership – an ‘odd’ number	Maintaining an ‘odd’ number of Members to break the deadlock following an equality of voting.	The reality in practice had not impacted on the operation of the Committee so it was considered that an even number of Members would work ok.	An odd or even number of Members would work ok.
KP4 Quasi Judicial Nature	Compliant with legal structure and decisions not open to challenge to protect the interests and reputation of the	The recommendations of the Task Group in relation to Executive Members and Ward Members would strengthen the governance of the Committee’s operations and further reduce the possibility of legal	No consensus. Some Members considered that a smaller Committee would strengthen the governance of

	Key Principle	Task Group response	Best Membership size
	authority.	challenge on decisions made.	the Committee, whereas other Members could not see any difficulty with retaining a bigger sized Committee.
KP5 Diversity of representations	Allowing for the range of different views to be expressed from a broader range of representatives to maintain diversity	Mixed views. The Task Group was split on the advantages of managing a smaller number of Members on the Committee and the added value of a larger sized Committee that would inherently provide increased diversity.	No consensus. Some Members considered that a smaller Committee of say 11 would not be disadvantaged. However other Members strongly supported the linkage between a bigger size and consequential increased diversity.
KP6 Ward Member removed from decision making	Moving to a principle of not allowing Ward Members to determine applications within their ward or providing a maximum number of Ward Members on the Committee	The role of the Ward Member is proposed to change significantly as part of the Task Group's recommendations. Provision of an enhanced arrangement for Ward Members is proposed as part of the de-coupling of the relationship between Wards and the Committee size. The proposal includes provision of a dedicated place at the Planning Committee and removing Ward Members from voting in the decision making.	Membership size was considered to be unrelated to Ward Members voting arrangements.
KP7 Principles of good governance	Better decisions and good governance is achieved by: <ul style="list-style-type: none"> • better trained Members on planning policy and protocols; • developed specialist expertise; • ability to make swift and 	The Task Group accepted that the quality of decision making addressed by these key principles were relevant but that other mechanisms such as Member Learning and Development were more appropriate ways of achieving these principles.	The principles were not seen to be a determining factor on choosing the size of the Committee.

	Key Principle	Task Group response	Best Membership size
	<p>rigorous and responsible decisions;</p> <ul style="list-style-type: none"> • knowledge of relevant factors; • Focussed debate on material issues; • Increased reputational standing; and • Testing the recommendations before the Committee. 		
KP8 Ward Member - reserved right to speak	Ward Members confirmed as the first speaker in the debate.	<p>It was agreed that the Ward Member should be provided with a dedicated place in the discussions of applications at the Committee which is reflected in the recommendations.</p> <p>It was agreed that debates at the Committee would be managed through the Chairman's discretion.</p>	This principle was not seen to be a determining factor on choosing the size of the Committee.
KP9 Substitute Members	Substitute Members to replace full Members of the Committee for the consideration of matters in their Ward	This was rejected.	N/A
KP10 Workload requirements	The workload requirements on Members would be best managed with a particular Committee size.	The Task Group was unable to establish a linkage to a particular size for the Committee which would provide a better case for managing workloads.	Mixed views were received on this, although it was accepted that a decision would be required in the final report.
KP11 Sub Committees	Establishing Planning Sub Committees	This was rejected.	N/A

	Key Principle	Task Group response	Best Membership size
KP12 Conflict of Interest	Reduce the conflict of interest placed on Ward Members and provide more freedom to lobby to reduce potential of pre determination or bias allegations	This is addressed at KP8 above and agreed.	This principle was not seen to be a determining factor on choosing the size of the Committee.
	Members of the Executive to not be Members or Substitute Members of the Committee	Agreed that Executive Members should not be Members or Substitute Members of the Committee and that the Constitution be amended accordingly.	This principle was not seen to be a determining factor on choosing the size of the Committee.
KP13 Scheme of Delegation	Changing the levels of decisions delegated to Officers to increase the strategic nature of matters referred to the Planning Committee.	<p>There was some support for changing the levels of decisions made under delegation to reduce the volume of business presented to the Committee, provided that there remained checks and balances for Members to refer such matters to the Committee in appropriate circumstances.</p> <p>Creating a level of representations that automatically resulted in matters referred to the Committee was rejected as it could be misused.</p>	This principle was not seen to be a determining factor on choosing the size of the Committee.

Annex 4

Governance Task Group

Constitution – Revised Chapters (Track Changes)

- Part 3a: Responsibility for Functions
- Part 3b: Officer Scheme of Delegation
- Part 4: Procedure Rule 9 – Officer Employment

Part 3a: RESPONSIBILITY FOR FUNCTIONS

Table 2 - Council Functions

Table 2 – Responsibility for Council Functions

Committee	Membership	Function	Delegation of Functions
Planning	<p>15 Members of the Authority (excluding Members of the Executive)</p> <p><u>Membership should be broadly representative of the geographic coverage of the Borough.</u></p>	<p>1. All functions of the Council as Local Planning Authority under the Town and Country Planning Acts and ancillary or other legislation including:</p> <ul style="list-style-type: none"> a) Planning applications including applications for CLEUD or CLOPUD b) Enforcement action c) Planning Agreements d) Advertisement Control e) All matters relating to Conservation Areas and Listed Buildings f) Minerals extraction and waste disposal proposals g) Tree preservation h) Reference from statutory undertakers i) Development proposals submitted on behalf of the County Council, Borough Council or any other statutory Authority or Government Department j) Control of the erection and demolition of buildings and structures and the use of land, building or structures k) Issue of certificates of appropriate alternative development l) Authorisation of entry on land m) Requiring discontinuance <p>2. All matters relating to building control functions including the relaxation and breaches of building regulations</p> <p>3. Advice to the Executive on the preparation, update and monitoring of the Local Plan and the development control guidance</p> <p>4. Any other matter arising from or relating to planning legislation</p> <p>Notes: In relation to the above Terms of Reference, Members' attention is drawn to Procedure Rule 4.21.1 which states that a Committee may agree detailed operational protocols such as for public speaking</p>	<p>Officer delegation - see schedule</p> <p>“</p> <p>“</p> <p>“</p>

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Updated August 2018

Part 3a: RESPONSIBILITY FOR FUNCTIONS

Table 2 - Council Functions

Committee	Membership	Function	Delegation of Functions
		<p>arrangements.</p> <p><u>In addition, Council (April 2019) adopted the following:</u></p> <ul style="list-style-type: none"> - <u>That Members of the Planning Committee be not allowed to participate as Members of the Committee nor vote on any matters that relate to their own Wards.</u> - <u>All Ward Members be provided with a time-limited opportunity (i.e. 3 minutes per Member with the Chair's discretion to adjust the time allowed and the frequency of contributions to the meeting) for input on each application considered by the Committee;</u> - <u>All Ward Members to have the ability to request (but not move) reasons for refusal and to attend site visits;</u> - <u>A reserved seat be provided in the Chamber for use by Ward Members (including Planning Committee Members who are not able to take up their seat if the application relates to their Ward), to advocate on behalf of their Ward on each relevant application.</u> 	

Updated August 2018

Part 3a: RESPONSIBILITY FOR FUNCTIONS

Table 2 - Council Functions

Committee	Membership	Function	Delegation of Functions
Licensing and Regulatory Committee	12 Members of the Authority	<ol style="list-style-type: none"> 1. All functions of the Council in relation to licensing and regulation including: <ol style="list-style-type: none"> a) public entertainments b) cinemas and theatres c) sex establishments d) hackney carriage and private hire e) animal welfare f) food preparation g) betting, gaming and lotteries h) street & house to house collections i) markets and street trading j) takeaway food shops k) caravan and camping sites l) health and safety (otherwise than in the Council's capacity as employer) m) scrap metal and motor salvage registration process n) any other licensing/regulatory or individual applications for service not within the remit of another Committee 2. Application for registration of Small society lotteries (where the authority is minded to refuse and the applicant wishes to make representations) 3. Revocation of Small society lotteries (where the applicant has made representations) 4. Applications under schedule 3 of the Local Government (Miscellaneous Provisions) Act 1982, as amended 5. Review of premises license (in all cases) 	<p>Officer Delegation - see schedule</p> <p>“</p> <p>“</p> <p>“</p>

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Updated August 2018

Annex 4 - Constitution - Revised Chapters (Track Changes)

Part 3a: RESPONSIBILITY FOR FUNCTIONS

Table 2 - Council Functions

Committee	Membership	Function	Delegation of Functions
Licensing and Regulatory Committee	12 Members of the Authority	<p>In relation to the Licensing Act 2003:</p> <p>6. All functions of the Council unless specifically excluded by legislation. The following be delegated to the Licensing and Regulatory Sub Committee (with concurrent powers being retained by the parent Committee)</p> <p>7. Applications for or review of licences provided under paragraphs 1-5 above.</p>	<p>Officer Delegation – see schedule</p> <p>“</p>
Licensing and Regulatory Sub-Committees	3 Members of the Authority	<p>8. Application for premises licence/club premises certificate (If a representation made)</p> <p>9. Application for provisional statement (If a representation made)</p> <p>10. Application to vary premises licence/club registration Certificate (If a representation made)</p> <p>11. Application to vary designated premises supervisor (If a police representation)</p> <p>12. Application for transfer of premises licence (If a police representation)</p> <p>13. Application for Interim Authorities (If a police representation)</p> <p>14. Application to review premises licence/club premises certificate (All cases)</p> <p>15. Decision to object when local authority is a consultee and not the relevant Authority considering the application (All cases)</p> <p>16. Determination of a police representation to a temporary event notices (All cases)</p> <p>In relation to the Gambling Act 2005:</p> <p>17. Application for Premises licences (where representations have been received and not withdrawn)</p> <p>18. Application for a variation to a licence (where representations have been received and not withdrawn)</p> <p>19. Application for a transfer of a licence (where representations have been received from the Gambling Commission)</p>	<p>“</p> <p>“</p> <p>“</p> <p>“</p> <p>“</p> <p>“</p> <p>“</p> <p>“</p> <p>“</p> <p>Officer Delegation – see schedule</p>

