

Corporate Management Committee

Thursday 16 December 2021 at 7.30pm

**Council Chamber
Runnymede Civic Centre, Addlestone**

Members of the Committee

Councillors N Prescott (Chairman), T Gracey (Vice-Chairman), A Alderson, D Cotty, M Cressey, L Gillham, J Gracey, M Heath, C Howorth, M Maddox, D Whyte and M Willingale.

In accordance with Standing Order 29.1, any Member of the Council may attend the meeting of this Committee but may speak only with the permission of the Chairman of the Committee, if they are not a member of this Committee.

AGENDA

Notes:

- 1) **The following Measures to comply with current Covid guidelines are in place:**
 - **restricting the number of people that can be in the Council Chamber. Space for the public will be limited and allocated on a first come first served basis.**
 - **temperature check via the undercroft for Members/Officers and Main Reception for the public**
 - **NHS track and trace register, app scan is next to the temperature check**
 - **masks to be worn when moving around the offices**
 - **masks can be kept on whilst sitting in the Council Chamber if individuals wish**
 - **use of hand sanitisers positioned outside and inside the Council Chamber**
 - **increased ventilation inside the Council Chamber**

- 2) Any report on the Agenda involving confidential information (as defined by section 100A(3) of the Local Government Act 1972) must be discussed in private. Any report involving exempt information (as defined by section 100I of the Local Government Act 1972), whether it appears in Part 1 or Part 2 below, may be discussed in private but only if the Committee so resolves.

'see overleaf'

- 3) The relevant 'background papers' are listed after each report in Part 1. Enquiries about any of the Agenda reports and background papers should be directed in the first instance to **Mr J Gurmin, Democratic Services Section, Law and Governance Business Centre, Runnymede Civic Centre, Station Road, Addlestone (Tel: Direct Line: 01932 425624). (Email: john.gurmin@runnymede.gov.uk)**.
- 4) Agendas and Minutes are available on a subscription basis. For details, please ring Mr B A Fleckney on 01932 425620. Agendas and Minutes for all the Council's Committees may also be viewed on [Committee Meetings – Runnymede Borough Council](#)
- 5) In the unlikely event of an alarm sounding, members of the public should leave the building immediately, either using the staircase leading from the public gallery or following other instructions as appropriate.
- 6) **Filming, Audio-Recording, Photography, Tweeting and Blogging of Meetings**

Members of the public are permitted to film, audio record, take photographs or make use of social media (tweet/blog) at Council and Committee meetings provided that this does not disturb the business of the meeting. If you wish to film a particular meeting, please liaise with the Council Officer listed on the front of the Agenda prior to the start of the meeting so that the Chairman is aware and those attending the meeting can be made aware of any filming taking place.

Filming should be limited to the formal meeting area and not extend to those in the public seating area.

The Chairman will make the final decision on all matters of dispute in regard to the use of social media, audio-recording, photography and filming in the Committee meeting.

LIST OF MATTERS FOR CONSIDERATION

PART I

Matters in respect of which reports have been made available for public inspection

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PART II

Matters involving Exempt or Confidential Information in respect of which reports have not been made available for public inspection.

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b) Confidential Information

(No reports to be considered under this heading)

1. **Fire Precautions**

The Chairman will read the Fire Precautions which set out the procedures to be followed in the event of fire or other emergency.

2. **Notification Of Changes To Committee Membership**

3. **Apologies For Absence**

4. **Declarations Of Interest**

If Members have an interest in an item, please record the interest on the form circulated with this Agenda and hand it to the Legal Representative or Democratic Services Officer at the start of the meeting. A supply of the form will also be available from the Democratic Services Officer at meetings.

Members are advised to contact the Council's Legal section prior to the meeting if they wish to seek advice on a potential interest.

Members are reminded that a registerable interest includes their appointment by the Council as the Council's representative to an outside body. Membership of an outside body in their private capacity as a trustee, committee member or in another position of influence thereon should also be declared. Any directorship whether paid or unpaid should be regarded as a disclosable pecuniary interest, and declared.