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Updated August 2018

Part 3a: RESPONSIBILITY FOR FUNCTIONS

Table 2 - Council Functions

Committee	Membership	Function	Delegation of Functions
Licensing and Regulatory Sub-Committees (cont.)	3 Members of the Authority	20. Application for a Provisional Statement (where representations have been received and not withdrawn)	“
		21. Application for club gaming/club machine permits (where objections have been made and not withdrawn)	“
		22. Cancellation of club gaming/club machine permits (in all cases)	“
		23. Refusal of club gaming/club machine permits (unless the applicant/objectors agree that a hearing can be dispensed with)	“
		24. Application for licensed premises gaming machine permits (where Officers have notified the applicant of their intentions to refuse and the applicant has made representations)	“
		25. Applications for other permits (where officers have notified the applicant of their intentions to refuse and the applicant has made representations)	“
		26. Grant or vary a licensed premises gaming machine permit for either a smaller number of machines specified in the application, and/or different category of machine than specified in the application (where the applicant has made representations)	“
		27. Cancellation of licensed premises gaming machine permits (where representations have been received and not withdrawn)	“
		28. Make an Order disapplying exempt gaming provisions and/or removal of automatic entitlement to make available two (category C or D) gaming machines for specified alcohol licensed premises (where the applicant has requested a hearing)	“
		29. Consideration of temporary use notice (where objections have been made and not withdrawn)	“

Updated August 2018

Part 3a: RESPONSIBILITY FOR FUNCTIONS

Table 2 - Council Functions

Committee	Membership	Function	Delegation of Functions
		30. Decision to give a counter notice to a temporary use notice (in all cases)	“

Updated August 2018

Part 3a: RESPONSIBILITY FOR FUNCTIONS

Table 2 - Council Functions

Committee	Membership	Function	Delegation of Functions
Overview and Scrutiny	15 Members of the Authority	<p>Scrutiny</p> <ol style="list-style-type: none"> 1. Review and scrutinise decisions made by, and the performance of the Leader / Executive decision maker, Committees and Council Officers excluding decisions on individual applications/cases 2. Review and scrutinise the performance of the Council in relation to its policy objectives, performance targets or particular service areas 3. Make recommendations to the Leader / Executive decision maker, Committees or the Council arising from the outcome of the scrutiny process 4. Review and scrutinise the performance of other public bodies <p>Policy Review and Development</p> <ol style="list-style-type: none"> 5. Assist the Council (and the Executive) in the development of its budget and policy framework 6. Conduct research, community and other consultation on policy issues and possible options <p>In relation to 5 and 6 above:</p> <ol style="list-style-type: none"> 7. Question the Leader / Executive decision maker, Committees, Chief Officers or Service Managers 8. Liaise as necessary with external organisations 9. Question and obtain confirmation/advice from any other person/organisation <p>Budget/Resources</p> <ol style="list-style-type: none"> 10. Exercise responsibility for resources allocated to support the work of the Committee <p>Audit Responsibilities</p> <ol style="list-style-type: none"> 11. Consider the effectiveness of the Council's risk management arrangements 12. Approve the Council's internal audit strategy and monitor performance 	<p>n/a</p> <p>“</p> <p>“</p> <p>“</p> <p>“</p> <p>“</p> <p>“</p> <p>“</p> <p>“</p> <p>“</p> <p>“</p> <p>“</p> <p>“</p> <p>“</p>

Updated August 2018

Part 3a: RESPONSIBILITY FOR FUNCTIONS

Table 2 - Council Functions

Committee	Membership	Function	Delegation of Functions
Overview and Scrutiny (contd.)	15 Members of the Authority	13. Review summary internal audit reports and the main issues arising, and seek assurance that appropriate action has been taken where necessary	n/a
		14. Receive the annual report of the Chief Internal Auditor	"
		15. Be consulted upon reports received from External Audit and other inspection agencies.	"
		Crime and Disorder That for the purposes of the Police and Justice Act 2006 that the Overview and Scrutiny Committee be designated as the Crime and Disorder Committee with the following remit:	"
		16. Review or scrutinise decisions made, or action taken, in connection with the discharge by the responsible authorities of their crime and disorder functions	"
		17. Make reports or recommendations to the responsible authority(s) with respect to the discharge of those functions	"
		Joint Scrutiny	
		18. Carry out the scrutiny and reporting functions set out in the Local Government and Public Involvement in Health Act 2007 and the Local Authorities (Overview and Scrutiny Committees) (England) Regulations 2009 and any amendments made thereto, and in particular:	"
		19. Scrutinise the improvement targets contained in the Surrey Local Area Agreement (SLAA)	"
		20. Make reports or recommendations to the SLAA partners with respect to the matters that relate to a relevant SLAA target	"
		Generally	
		21. Report annually to the Council on the Committee's work and (following consultation with the Executive) upon the future Work Programme for the Committee	"

Updated August 2018

Part 3a: RESPONSIBILITY FOR FUNCTIONS

Table 2 - Council Functions

Committee	Membership	Function	Delegation of Functions
Overview and Scrutiny (contd.)	15 Members of the Authority	22. Appoint panels as necessary to carry out and report upon the work of the Committee 23. Consider any valid Councillor Call for Action 24. Ensure effective scrutiny of the treasury management strategy and procedures	n/a “ “
Standards	5 Members of the Authority together with the following non-voting co-opted members: - two independent persons; - one representative of the Town and Parish Councils.	1. Promote and maintain high standards of conduct within the Council 2. Advise the Council on the adoption or revision of its Code of Conduct 3. Approve procedures and protocols associated with the Council's Standards Framework 4. Monitor the operation and effectiveness of the Code 5. Where appropriate, deal with allegations that a Member is in breach of the Code 6. Ensure that all Members receive training on the Code 7. Select for interview, interview and make recommendation to full Council on the appointment of Independent Persons under the Standards Framework 8. Grant dispensations to members with disclosable pecuniary interests 9. Exercise all of the appropriate functions set out above in relation to Horley Town Council and Salfords and Sidlow Parish Council 10. Deal with any matter referred by the Monitoring Officer	n/a “ “ “ “ “ “ “ “ “
Employment	5 Members of the Authority (politically balanced – to include at least one Member of the Executive)	1. Appointment/Dismissal & Disciplinary Action and appeals in accordance with Procedure Rule 9 - Officer Employment 2. Employee matters requiring approval by Members or falling outside the personnel policies and procedures 3. <u>Oversight and engagement (with relevant Officers) in respect of the</u>	Officer Delegation – see schedule “ “

Updated August 2018

Annex 4 - Constitution - Revised Chapters (Track Changes)

Part 3a: RESPONSIBILITY FOR FUNCTIONS

Table 2 - Council Functions

Committee	Membership	Function	Delegation of Functions
		<p><u>development of the Council's Organisational Development Strategy – which includes the talent attraction/development/retention strategy for staff and the Council's Management Structure.</u></p> <p>4. <u>Establishing a critical friend role in relation to ensuring the Council's Organisational Development Strategy is on track and is fit for purpose. This should include consultation around the annual Service and Financial Planning process and Pay Policy Statement.</u></p> <p><u>Note: The application of 2, 3 and 4 (above) should be detailed in an annual work programme to be agreed at the start of each Municipal Year by the Employment Committee.</u></p>	<p>“ –</p> <p>“ –</p>

Updated August 2018

Part 3b

Officer Scheme of Delegation

September 2018

General

Part 3b: OFFICER SCHEME OF DELEGATION

Delegated Function	Act(s)	Officer(s)	Consultation Required With	Non-Executive/Executive Function
1.9 Waive any solicitor and client privilege attaching to documents in the Council's possession in any case where a complaint is made to the Ombudsman	-	HOS in respect of which the complaint is made Note: such waiver only to be exercised with the agreement of the MO	MO agreement required	Non-Executive / Executive
1.10 <u>To determine any issues as to the form and manner of the Officer Scheme's operation, implementation or interpretation, for example, where clarification is required as to which officers can exercise a delegation or which Executive Member(s) must be consulted, or referred to in paragraph 6 above under Notes (ref new legislative provisions).</u>	<u>Section 37 of the Local Government Act 2000 (as amended by the Localism Act 2011)</u>	<u>MO</u>	-	<u>Non-Executive / Executive</u>
1.11 <u>To make administrative and consequential amendments to the Constitution arising from key principles and decisions taken by Council to clarify points in the Constitution that do not change the key principle of its origin.</u>	<u>Section 37 of the Local Government Act 2000 (as amended by the Localism Act 2011)</u>	<u>MO</u>	<u>Governance Task Group Members to be consulted on the proposed changes two weeks in advance of their publication for any comments.</u>	<u>Non-Executive</u>

September 2018

Part 3b: OFFICER SCHEME OF DELEGATION

Planning & Development

Delegated Function		Act(s)	Officer(s)	Consultation Required With	Non-Executive / Executive Function
7. PLANNING & DEVELOPMENT					
7.1	Issue, service, publish, modify and withdraw all Notices, Counter notices, Objections to Notices, Certificates, Requisitions for Information, Orders, Directions and any other documents of a legal nature, together with the certification of such documents pursuant to any powers of the Council in connection with the Town and Country Planning legislation	All Town and Country Planning legislation	HOS with responsibility for Legal	-	Non-Executive
7.2	Issue, service, publish, modify and withdraw Planning Contravention Notices	Town and Country Planning Act 1990	HOS with responsibility for Development Management	-	Non-Executive
7.3	Determine the following types of application (other than applications by Members or Officers of the Council or members of their families or where an Officer or Member is known to have an interest) including any related agreements or obligations arising from the granting of such applications: <ul style="list-style-type: none"> (i) extensions or alterations to residential dwellings including garages and other ancillary works (ii) erection of single dwellings (iii) residential development resulting in a net increase of one dwelling 	Town and Country Planning legislation	HOS with responsibility for Development Management	-	Non-Executive

September 2018

Part 3b: OFFICER SCHEME OF DELEGATION

Planning & Development

Delegated Function	Act(s)	Officer(s)	Consultation Required With	Non-Executive / Executive Function
<p>(iv) conversion of a building(s) into flats including associated alterations and extension</p> <p>(v) shop fronts</p> <p>(vi) consent to display advertisements</p> <p>(vii) all reserved matters</p> <p>(viii) Conservation Area and Listed Building consents, or the demolition or alteration of a building within a Conservation Area either where required in connection with a development where the HOS with responsibility for Development Management has delegated power to grant planning permission or where planning permission is not required;</p> <p>(ix) renewal of temporary permissions</p> <p>(x) Agricultural/ Telecommunication (including public call boxes and ancillary radio equipment houses)/Demolition development</p> <p><i>(N.B. In the case of agricultural determinations, details should always be requested in Areas of Outstanding Natural Beauty and Areas of Great Landscape Value. In all other cases, details will be requested only following consultation with any Ward Member(s) concerned and in accordance with Department of the Environment Guidelines)</i></p>				

September 2018

Part 3b: OFFICER SCHEME OF DELEGATION

Planning & Development

Delegated Function	Act(s)	Officer(s)	Consultation Required With	Non-Executive / Executive Function
(xi) changes of use not conflicting with Council policy and refusal of changes of use conflicting with Council policy				
(xii) demolition of buildings				
(xiii) provision of vehicular accesses				
(xiv) erection of fences/walls or other means of enclosure				
(xv) institutional, educational or commercial works not exceeding 250 sq. metres (gross external floorspace) – not including changes of use proposals				
(xvi) consent to store hazardous substances subject to the decision being in accordance with the views of the statutory consultees				
(xvii) variations of a minor nature to existing Section 52 or Section 106 Agreements		HOS with responsibility for Development Management,	Subject to prior consultation with the Chairman of the Planning Committee	
(xviii) refusal of planning permission, listed building consent or conservation area consent in all other circumstances				

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September 2018

Part 3b: OFFICER SCHEME OF DELEGATION

Planning & Development

Delegated Function	Act(s)	Officer(s)	Consultation Required With	Non-Executive / Executive Function
<p>All the foregoing to be subject to the proviso that such powers will not be exercisable by the HOS with responsibility for Development Management until either:</p> <p>(a) the expiry of 21 days from the date of circulation of details of such applications to all Members of the Council and no objections to the level of delegation having been received in writing from any Member of the Council by the expiry of that period;</p> <p>(b) in the event of such objection being received, the withdrawal of such objection; or</p> <p>(c) in the event of amendments being received to such applications, a further 3 days be allowed to enable Members to raise an objection to the level of delegation</p>				Non-Executive
<p>7.4 Determine applications for:</p> <p>(i) A Certificate of Lawfulness of existing use or development</p> <p>(ii) A Certificate of Lawfulness of proposed use or development</p> <p>(iii) The removal of or operations to preserved trees or trees in Conservation Areas</p>		HOS with responsibility for Development Management	-	Non-Executive

September 2018

Procedure Rule 9 - Officer Employment

9.1 General

- 9.1.1 Each member of the Management Team is responsible to the Council for the management, training, welfare, health and safety and discipline of the employees under their direction.
- 9.1.2 He/she shall act in accordance with the Council's HR Policies and Procedures.
- 9.1.3 He/she shall liaise closely with the Head of Service with responsibility for HR over the interpretation and application of these matters.
- 9.1.4 The Head of Service with responsibility for HR shall be responsible for monitoring that the Council's HR Policies and Procedures are being implemented and Officers are acting within their terms.
- 9.1.5 The Head of Service with responsibility for HR shall also keep the Council informed of all significant developments in the HR field.
- 9.1.6 Each member of the Management Team shall ensure that the Head of Service with responsibility for HR is supplied with all the information necessary for corporate monitoring systems on human resource management and payroll.
- 9.1.7 Terms and conditions of employment are set out in individual contracts of employment and the Council's HR Policies and Procedures.

9.2 Recruitment and appointment

Declarations

- 9.2.1 The Council will draw up a statement requiring any candidate for appointment as an Officer to state in writing whether they are the parent, grandparent, partner, child, stepchild, adopted child, grandchild, brother, sister, uncle, aunt, nephew or niece of an existing Councillor or Officer of the Council; or of the partner of such persons.
- 9.2.2 No candidate so related to a Councillor or an Officer will be appointed without the authority of the Chief Executive or an Officer nominated by him/her.

Seeking Support for Appointment

- 9.2.3 The Council will disqualify any applicant who directly or indirectly seeks the support of any Councillor for any appointment with the Council.
- 9.2.4 The content of Procedure Rule 9.2.3 will be included in any recruitment information.
- 9.2.5 No Councillor will seek support for any person for any appointment with the Council.

August 2018

9.3 Recruitment of Head of Paid Service and Statutory Chief Officers

Where the Council proposes to appoint the Head of Paid Service or a Statutory Chief Officer the Council will:

- 9.3.1 make arrangements for the post to be advertised in such a way as is likely to bring it to the attention of persons who are qualified to apply for it; and
- 9.3.2 make arrangements for a copy of the statement of qualifications or duties to be sought in the person to be appointed to be sent to any person on request.

9.4 Appointment of Head of Paid Service, Chief Finance (S151) Officer and Monitoring Officer (Statutory Chief Officer)

- 9.4.1 The full Council will approve the appointment of the Head of Paid Service, Chief Finance Officer and Monitoring Officer in accordance with Annex 1 to Procedure Rule 9.
- 9.4.2 The full Council may only make or approve these appointments where no well-founded objection has been made in accordance with Procedure Rule 9.8.

9.5 Other appointments

- 9.5.1 Appointment of Officers other than those listed in Procedure Rule 9.4 (and assistants to political groups) will be undertaken in accordance with Annex 1 to Procedure Rule 9.

9.6 Disciplinary action/dismissal against Statutory Chief Officers

- 9.6.1 No disciplinary action (except suspension for the purpose of investigating the alleged misconduct occasioning the action) may be taken by, or on behalf of, the Council against the Head of Paid Service, Monitoring Officer or Chief Finance Officer other than in accordance with the Local Authorities (Standing Orders) (England) Regulations 2015.
- 9.6.2 Any suspension of Officers for the purpose of investigating an alleged misconduct occasioning the action must be on full pay and terminate no later than the expiry of two months beginning on the day on which the suspension takes effect.
- 9.6.3 In the case of a proposed disciplinary action against a statutory officer the council is required to invite independent persons who have been appointed for the purposes of the members' conduct regime under section 28(7) of the Localism Act 2011 to form an independent panel.
- 9.6.4 An independent panel will be formed if two or more independent persons accept the invitations, and councils should issue invitations in accordance with the following priority order:
 - An independent person who has been appointed by the council and who is a local government elector,
 - Any other independent person who has been appointed by the council, and
 - An independent person who has been appointed to another council or councils.

August 2018

Part 4: RULES OF PROCEDURE

Procedure Rule 9 - Officer Employment

- 9.6.5 Any decision in relation to disciplinary action against a statutory officer will be taken transparently by full council, who must consider any advice, views or recommendations from the independent panel, the conclusions of any investigation into the proposed dismissal, and any representations from the officer concerned.

9.7 Disciplinary action/dismissal against other Officers

- 9.7.1 Dismissal or disciplinary action against any Officer other than those listed in Procedure Rule 9.4 (and assistants to political groups) will be undertaken in accordance with Annex 1 to Procedure Rule 9.

9.8 Notification of proposed appointment of Head of Paid Service, Chief Finance (S151) Officer and Monitoring Officer (Statutory Chief Officers)

- 9.8.1 The Proper Officer will notify every Member of the Executive of:
- (i) the name of the person concerned;
 - (ii) any other particulars relevant to the appointment; and
 - (iii) the date by which objections must be made.
- 9.8.2 An Executive Member wishing to make an objection must notify the Leader in sufficient time to enable the Leader to lodge an objection in accordance with Procedure Rule 9.8.3 below.
- 9.8.3 Objections must be material and well founded and must be made by the Leader on behalf of the Executive to the Proper Officer in writing within 5 working days unless specifically extended.

9.9 Conduct of employees

- 9.9.1 Employees should adopt high standards of personal conduct at work and should do nothing which would bring the Council into criticism or disrepute.
- 9.9.2 They must follow the Council's codes of conduct and regulations stated in the Constitution and elsewhere.
- 9.9.3 Only the Communications Unit, the Chief Executive, and Management Team, in consultation with the Communications Unit, may talk to the press, or otherwise make public statements on behalf of their Services unless otherwise designated under the Council's Emergency Plan.

9.10 Conditions of employment

- 9.10.1 All employees of the Council must be engaged on Contracts of Employment agreed by the Head of Service with responsibility for HR and in accordance with the Council's approved Terms and Conditions of Employment.
- 9.10.2 The Council will follow Advisory, Conciliation and Arbitration Service (ACAS) guidance for any changes to terms and conditions of employment.

August 2018

Part 4: RULES OF PROCEDURE

Procedure Rule 9 - Officer Employment

9.11 HR Plans

- 9.11.1 The Head of Service considering variations to the approved Human Resource Plans or structure of their operating unit(s) shall, at the earliest opportunity, discuss the proposals with the Head of Service with responsibility for HR, who will advise on the procedure to be followed.
- 9.11.2 The Head of Service with responsibility for HR shall be notified immediately of all changes to staffing in order that the necessary processes and documentation may be undertaken.

9.12 Training and development

- 9.12.1 The Head of Service shall be responsible for the training and development of employees under his/her direction in order to meet the needs of the Council and those of the employee, within the resources made available for the purpose. He/she shall liaise closely with HR in the execution of this responsibility.
- 9.12.2 The Chief Executive or Head of Paid Service shall be responsible for monitoring the business benefit provided through the training and learning opportunities afforded for all employees and that employees have the skill necessary to deliver the Council's services.

9.13 Discipline, performance and grievances

- 9.13.1 Disciplinary action will be taken in line with Annex 1 to Procedure Rule 9.
- 9.13.2 Performance related matters will be dealt with in accordance with HR Policies and Procedures.
- 9.13.3 Grievance matters will be dealt with in accordance with the Council's grievance and appeal procedures.
- 9.13.4 The Head of Service with responsibility for HR shall be informed of all grievances formally raised by employees and of all cases where any Officer is planning to take disciplinary or capability action.
- 9.13.5 The Head of Paid Service, Monitoring Officer and Chief Finance Officer in addition to the Head of Service with responsibility for HR will be informed where disciplinary action is planned in cases of misappropriation by an employee of funds and/or property belonging to the Council or any other form of gross misconduct.

9.14 Health and Safety Policy

- 9.14.1 All employees are required to follow the principles of Health and Safety as set out in the Council's Policies and Procedures which forms part of the Council's Conditions of Employment.
- 9.14.2 Members of the Management Team are responsible for the maintenance of the policy within their service areas and shall liaise closely with the Head of Service with responsibility for Health & Safety.

August 2018

Part 4: RULES OF PROCEDURE

Procedure Rule 9 - Officer Employment

9.15 Equal opportunities and dignity at work

- 9.15.1 Reigate and Banstead Borough Council is committed to providing a working environment in which any employee, volunteer or client/customer:
- (i) is treated with dignity, respect, courtesy and fairness and is free from harassment, bullying or victimisation.
 - (ii) does not experience any form of discrimination on any basis including his or her age, disability, gender reassignment & sexual orientation, marriage & civil partnerships, pregnancy & maternity, race, religion & belief, sex or responsibilities for dependants.
- 9.15.2 The Council is also committed to ensuring that its services are available to all members of the Community.
- 9.15.3 Members of the Management Team are responsible for ensuring that the policy is implemented and that all employees observe their responsibilities towards each other and service delivery.