Members who have previously declared interests which are recorded in the Minutes to be considered at this meeting need not repeat the declaration when attending the meeting. Members need take no further action unless the item in which they have an interest becomes the subject of debate, in which event the Member must leave the room if the interest is a disclosable pecuniary interest or other registerable interest and/or the interest could reasonably be regarded as so significant as to prejudice the Member's judgement of the public interest.

5. **Review And Replacement Of Runnymede's Council Tax Discount Scheme For Empty Properties (Collection Services – Linda Norman)**

Synopsis of report:

The purpose of this report is to recommend amendments to the level of Council Tax discount for unoccupied and substantially unfurnished dwellings and to consider increasing the premium on properties that are long term empty (unoccupied and substantially unfurnished) for more than 2 years.

By reducing the Council Tax discount for unoccupied and substantially unfurnished dwellings from 100% for up to 3 months to 100% for up to 28 days and increasing the long term empty charges in line with legislation from 50% to 100%,200% and 300% depending on length of time empty, this will support the Council's Housing priority and encourage empty dwellings to be brought back into use more quickly.

In addition, there is also the potential to raise additional Council Tax income of approximately £406k of which £37k will be retained by Runnymede BC which will reduce pressure on the Council's Medium Term Financial Strategy (MTFS).

This could increase to £282k should Runnymede apply to Surrey County Council to reinvest this income into specific County and Borough joint projects

Recommendation:

To consider and agree to recommend to Full Council on 9 December 2021 the amendments set out below:

That with effect from 1 April 2022:

- the Council Tax discount for unoccupied and substantially unfurnished dwellings is reduced from 100% for up to 3 months to 100% for up to 28 days (Class C of the Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012)
- In accordance with Section 11B of the Local Government Finance Act 1992 and Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 increase the additional amount payable for Council Tax from 50% to 100% for dwellings that are unoccupied and substantially unfurnished for more than two years
- Increase the additional amount payable for Council Tax from 50% to 200% for properties that are unoccupied and substantially unfurnished for more than five years
- Increase the additional amount payable for Council Tax from 50% to 300% for properties that are unoccupied and substantially unfurnished for more than ten years

1. Context and background of report

1.1.1 Local Authorities were given the powers and flexibility to amend certain Council Tax discounts under the Local Government Finance Act 2012, which were enacted by the Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012 and the Council Tax (Exempt Dwellings) (England) (Amendment) Order 2012.

1.1.2 Section 12 of the Local Government Finance Act 2012 added section 11B to the Local Government Finance Act 1992 enabling Local Authorities to increase the charge on long term empty dwellings (unoccupied and substantially unfurnished for at least 2 years) by up to 50%. The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 further amended this regulation to enable local authorities to increase the amount that can be charged on long term empty dwellings up to 100%.

1.1.3 Research with other Surrey authorities shows that Runnymede is the only Surrey authority that continues to grant an exemption for 3 months, most have reduced to either 28 days or 1 month. The table below details the schemes across the county:

Local Authorities	Unoccupied, unfurnished home discount	Period
Elmbridge	0%	0 days
Epsom	100%	1 month
Guildford	100%	7 days
Mole Valley	100%	28 days
Reigate	100%	28 days
Runnymede	100%	3 months
Spelthorne	100%	1 month
Surrey Heath	100%	0 days
Tandridge	100%	28 days
Waverley	50%	1 month
Woking	100%	28 days

1.1.4 Again several Surrey authorities have taken advantage of the change in premium levels as detailed on the next page:

Local Authorities	Long term empty premium 2 years	Long term empty premium 5 years	Long term empty premium 10 years
Elmbridge	100%	200%	300%
Epsom	100%	200%	300%
Guildford	100%	200%	300%
Mole Valley	100%	200%	300%
Reigate	100%	200%	300%
Runnymede	50%	50%	50%
Spelthorne	50%	50%	50%
Surrey Heath	50%	50%	50%
Tandridge	100%	200%	300%
Waverley	100%	200%	300%
Woking	100%	200%	300%