August 2018

ANNEX 1 - OFFICER EMPLOYMENT RULES RESPONSIBILITY FOR FUNCTIONS

OFFICER	RECRUITMENT	DESIGNATION (where already an employee of the Council)	DISCIPLINARY / DISMISSAL	APPEAL AGAINST DISCIPLINARY / DISMISSAL
Head of Paid Service Chief Finance Officer Monitoring Officer Chief Executive (if not also Head of Paid Service)	COUNCIL (on recommendation of Employment Committee)	COUNCIL	COUNCIL (who must consider any advice, views or recommendations from an independent panel, the conclusions of any investigation and representations from the officer concerned)	COUNCIL
Deputy Chief Executive	Employment Committee (taking into account the advice of the Head of Paid Service)	N/A	Employment Committee	COUNCIL
<u>Direct Reports to the Chief Executive</u>	<u>Employment Committee (taking into account the advice of the Head of Paid Service)</u>	<u>N/A</u>	<u>Head of Paid Service or Officer(s) nominated by him/her</u> <u>Employment Committee to be consulted and briefed on the disciplinary / dismissal arrangements (including any compensation agreements)</u>	<u>Head of Paid Service or Officer(s) nominated by him/her (must be different to the person undertaking disciplinary / dismissal process)</u>
<u>Heads of Service</u>	<u>Head of Paid Service or Officer(s) nominated by him/her</u>	<u>N/A</u>	<u>Head of Paid Service or Officer(s) nominated by him/her</u>	<u>Head of Paid Service or Officer(s) nominated by him/her (must be different to</u>

August 2018

Part 4: RULES OF PROCEDURE

Procedure Rule 9 - Officer Employment
Annex 1 – Officer Employment Rules Responsibility for Functions

	<u>The lead Member of the Executive to be consulted and briefed in the recruitment of any Head of Service under their Portfolio</u>			<u>the person undertaking disciplinary / dismissal process)</u>
Other Employees	Head of Paid Service or Officer(s) nominated by him/her	N/A	Head of Paid Service or Officer(s) nominated by him/her	Head of Paid Service or Officer(s) nominated by him/her (must be different to the person undertaking disciplinary / dismissal process)

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Deleted: * Where appropriate, the relevant Member of the Executive may be informally consulted about the recruitment of any Management Team Manager.¶

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Agenda Item 10



SIGNED OFF BY	JOCELYN CONVEY, DIRECTOR OF FINANCE AND ORGANISATION
AUTHOR	LUKE HARVEY
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TO	EXECUTIVE
DATE	18 MARCH 2019
EXECUTIVE MEMBER	COUNCILLOR T.SCHOFIELD

KEY DECISION REQUIRED	NO
WARDS AFFECTED	ALL

SUBJECT	QUARTERLY PERFORMANCE REPORT (Q3 2018-19)
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RECOMMENDATIONS
<p>(i) To note the Council's performance for the third quarter of the financial year 2018-19.</p> <p>(ii) To approve the updated Key Performance Indicators for 2019-20.</p> <p>(iii) To approve the 2019-20 strategic risks.</p>
REASONS FOR RECOMMENDATIONS
To consider the performance outlined in the attached report and to ensure that the Council has the appropriate arrangements in place for performance monitoring and risk management for the financial year 2019-20.
EXECUTIVE SUMMARY
<p>The attached report (Annex 1) provides the headline issues in relation to the Council's performance for quarter 3 2018-19.</p> <p>The Council's Key Performance Indicators have been updated for 2019-20 (specifically the housing indicators in relation to the Homelessness Reduction Act) and are attached (Section 6 of Annex 1) for approval.</p> <p>The Council's strategic risks are reviewed annually; a revised set of risks have been identified for 2019-20 and are attached (Section 7 of Annex 1) for approval.</p>

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The report was considered by the Overview and Scrutiny Committee on 14 March 2019. Any observations made by the Committee will be tabled at the meeting of the Executive.
Executive has authority to approve the above recommendations



Subject:	Quarterly Performance Report (Q3 – October to December 2018)
Officer:	Jocelyn Convey
To:	Overview and Scrutiny Committee, 14 March 2019
Purpose:	To consider the key service performance for the third quarter of the year 2018-19.

Introduction

This report provides the headline issues on major variances in relation to the Council's overall performance for Quarter 3.

The detailed information showing all performance is available for Members to review at the eMembers room.

The headline performance information is set out in the following sections:

Key Performance Indicators – Q3 2018-19	Section 1
Revenue Budget Monitoring	Section 2
Capital Budget Monitoring	Section 3
Risk Management	Section 4
Internal audit	Section 5
Update to Key Performance Indicators to take effect from Q1 2019-20	Section 6
Risk Management – New Strategic Risks for 2019/20	Section 7

Recommendation

The Committee is requested to review the performance report and consider any advance questions received in relation to strategic issues and make any observations to the Executive.

The Committee is also requested to consider the revised Key Performance Indicators to take effect from Q1 2019-20 and make any observations to the Executive.

In addition, the Committee is requested to consider the identified Strategic Risks for 2019-20 and make any observations to the Executive.

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KEY PERFORMANCE INDICATORS

Headline Information

Of the 14 Key Performance Indicators (KPIs) reported on this quarter, 8 are on target or within the agreed tolerance.

KPIs 4-8 are contextual homelessness indicators introduced to reflect the changes required by the Homelessness Reduction Act (2017). As the impact of the new legislation is uncertain, no target has been set for these indicators this year. Performance this year will therefore inform targets for next year.

Major variances (those off target)

KPI 3 – number of affordable home completions	
Target	Actual
75	60

Completions of affordable homes have slowed in the third quarter of the year. Achieving this target is largely outside the Council's control. However at the end of Q3 52 affordable dwellings were under construction, with the construction of a further 31 affordable dwellings having commenced during Q3. This therefore gives confidence that the target for the year will be achieved.

eMembers room information

A copy of the full schedule can be found in the eMembers room.

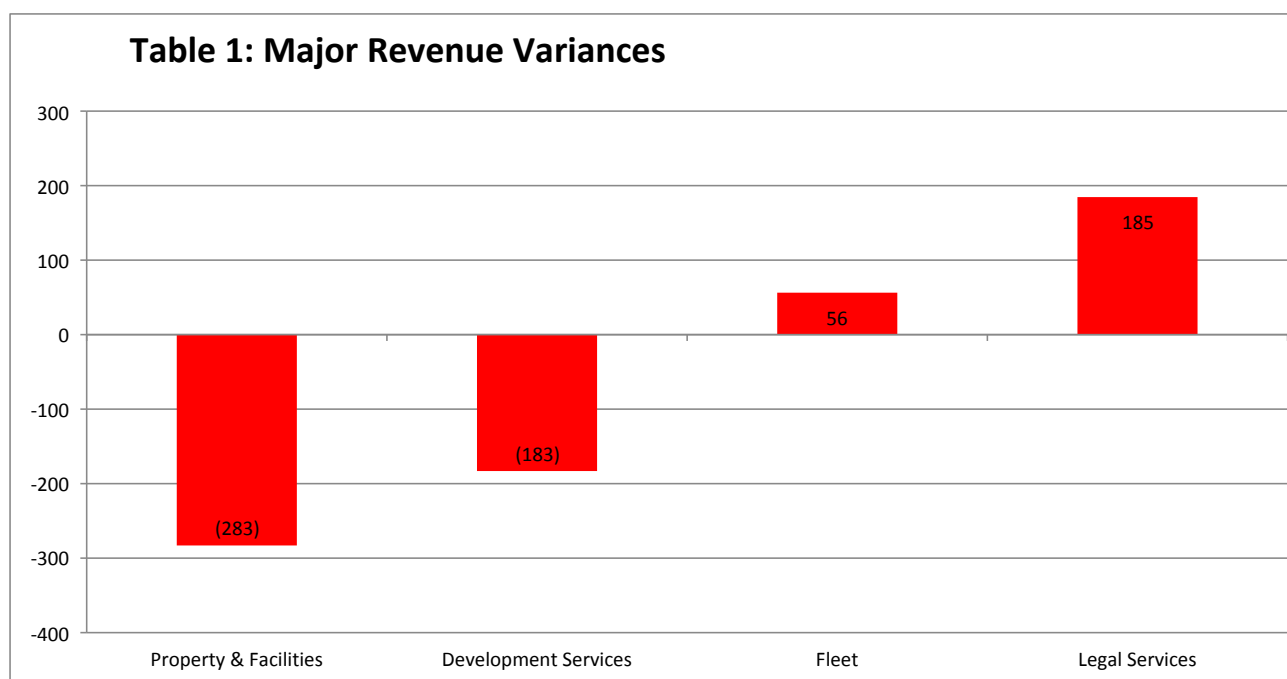
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Reconciliation of Original Budget to Management Budget for 2018-19

	£'000	£'000
Original Budget		15,494.5
Transfers from Reserves:		
Corporate Plan Delivery Fund	2,102.8	
CIL funds	100.1	
Neighbourhood Improvement Fund	10.7	
		<u>2,213.6</u>
Management Budget		<u>17,708.1</u>

Headline Revenue Budget information 2018-19

	£'000
Management Budget	17,708.1
Forecast Year End Outturn	17,199.1
Projected underspend	-509.0 (or -2.9% of the budget)

Table 1: Major Revenue Variances**Major Variances****Property and Facilities:**

The improvement in the forecast rental income takes into account the acquisition of Regent House after making allowance for the loss of income from the departure of Surrey Police from the Town Hall site.

Development Services:

As reported at Q1 and Q2, the income from planning fees continues to remain buoyant with a surplus over the budget being forecast at this stage.

Fleet:

The overspend variance is caused by the increasing costs of maintaining the ageing Waste and Recycling vehicles. The estimated cost of spare parts at the year end is the major factor driving this forecast.

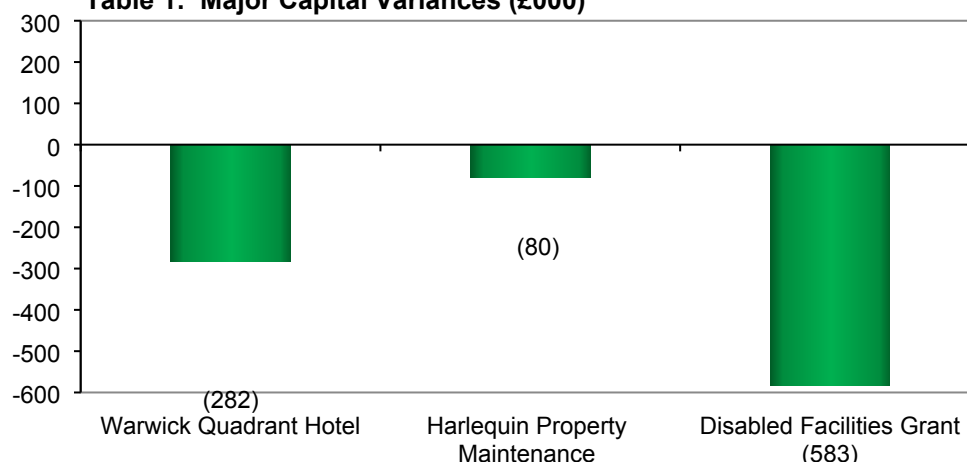
Legal Services:

As reported at Q1 and Q2, the forecast overspend relates to the reliance on locum staff and external advice to deliver the service.

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Headline Capital Budget Information, Quarter 3 2018/19

Current Budget:	£10,079,200	
Forecast Expenditure:	£7,857,700	
Projected Underspend:	(£1,211,400)	(or -12.02% of budget)

Table 1: Major Capital Variances (£000)**Major Variances**

Warwick Quadrant Hotel: £282k is the final underspend position as the work is now completed and no further expenditure is expected. Total expenditure for this project is £4,972,525.10.

Harlequin Property Maintenance: There is an £80k underspend forecast against current budgets; there is a review currently in progress to realign and confirm a ongoing capital budget requirements for Harlequin maintenance. This is expected to be completed over the next quarter.

Disabled Facilities Grant: The new supplier commenced in January and is working through the cases transferred from the previous supplier as well as taking on new applications. It is expected that some of the underspend for 2018/19 will be carried forward to 2019/20. Work has been completed to allow specified exemptions to the Housing Assistance Policy, with an expectation that the policy itself will be further reviewed and potentially revised during 2019, to allow smoother progression of cases through the system and reduce the underspend on the DFG budget.

Other Capital Investment**Loans to Companies****As @ 31/12/2018:**

Greensand Holding Ltd	£2,269,639
Horley Business Park Development LLP	£552,000

Preference Shares**As @ 31/12/2018:**

Pathway for Care Limited	£1,099,920
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eMembers room information

Further information has been provided in the eMembers room to support the Committee's consideration of the monitoring report as follows:

- Reconciliation of Capital Programme to Approved Budget
- Budget Monitoring Summary

RISK MANAGEMENT

An update on risk management does not form part of the Q3 performance report.

No new strategic risks were identified during Q3 2018-19.

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INTERNAL AUDIT**Background**

The annual Audit Plan is agreed by the Overview and Scrutiny Committee.

SCORING

RED	<p>Taking account of the issues identified, the Authority cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.</p> <p>Urgent action is needed to strengthen the control framework to manage the identified risk(s).</p>
AMBER/ RED	<p>Taking account of the issues identified, the Authority can take partial assurance that the controls to manage this risk are suitably designed and consistently applied. Action is needed to strengthen the control framework to manage the identified risk(s).</p>
AMBER/ GREEN	<p>Taking account of the issues identified, the Authority can take reasonable assurance that the controls in place to manage this risk are suitably designed and consistently applied.</p> <p>However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).</p>
GREEN	<p>Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage the identified risk(s) are suitably designed, consistently applied and operating effectively.</p>

Headline Information

During the last quarter eight internal audits have been completed:

Name of Audit	Score
Procurement & Contracts	Amber / Red
Treasury Management	Green
Main Accounting	Green /Amber
Debtors	Green/ Amber
Creditors	Amber/ Red
Community Infrastructure Levy & S106	Green / Amber
Payroll	Green
Governance & Risk Management	Green

Recommendations/observations with a high priority

There are six recommendations/observations that are designated high priority.

Procurement & Contracts

1. There is limited awareness of a reporting line for contracts and procurement through to senior management. There is no procurement board and the procurement officer is not required to attend any senior management meetings to provide oversight on contracts. This raises the risk that procurement is not being reporting on and that major contract tenders are not being discussed at the senior Management level.

Main Accounting

2. It was not possible to confirm that all Car Parking income had been reconciled to zero.
3. Where reconciliations are not regularly completed and reviewed errors and omissions may not be identified and resolved in a timely manner. The accounting team are working on some historical outstanding balance items that have rolled forward from previous financial years. This specifically relates to the General Account balance of £165,828.

Creditors

4. In the absence of new supplier set ups being approved, there is a risk of incorrect supplier details being inputted.
5. In the absence of approvals for amendments made to supplier details, there is a risk that errors could be made when inputting changes to supplier details and that any unauthorised amendments made will not be detected.

Community Infrastructure Levy & S106

6. It was not possible to confirm that there is a system of monitoring that tracks whether these funds have been distributed in line with requirements.

Management actions

Procurement & Contracts

1. Procurement and contracts management should be set as a standing agenda in the quarterly business performance committee meetings with Heads of Service.
2. The Procurement Manager is to produce a report each quarter for the Head of Legal and Governance on the number of procurement exercises undertaken, clearly identifying major contract tenders, any potential risks and confirmation of compliance with the Council's Contract Procedure Rules and Procurement legislation.
3. The Head of Legal and Governance to provide senior management with a Procurement Briefing Note each quarter.

Main Accounting

4. All Car Parking income will be reconciled on a monthly basis to zero. Any outstanding balances will be investigated and resolved between Finance, Car Parking and the cash collection company.
5. The accounts team will undertake further investigation to determine the reasons for the General Account credit balance of £165,828. This will be either written off in the statutory accounts or disclosed as a separate note.

Creditors

6. The Transactions Manager will ensure that all new suppliers set up on Agresso are checked and approved and that this takes place prior to orders being placed with a new supplier.
7. The transactions manager will ensure that all amendments made to supplier details are approved, and that amendments are checked prior to any further orders being placed with a supplier following any changes made to their details

Community Infrastructure Levy & S106

8. The Council will establish a process for monitoring S106 funds received against the expenditure deadlines, thereby having greater oversight on the amount of funds that need to be spent within a specific timeframe. This will be reported through in quarterly monitoring reports and in the annual performance report.

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UPDATED KEY PERFORMANCE INDICATORS 2019-20

The Council's Key Performance Indicators (KPIs) have been reviewed and updated where appropriate.

The KPIs below will be reported on from Q1 2019-20.

Ref	Description
KPI 1	Maintain levels of self-service transactions (channel shift)
KPI 2	Total number of residential completions
KPI 3	Number of affordable homes included in KPI 2
KPI 4	Number of households approaching the Council for homelessness assistance (contextual)
KPI 5	Number of homeless prevention duties accepted
KPI 6	Number of new homeless relief duties accepted
KPI 7	Number of positive homelessness prevention and relief outcomes
KPI 8	Number of homelessness main duty acceptances
KPI 9	Average number of households in B&B accommodation
KPI 10	Percentage of Council Tax collected by the Council in the year
KPI 11	Percentage of Business Rates (NNDR) collected
KPI 12	Trade waste - increase in the number of customers
KPI 13	Green waste – increase in the number of Garden Waste bins
KPI 14	Total percentage of household waste that is recycled and composted.
KPI 15	Business income as a percentage of gross budget

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RISK MANAGEMENT

Strategic risks for 2019-20

The table below details the strategic risks that have been identified for 2019-20.

Description	Portfolio holder
<p>Brexit</p> <p>There is a high possibility that the UK's exit from the European Union will result in disruption to the borough and Council services. However there is a high degree of uncertainty surrounding the scale of impact that could be experienced by the Council as a result of Brexit, therefore making this risk difficult for the Council to effectively manage and control.</p>	Cllr Brunt
<p>Financial sustainability</p> <p>The Council receives no Revenue Support Grant from Central Government. Whilst council tax and business rates make up a significant portion of the Council's funding, they do not cover the full extent of the Council's expenditure.</p> <p>The Council's ability to generate income from investments may be restricted by changes in regulations and codes of practice.</p> <p>The Council must therefore put in place a capital investment strategy, supported by appropriate governance structures and resources, to generate additional income to sustain service provision. The failure to generate this income will jeopardise the delivery of corporate objectives. Managing this risk well is dependent on Officers and Members remaining ambitious.</p>	Cllr Schofield
<p>Local Government reorganisation and partner public sector funding decisions</p> <p>The public sector as a whole is experiencing significant funding pressures. Budgetary decisions made by other public service providers will impact this borough's residents and businesses as well as the Council itself. The Council may need to increase its services or the support provided, which could have funding and resource implications.</p> <p>In addition, funding pressures could result in the financial failure of partner public sector organisations. A failure of this nature within Surrey may prompt a reorganisation of local government which could have adverse effects on this Council and the delivery of services for residents.</p> <p>These funding and structural pressures, juxtaposed with the outcome of the local government Fair Funding review, could also result in this Council assuming a range of new functions or responsibilities that have traditionally sat with Surrey County Council. This Council's ability to influence such decisions will be limited, however the mitigation of this risk may require the diversion of a disproportionate level of Council resources.</p>	Cllr Brunt
<p>Organisational capacity and culture</p> <p>The Council is on the verge of implementing an ambitious Corporate Plan, supported</p>	Cllr Brunt

Description	Portfolio holder
by a capital investment strategy and housing strategy. Delivering on the ambitions in these plans – to ensure we remain an efficient and effective Council - will require a continually ambitious organisation and culture, including both Members and Officers.	
<p>Economic prosperity</p> <p>A prosperous economy is essential for the wellbeing of the borough, creating employment and wealth that benefits local people. Economic prosperity cannot be taken for granted and the current economic outlook is very uncertain.</p> <p>Prevailing economic conditions have a direct impact on the Council's financial position and likewise impacts upon the demand for Council services, particularly in terms of income derived from paid for services and the collection of monies owed. Challenging financial circumstances for residents may also increase their reliance on Council services.</p>	Cllr Humphries
<p>Welfare reform</p> <p>The borough's residents are being affected by a combination of welfare reforms, increasing housing costs and economic changes. This increases the risk of household budgets being stretched and residents being threatened with homelessness. The latter could result in an increase in cost pressures on the Council as our services are increasingly relied upon.</p>	Cllr Knight
<p>Cyber security</p> <p>Organisations are at an ever increasing risk of cyber attack as the use of digital systems and technologies increases. More sophisticated attacks and new variants of malicious software underscore the risk of corporate defences being compromised.</p> <p>The effects of a cyber attack are wide and varied though at their worst could result in data destruction, disruption to the delivery of services and data theft.</p>	Cllr Brunt
<p>Fraud</p> <p>Due to the wide range of activities being undertaken by the Council, there is a risk of fraud being committed which therefore requires robust systems and processes to be in place.</p>	Cllr Schofield
<p>Local Plan</p> <p>The Council's existing Core Strategy will become out of date in July 2019 and a new local plan must therefore be prepared to give certainty over housing need and other strategic planning matters.</p> <p>Failure to have an up to date strategic plan risks the Council losing the ability to control its planning decisions including where development is located.</p>	Cllr Foreman
<p>Marketfield Way</p> <p>Marketfield Way is a major place project for the Council and is critical to shaping Redhill and ensuring the town's continued vitality and viability. It will also generate</p>	Cllr Bramhall

Description	Portfolio holder
income which can be reinvested in Council services. Delays to this project would have an impact on the delivery of Redhill's regeneration as well as a financial impact on the Council.	

Operational Risks

New operational risks for 2019-20 will be identified and managed by the Heads of Service and Management Team.

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SIGNED OFF BY	Director of Finance and Organisation
AUTHOR	Tom Borer, Democratic Services Officer
EMAIL	tom.borer@reigate-banstead.gov.uk
TO	Executive
DATE	Thursday, 18 March 2019
EXECUTIVE MEMBER	Leader of the Council

KEY DECISION REQUIRED	No
WARDS AFFECTED	(All Wards)

SUBJECT	Overview and Scrutiny Committee Work Programme 2019/20
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RECOMMENDATION:
That the proposed Overview and Scrutiny Committee Work Programme for 2019/20 be approved.
REASONS FOR RECOMMENDATION:
To agree a work programme for the Overview and Scrutiny Committee for the 2019/20 municipal year.
EXECUTIVE SUMMARY:
<p>This report provides the Executive with the Overview and Scrutiny Committee's proposed Work Programme for the 2019/20, detailing the proposed activities of the committee.</p> <p>The Overview and Scrutiny Committee and the Council's Management Team were consulted, and their comments are incorporated in the report.</p>

Statutory Powers

1. The *Local Government Act 2000* (as amended) established Overview and Scrutiny Committees within the Leader with Cabinet model of governance. Subsequent legislation including the *Police and Justice Act 2006*, the *Local Government Public Involvement in Health Act 2007*, the *Local Democracy, Economic Development and Construction Act 2009*, the *Localism Act 2011*

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and the *Local Authorities (Overview and Scrutiny Committees) (England) Regulations 2012* has provided additional responsibilities on the Committee.

2. In accordance with the Overview and Scrutiny arrangements contained in the Council's Constitution, the Committee's future work programme was discussed with the Leader and this report refers to those discussions where appropriate.
3. Following consultation with the Executive the work programme is submitted for approval by the Council so that it can be agreed at the beginning of the Municipal Year.

A Balanced approach to the Committee's Responsibilities

4. The Committee's work during 2018/19 continued to reflect the streamlined approach that the Council has adopted to managing its processes. This includes using mechanisms such as Seminars and Portfolio Holder Panels.
5. As required by the Constitution, an outline of the Committee's work programme for 2019/20 was discussed between the Leader of the Council and the Chairman of the Committee with representatives of the Management Team. The purpose of this meeting was to seek a balanced approach to the work programme, whilst retaining the principles of good governance that underpin the Committee's activities. The outcomes of that meeting are reflected in this report and in the proposed work programme.

Developing a work programme

6. The Committee's work programme is designed to help it plan its business during the year and is set out in various categories in paragraphs 12 to 42.
7. To provide flexibility (to accommodate matters not contained within the work programme) the following protocol has been established:

"In addition to the Committee's agreed work programme it needs to allow flexibility for additional priority work that emerges during the course of the year. In those circumstances the Committee should be permitted to undertake that piece of work following consultation and agreement with the Chairman of the Committee and appropriate Executive Member and Management Team Manager. In the event that this is not possible a report should be made to the Executive requesting the inclusion of the issue within the work programme".

The prioritisation of the Work Programme may be adjusted by the Chairman during the year to manage the business effectively.

8. An important element of the Committee's work is to ensure that it continues to assist the Council in driving forward the Corporate Plan's key objectives and priorities. The Committee's work programme is therefore designed in a constructive way to link with the Executive's work programme.
9. The Council's Corporate Plan is currently undergoing review, and an updated plan is scheduled to be published this year, following consultation. The activities of the Committee may therefore be adjusted, as outlined in

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paragraph 7, to reflect any revisions to the Council's key objectives and priorities.

10. A task group has been established to review the Council's governance and constitution. Once this review has been conducted, the activities of the Committee may therefore be adjusted, as outlined in paragraph 7, to reflect any revisions to the Council's governance and constitutional arrangements.
11. Attached at Annex 1 is a summary of the Committee's proposed Work Programme and further details are set out below.

A. Policy Framework consultations

12. It is proposed that the Work Programme includes Policy Framework consultation documents as required by Policy Framework procedures within the Council's Constitution. There is no longer a legal requirement to publish a Leader's Forward Plan, but a plan is prepared administratively which continues to identify all of the Strategies/Plans that will be reviewed by the Executive. Where the proposed strategy is not significantly different, or where they have been tested through Member briefings/seminars following consultation with the Chairman and Vice-Chairman, a formal report will not usually be brought to the Committee.

B. Work Programme Rolled Forward from 2018/19

13. The Committee is anticipated to complete its work programme in 2017/18, with no matters to roll forward.

C. Executive Member Objectives

14. The Committee has continued to work closely with Executive Members during 2018/19 and has received presentations from Portfolio Holders on a number of the Council's priority work streams. The Committee proposes to continue this approach in 2019/20.
15. To further support effective cooperation of the Committee and the Executive, the Committee is now also receiving biannual updates from the Leader of the Council on the Council's overarching activities and strategic objectives. The Committee proposes to continue this approach in 2019/20.

D. Audit activities

16. The Committee's Audit activities proposed for 2019/20 are to consider:
 - (a) the annual Internal Audit report for 2018/19;
 - (b) the annual ISA 260 External Audit report for 2018/19;
 - (c) the monitoring of individual audit reports through quarterly performance reports;
and
 - (d) the Internal Audit Plan for 2020/21.

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17. Where the Chairman agrees that there are no significant issues therein requiring attention, it will be their decision whether the annual Internal Audit report be considered formally at a meeting of the Committee.
18. As established in 2018/19, changes to guidance around the External Audit process require this to be reported to the Executive in July. As the audit process will only conclude very shortly prior to this point, it is therefore necessary for the findings of the External Audit process to be considered by the Committee subsequent to this date, at the next available meeting. The External Audit report for 2018/19 would therefore be considered by the Committee in September 2019.

E. Performance Management Monitoring

19. In addition to the audit activities listed above, the Committee has a role to monitor the performance of the Council. This has been fulfilled by reporting on the following matters, which the Committee consider appropriate to continue for 2019/20:
 - Revenue, Capital and Service Performance Management Monitoring (quarterly)
 - Risk Management performance (six monthly)
 - Five Year Plan performance (six monthly)

F. Panels for 2018/19

20. It is proposed that two Panels be re-established for 2019/20 as follows:

Budget Scrutiny Review Panel

21. The Committee has established a Budget Scrutiny Review Panel each year on a task and finish basis. The Budget Scrutiny Review Panel held one meeting in 2018/19 and reviewed the proposed budget for 2019/20 Medium Term Financial Plan). A streamlined approach, supported by an advance questioning process, continued to work well and allowed the Panel to conclude its work in one meeting.
22. It is therefore suggested that the Panel's work in 2019/20 be based on the consideration of the Provisional Budget proposals for 2020/21 (including any updated assumptions within the Medium Term Financial Plan, appropriate revenue projections and a progress report on the Capital Programme projections).
23. To support additional consideration of strategic budget matters, it is also proposed that early consideration of the Council's budget objectives and priorities be undertaken by the Committee at its April meeting, at the end of the 2018/19 municipal year. The comments of the Committee emerging from this meeting will then be available to be considered during the earlier stages of the development of the 2020/21 budget.

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Local Plan Scrutiny Review Panel

24. The Local Plan Panel did not meeting in 2018/19, as the Council's Development Management Plan was undergoing consideration by the planning inspectorate during this period, and there was therefore no detailed work for the Panel to undertake.
25. The Council will be conducting a review of its Core Strategy in 2019/20, and it is therefore proposed that the Local Plan Panel be re-established to consider this.

G. Housing Association Performance

26. In 2017/18 the scrutiny arrangements around housing association performance were updated to reflect the Council's new Strategic Partnership Agreement with Raven Housing Trust and new legislative requirements. An update on the new partnership was therefore provided to the Committee as part of a portfolio holder briefing by the Portfolio Holder with responsibility for Housing. It is proposed that this arrangement continue for 2019/20

H. Externally Focussed Overview and Scrutiny work

27. The Committee has successfully undertaken scrutiny with and of partner organisations in recent years (see also paragraphs 14, 25 and 29).
28. In June 2018 the Committee activities of community facility providers GLL. The Committee continues to consider this a beneficial piece and work, which contributes towards facilitating and encouraging strong communication between external partners working to the common goal of best serving local residents.
29. The Committee proposes during 2019/20 to consider a range of external challenges and partners as part of its input to the development of the Council's new Corporate Plan. Consultation is expected to take place between May and September 2019.

I. Crime and Disorder Scrutiny

30. The Committee is the 'crime and disorder' scrutiny committee for the purposes of the Police and Justice Act 2006. This requires the Committee to undertake a scrutiny activity of crime and disorder matters once every 12 month period. The Committee has worked well with partners such as the Police and Surrey County Council on developing this activity.
31. In 2018/19 the Committee invited the Executive Member for Community Safety, along with representatives of the Police and Community Safety Partnership to this meeting to assist it in its consideration of the topic. Consideration of the Community Safety Plan was therefore undertaken by the Committee, supported by the Executive Member for Community Safety.

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- 32. It is proposed that the Committee continue to undertake this activity in 2019/20, with regard to those matters considered to be of most significance to the Council in the coming year.

J. Joint Scrutiny of Surrey-wide Strategic matters

- 33. Although there is a collaborative scrutiny arrangement in place to consider Surrey wide strategic matters, to date no topics have met the criteria. At present there is no activity for the Committee in this area.

K. Council Corporate Scrutiny

- 34. The Chief Executive, Leader and Chairman of the Overview & Scrutiny Committee considered the need for scrutiny, balanced with the need to protect the need for confidentiality to enable the corporate entities to operate competitively.
- 35. In 2018/19, updates on Council owned companies were considered by the committee on a six monthly basis. An update was considered by the Committee in October 2018 and another is due to be considered in March 2019.
- 36. A Commercial Governance Review Member Task Group was established in 2018. This group has been undertaking a review of the commercial arrangements established by the Council. It is anticipated that this group will be producing a number of recommendations for the Council's future commercial governance, which may include recommendations on the role of the Committee. In response to these recommendations, the activities of the Committee may therefore be adjusted, as outlined in paragraph 7, to reflect any revisions to the Council's commercial governance arrangements.
- 37. It is proposed that the Committee continue to receive a paper on post completion outcomes achieved from the projects undertaken through the Council's property company.

L. Call-Ins

- 38. The Committee would also consider matters that have been called in for review. The inclusive approach adopted by the Executive to include the Overview and Scrutiny Committee in its work has assisted to reduce the number of matters Called-In. In this way the Committee's views can often be considered before the Executive decision is made.
- 39. There were no Call-Ins of Executive decisions in 2018/19.

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M. Councillor Calls for Action

40. The Committee is responsible for considering any Councillor Calls for Action (CCfA) received. The Committee has adopted a procedure for reviewing the inclusion of Calls for Action in its work programme.

N. Scrutiny of the Public Sector Board

41. The Council previously established a Public Sector Board with Surrey County Council to consider joint priorities, and in particular, joint regeneration projects. However, as these projects have been delivered the PSB has not met for the last 2 years. At the time of writing, Surrey County Council is reviewing its engagement with Borough and District Councils, which may lead to additional activity in this area.
42. At this stage, therefore, there is no specific scrutiny requirement regarding the Public Sector Board in 2019/20, but will be an option for the activities of the Committee to be adjusted, as outlined in paragraph 7, to reflect any changes in this respect.

Management Team comments

43. Management Team is supportive of the Work Programme proposed.
44. The work of the Committee is clearly a valuable part of the overall checks and balances needed to ensure that the authority makes decisions that are robust and challenged with the best interests of the community and the delivery of quality services at the heart of this remit.

Resource Implications

45. The main role of the Council in considering the Overview and Scrutiny Committee's Work Programme is to ensure that the work streams are appropriate and not leading to duplication. More importantly the Council must ensure appropriate resources are available to add value to that Work Programme and balance the demands of the Committee against the overall priorities of the Council. Given the proposed work programme, no specific resource implications beyond those planned are anticipated.

Finance Implications

46. There are no direct financial implications arising from the recommendations set out in this report. Should any of the work undertaken by Overview and Scrutiny generate recommendations with financial implications then these will be highlighted at that time.

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Legal Implications

47. There are no immediate legal implications arising from this report.

Equalities Implications

48. The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
 - Advance equality of opportunity between people who share those protected characteristics and people who do not;
 - Foster good relations between people who share those characteristics and people who do not.
49. The three parts of the duty applies to the following protected characteristics: age; disability; gender reassignment; pregnancy/maternity; race; religion/faith; sex and sexual orientation. In addition, marriage and civil partnership status applies to the first part of the duty.
50. The Committee should ensure that it has regard for these duties by considering them through the course of its work. This should include considering:
- How policy issues impact on different groups within the community, particularly those that share the nine protected characteristics;
 - Whether the impact on particular groups is fair and proportionate;
 - Whether there is equality of access to service and fair representation of all groups within the Borough;
 - Whether any positive opportunities to advance equality of opportunity and/or good relations between people, are being realised.

Consultation

51. The Overview and Scrutiny Committee has been consulted on the proposed work programme and recommended it to the Executive and Council for approval. The Committee made no additional recommendations to the Executive.
52. The Council's Management Team has been consulted on the proposed work programme, and have supported the proposed actions and that appropriate resourcing is available.

Options

53. The Executive has the option to approve, add to or remove items from the proposed work programme as set out in the report. If the Executive was minded to increase significantly the Work Programme in a way which would

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increase the support required for the Committee's activities, a further report would be needed.

Conclusions

54. The Overview and Scrutiny Committee Proposed Work Programme 2019/20 sets out a programme of activity that is in line with the Council's priorities. This report requests the Committee to consider its work programme for 2019/20, and to support the programme for recommendation to the Executive and the Council.

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ANNEX 1: Overview and Scrutiny Committee – Draft Work Programme 2019/20

No.	Subject	Proposals	Management Team comments
(i)	Policy Framework Consultations	To consider Policy Framework consultation documents.	Supported
(ii)	Work Rolled Forward	No proposals.	-
(iii)	Executive Member Objectives	To receive presentations from Executive Members. To receive biannual updates from the Leader of the Council.	Supported
(iv)	Audit Activities	To consider the following audit activities: <ul style="list-style-type: none"> • The annual Internal Audit report for 2018/19; • The annual External Audit report for 2018/19; • Quarterly reports relating to individual audit reports; • The Internal Audit Plan for 2020/21. 	Supported
(v)	Performance Management Monitoring	To consider performance by reporting on the following as appropriate: <ul style="list-style-type: none"> • Revenue, Capital and Service Performance Management Monitoring (quarterly); • Risk management performance (six monthly). • Five Year Plan performance (six monthly) 	Supported
(vi)	Scrutiny Panels	That the following Panels be re-established in 2019/20: <ul style="list-style-type: none"> • Budget Scrutiny Panel • LDF Scrutiny Panel 	Supported
(vii)	Joint Scrutiny	No countywide joint scrutiny is programmed.	Supported
(viii)	Externally focussed work	To consider a range of external challenges and partners to provide input to the development of the new Corporate Plan. Consultation on the plan is expected to take place between May and September 2018.	Supported

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No.	Subject	Proposals	Management Team comments
(ix)	Call Ins; Councillor Calls for Action	To consider Call-Ins and Councillor Calls for Action.	Supported
(x)	Crime and Disorder Scrutiny	To continue to undertake 'Crime and Disorder' scrutiny activity once every 12 months.	Supported
(xi)	Council Corporate Scrutiny	To consider updates on the performance of Council companies on a 6 monthly basis. To undertake any additional scrutiny requirements as identified in by the governance review process.	Supported
(xii)	Public Sector Board	No proposals at this time.	-

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SIGNED OFF BY	Chief Executive
AUTHOR	Joss Convey, Director of Finance and Organisation
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EMAIL	jocelyn.convey@reigate-banstead.gov.uk
TO	Executive
DATE	Monday 18 March 2019
EXECUTIVE MEMBER	Leader of the Council

KEY DECISION REQUIRED	N
WARDS AFFECTED	(All Wards);

SUBJECT	Companies Performance Update - March 2019
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RECOMMENDATIONS
To note the March 2019 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 March 2019.
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>This report was considered by the Overview and Scrutiny Committee on 14th March 2019. Any views of the Committee will be reported to the Executive separately.</p> <p>Additional supporting information is set out in the exempt Part 2 section of this agenda. This provides updates from each of the three companies rather than (as for previous updates) information from the Council representatives involved in running the companies. This approach provides greater transparency and is intended to help minimise any possible perceptions of conflicts of interest.</p>

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Executive has authority to approve the above recommendations.

STATUTORY POWERS

Section 1 of the Localism Act 2011 gives local authorities a general power that enables them to do anything that a private individual is entitled to do, as long as it is not expressly prohibited by other legislation. Section 4 of the same Act directs that anything which is done for purely commercial purpose should be done through a company structure.

Central Government funding for local authorities has reduced considerably, and to enable the Council to continue to deliver and maintain the level of services that residents current benefit from, it is essential that alternative sources of income are found. Commercial activity is one such source of income, and has in recent years formed part of the Council's strategy to become financially self-sustaining.

BACKGROUND

It was agreed towards the end of 2017/18 that the Executive and the Overview and Scrutiny Committee should receive six monthly updates on the performance of companies owned, or part-owned, by the Council. An update was presented to the Overview & Scrutiny Committee in October 2018, and to the Executive in November 2018. These updates were noted and a number of issues considered. It was highlighted that future updates would include performance information on the business plan targets for each company owned, or part-owned, by the Council.

This is the second update and provides an overview of the performance, as of February 2019, of Greensand Holdings Ltd, Horley Business Park Development LLP, Pathway for Care Ltd and RBBC Ltd.

Commercial Governance Review

At its meeting in March 2018, the Executive commissioned the Monitoring Officer to undertake a review of the Council's governance arrangements of its companies. In July 2018, the Leader of the Council commissioned a Task Group of members to assist the Monitoring Officer in undertaking the review. The (then) Monitoring Officer and Task Group have completed their work with their findings reported to the Overview & Scrutiny Committee on 14th February 2019 and to be considered elsewhere on this meeting's agenda.

On the basis that the Task Group's recommendations are supported, the next step in terms of the Council's existing companies will be to take forward the Executive's decisions and to work through the Framework with the Boards of each of the companies to apply the learning from the Task Group as best as possible to these companies. This work will be reported to the new Executive Sub-Committee, which will have the remit of overseeing the Council's company activities. It is expected that the new Executive Sub-Committee will (i) consider and have strategic operational input into any company of which the Council is a majority shareholder and (ii) exercise the shareholder function in those instances.

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KEY INFORMATION

Greensand Holdings Ltd

Background

At its meeting on 15th September 2016 the Executive authorised the setting up of a company limited by guarantee with the Council retaining 100% shareholding.

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. In accordance with the decision of the Executive on 15th September 2016, the company has been funded by a direct loan from the Council using Council Reserves, details of which are set out in the exempt part of this report.

As reported through the October 2018 company update, Greensand Holdings Ltd 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, and some of those potential acquisitions instead progressed as Council purchases as they were long-term investments with no short-term development potential.

Six-month update

The company is solvent and currently holds one property, as described in the exempt part of this report. . The activity of the company has over the last 6 months been modest as it is dependent on the Council's future ambition as defined in its emerging draft Corporate Plan, which is reported elsewhere on the agenda, and the Capital Investment Strategy, also on this meeting's agenda. Both documents are expected to be adopted later in 2019 setting the direction of travel of the Council through to 2025.

Next steps

Subject to the agreement of the revised Corporate Plan and the Capital Investment Strategy, it is envisaged that Greensand Holdings Ltd will continue to explore opportunities for property acquisition aligned with the purpose identified for the company in September 2016, that is to enhance the economic wellbeing within the borough to enable the Council to meet the funding challenges set down by Central Government

In view of the Commercial Governance Task Group's findings, future potential Greensand acquisitions will normally be reported to the new Executive Sub-Committee once it is established. It will then be possible for the new Executive Sub-Committee to give direction to Greensand Holdings, setting out its expected contribution to the Council's direction of travel, and then holding the company to account for timely delivery of expected outcomes.

Horley Business Park Development LLP

Background

The Executive at its meeting on 15th October 2015 authorised the then 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.

A Joint Venture with Millhill Properties (Horley) Ltd was established in 2016. In accordance with the 2015 Executive decisions, and a subsequent decision in January 2018, the Council

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has made loans available to the company and these details are set out in the confidential annexe.

Six-month update

The focus for the LLP over the last six months has been the promotion of the site with the aim of achieving an allocation of the site for employment purposes in the Council's Development Management Plan (DMP). This has included outline scheme design, transport modelling work, outline junction design, the development of transport mitigation proposals and engagement with interested parties including Surrey County Council, West Sussex County Council, Gatwick Airport and Highways England.

The DMP is expected to be adopted later this year and, although the Inspector's final report is yet to be received, she did not suggest any further modifications in respect of the proposed policy in her interim report. The site is therefore expected to be allocated for employment purposes, and this planning policy framework will set out the context for the company to bring forward a planning application for office development.

Steps are also being taken by the company to acquire land within the site that is owned by two other parties. In January 2018, the Executive resolved to purchase land from one owner, and continue negotiations with the other owner (Surrey County Council) to include them in promoting the site. Unfortunately, negotiations between the company and the landowners have progressed slowly with both landowners waiting for the planning policy position to be established through the DMP before deciding how to proceed.

The County Council has indicated that as part of its current transformation programme they are considering their options in relation to their landholdings in this area.

The other landowner appears unsure about selling its land to the Council and may seek to sell to a third party. If it does, the Council has the option of progressing a Compulsory Purchase Order to acquire the land to bring forward the development. The Council has already resolved to use such powers on this site.

It is also worth noting two external developments have occurred in recent months which are pertinent to the future development of Horley Business Park. The first of these is the publication of Coast to Capital's Strategic Economic Plan, which recognises the importance of the area around Gatwick Airport to the continued success of the area, and includes as a priority to identify and bring forward new high quality business space in the area.

The second is the publication of Gatwick Airport's draft Masterplan in late 2018. This included proposals to make greater use of its standby runway and to grow passenger and freight activity at the airport. In the event of this proposal receiving support from the Civil Aviation Authority and the Secretary of State (via a Development Consent Order) it is not considered that this would constrain the delivery of the Business Park, indeed Gatwick Airport's proposals specifically identify that there would be a need for further office space around the airport.

Gatwick Airport Limited (GAL) gave evidence at the DMP examination expressing concern about the impact of the development on the airport and its growth (specifically in relation to transport network capacity, and dialogue will need to continue if a planning application is to be brought forward successfully.

Next steps

In the coming six months, and subject to any findings of the DMP Planning Inspector in her final report, the Company intends to continue to develop its proposals with a view to

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submitting a planning application.

Whilst the purchase of third party land is not material to making the planning application or its funding, negotiations will continue with other relevant landowners, as will discussions with key stakeholders including Gatwick Airport and Highways England.

Historically Executive Property Sub-Committee members have been briefed on progress in relation to Horley Business Park. In future this will be via the new Executive Sub-Committee.

Pathway for Care Ltd

Background

At its meeting on 14th 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 1st August 2016. At that time, the vision for the company was stated as increasing the patient experience and outcomes in a holistic way to support more vulnerable and less supported residents, whilst generating profit. 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. In 2017 the company diversified into delivery of supported-living services in addition to digital services. The Council invested £1.1m in loans to the Company. At its meeting in March 2018, the Executive agreed not to invest further, to split the original company into two - Pathway for Care Ltd and RBBC Ltd (see below) - and to sell the majority shares to two external investors.

Following the sale of the Council's majority interest in Pathway for Care Ltd, the loan was converted to £1.1m in redeemable preference shares.

Six-month update

Pathway for Care Ltd currently provides supported-living facilities and support for its residents, and is part-owned by the Council, with Fairhome Group being the majority shareholder. The new business has been operating for about 10 months. 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 a 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. The new business began operating from a single property in April 2018. It now operates from two properties with two more opening in March 2019. In addition, a further four properties are in the process of being purchased and refurbished before Pathway For Care begin operating services from them.

Next steps

The next steps for the company are to continue to grow rapidly by identifying prospects for property acquisition, work with Fairhome on property acquisition and refurbishment activities, and to work to convert 'in progress' referrals to actual tenancies.

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Pathway Digital (RBBC Ltd)

Background

At its meeting in March 2018, the Executive agreed to split the 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. However, in relation to RBBC Ltd, the hoped for external investment was ultimately not secured.

Six-month update

The Executive resolved in November 2018 to close Pathway Digital. Arrangements to wind up this dormant company are being progressed and relevant Executive members have been briefed.

Next steps

It remains for the winding up of RBBC Ltd to be concluded

OPTIONS

Option 1: To note the performance of companies currently owned, or part-owned, by the, as set out in this report. This option is recommended.

Option 2: To ask officers to provide additional information to assist consideration of the performance of companies owned, or part-owned, by the Council.

LEGAL IMPLICATIONS

There are no specific legal implications arising from the recommendations set out in this report but it is expected that the adoption of the Task Group's recommendations will help to strengthen governance within the Council.

FINANCIAL IMPLICATIONS

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

EQUALITIES IMPLICATIONS

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

COMMUNICATION IMPLICATIONS

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

RISK MANAGEMENT CONSIDERATIONS

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

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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>
	The new Executive Sub Committee will set the parameters for the work of the company in terms of the scale and pace of development it wishes to see undertaken as well as the return on investment based on the new Draft Corporate plan and Capital Investment Strategy. The company can then bring forward a draft business plan for the new Executive Sub-Committee to consider with a programme of investment, development and acquisition works setting out the resources (people and money) to deliver the plan. That can then be kept under review and adapted to changes in the property market, taking into consideration market and economic conditions.

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 'Submission Draft' of the Development Management Plan. An Examination of the Plan took place in early November 2018, and the Inspector's Interim Findings report has not proposed any further modifications to the allocation. 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 is understood to be considering alternative offers for their land and is considering how to proceed. The Council has resolved to use compulsory purchase powers in the event that acquisition cannot be secured by negotiation.
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

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	like to take forward the growth of the airport. This proposes use of the standby 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	<p><i>Future funding for the development</i></p> <p>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.</p>

Pathway for Care Ltd

Referrals	<p><i>Ability of the company to generate interest from commissioners in taking tenancies</i></p> <p>This is the key focus of Board Directors activity to convert a number of referrals in progress to actual tenancies. Pathway for Care are currently working with commissioners across a broad geographic area. The major shareholder has confirmed to the Council's Statutory Officers, and the Leader of the Council that he is pleased with progress.</p>
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Pathway Digital (RBBC LTD) – This company is not active so there are no operational risks to report.

OTHER IMPLICATIONS

No other implications have been identified

CONSULTATION

The Council's Director of Finance and Organisation, and the Monitoring Officer, are informing Horley Business Park LLP and Pathway For Care Ltd of the outcomes of the Commercial Governance Task Group's recommendations.

Discussions are underway to identify how those companies can assist the Council in evidencing learning from the Review, and details will be reported to the new Executive Sub Committee in due course.

BACKGROUND PAPERS

None

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REPORT OF:	DIRECTOR OF FINANCE AND ORGANISATION
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TO:	EXECUTIVE
DATE:	18 MARCH 2019
EXECUTIVE MEMBER:	COUNCILLOR MRS N.J. BRAMHALL

KEY DECISION REQUIRED:	YES
WARD (S) AFFECTED:	REDHILL WEST

SUBJECT:	DISPOSAL OF PROPERTY IN REDHILL
<p>RECOMMENDATIONS:</p> <p>(i) That the Executive approve the disposal of a property in Redhill to the existing lessee, as referred to in the exempt Part 2 report.</p> <p>(ii) That the Director of Finance and Organisation be authorised, in consultation with the Executive Members for Property & Acquisitions and Finance, to agree the final terms of the sale.</p>	
<p>REASONS FOR RECOMMENDATIONS:</p> <p>The proposed disposal is recommended as it will release latent value from the asset that can only be realised by a disposal to the existing lessee or by obtaining vacant possession and selling on the open market.</p> <p>The recommended approach will not only allow the Council to realise this value, giving the opportunity to utilise the capital elsewhere but will also ensure that the use of the property as supported living accommodation is retained.</p>	
<p>EXECUTIVE SUMMARY:</p> <ul style="list-style-type: none"> The property, referred to in the exempt Part 2 report, is let to a registered charity. The organisation has occupied the property since it was constructed circa 1998. The proposed sale price, set out in the exempt Part 2 report, is subject to contract and Executive approval. The price has been negotiated with the tenant based on an independent valuation of the property obtained by the Council. This disposal supports the Council's 5 year plan priority of increasing the value of its property and assets. 	

Executive has authority to approve the above recommendations.
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STATUTORY POWERS

1. Section 123 of the Local Government Act 1972 places a duty on Local Authorities to dispose of land and property for the best consideration which can reasonably be achieved, except in specific circumstances or with the consent of the Secretary of State.

KEY INFORMATION

2. The tenant commenced discussion with the Council for purchase of the freehold of the property as part of negotiations about renewal of the existing lease. Accordingly, we have allowed them to 'hold-over' under the terms of that lease pending the outcome of the discussions.
3. Property Services commissioned an independent valuation of the property to assess the value there could be achieved by a sale to the lessee. Details of the valuation and the marriage value released by the disposal are set out in the report that is in Part 2 of this agenda.
4. Although the tenant intend to maintain the property within its existing use, a covenant will be imposed within the sale documentation to ensure that they cannot change the use without the Council's consent.

OPTIONS

5. Renew the lease of the property to the current tenant. Details of the terms of the lease that could be agreed are in Part 2 of this report. The Council would continue to receive a modest rental income. **This is not the recommended option.**
6. Obtain vacant possession and either convert or demolish the property and rebuild, subject to planning. Housing consider that the loss of the existing use as supported accommodation would be detrimental and support the proposed recommendation as it would ensure that the property remains in its existing use. In the event that this option was pursued an Equalities Impact Assessment would be needed due to the loss of the existing use. For these reasons this option has not been considered in detail. **This is not the recommended option.**
7. Sell the freehold of the property to the tenant at market value which will unlock latent value that is currently tied up in the property. This would realise a capital receipt that could be reinvested as part of the Council's property investment strategy to produce a better return than the existing lease or could be used to invest in other capital programme priorities. **This is the recommended option.**

LEGAL IMPLICATIONS

8. Legal implications have been considered above and in the exempt Part 2 report.

FINANCIAL IMPLICATIONS

9. Financial considerations are set out earlier in the report. Additional financial implications are set out in the exempt Part 2 report.

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EQUALITIES IMPLICATIONS

10. Equalities implications are considered to be neutral as there is no change in the existing use of the property.

COMMUNICATION IMPLICATIONS

11. There are no communication implications.

RISK MANAGEMENT CONSIDERATIONS

12. There are no risk management considerations.

OTHER IMPLICATIONS

13. There are no other implications.

CONSULTATION

14. The Executive Member for Property & Acquisitions, the Director of Finance and Organisation, the Interim Head of Finance and Assets and the Head of Housing have been consulted.
15. No further consultation is planned.

POLICY FRAMEWORK

16. The proposed disposal, supports the Council's priority to increase the value of the Council's property and assets.

Background Papers:

None.

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