- 1.1.5 At its meeting on 15 July 2021, Full Council considered a motion from Councillor D Whyte seeking the support of Full Council to fully enact Empty Dwelling Council Tax Premiums from April 2022 to encourage empty dwellings in Runnymede to be brought back into use as legislated by Her Majesty's Government. The legislation in summary allowed for Council Tax Premiums of 100%, 200% and 300% to be applied to dwellings that had been empty for more than 2,5 and 10 years respectively.
- 1.1.6 This Motion was lost and the Leader of the Council stated that a report would be submitted to the Corporate Management Committee as part of the Medium Term Financial Strategy (MTFS).
- 1.1.7 As decisions on these issues are related to Council Tax rather than to the MTFS, this report is being submitted to the Committee for it to make a recommendation to the Council Tax setting meeting of Full Council which will be held on 10 February 2022. The Committee will note from paragraph 2.6 of this report, that Surrey County Council (SCC) has indicated that it would be willing to reallocate its share of the additional Council Tax funding that directly results from changes in Empty Homes policies. If Runnymede wishes to take up this offer, it needs to apply to SCC by the end of December 2021. If the Committee is minded to approve the recommendation at the beginning of this report, SCC will be informed that the Council wishes to take up this offer, subject to the final decision being taken on 10 February 2022.
- 1.1.8 This report makes recommendations regarding the additional amount of Council Tax payable (or premium) and also the Council Tax discount payable in respect of unoccupied and substantially unfurnished dwellings.

Proposal

- 2.1 Given the increasing pressures on housing within the Borough, by reducing the period of empty property discount to 28 days, this will provide a greater incentive for owners of empty properties to bring the property back into use in a timely manner, without putting undue pressure on owners immediately if the discount was totally removed. It puts Runnymede in line with most other Surrey Authorities allowing 28 days for owners to re-let properties without accruing liability.
- 2.2 It is also worth considering the potential additional Council Tax that could be raised as a result of reviewing the current discount levels.
- 2.3 The estimated additional Council Tax that can potentially be raised as a result of implementing the recommendations is as follows:

Band	3 Months Discount (£)	28 Day Discount (£)	Potential Increase in Income (£)
A	3,013.85	1,004.62	2,009.24
B	5,078.91	1,692.97	3,385.94
C	37,059.29	12,353.10	24,706.20
D	34,659.39	11,553.13	23,106.26
E	15,962.31	5,320.77	10,641.54
F	9,432.28	3,144.09	6,288.19
G	14,232.10	4,744.03	9,488.07
H	12,055.44	4,018.48	8,036.96
	131,493.57	43,831.19	87,662.38

- Potential income for changing the unoccupied and unfurnished dwellings discount from 100% for 3 months to just 28 days will raise an estimated £88k in additional Council Tax.
- If the discount was removed completely, this could raise £131k in additional Council Tax.
- It is worth noting that any changes in empty discounts will apply to all properties and as such, this could have an impact on Housing and Commercial Services.

Empty Homes premiums

- 2.4 As shown in the benchmarking with other Surrey authorities, many have taken advantage of the increased charges on long term empty properties and whilst Runnymede does not have many, there is potential to increase Council Tax on these properties which may incentivise the owners to bringing back into use.
- 2.5 Detailed below is an analysis of empty homes as at 20 September 2021 and what the potential increase in Council Tax would be:

Band	Numer of Empty Properties Over 2 Years	Full Liability	Current 50% Premium	Accounts over 2 but under 5 years	Projected 100% Premium	Accounts over 5 but under 10 years	Projected 200% Premium	Accounts over 10 Years	Projected 300% Premium	Additional Revenue Raised
A	14	18,752.86	28,129.29	8	21,431.84	5	20,092.35	1	5,357.96	18,752.86
B	4	6,250.96	9,376.44	4	12,501.92	0	0.00	0	0.00	3,125.48
C	51	91,085.49	136,628.24	43	153,595.14	3	16,073.91	5	35,719.80	68,760.62
D	32	64,295.68	96,443.52	23	92,425.04	4	24,110.88	5	41,068.87	61,161.27
E	19	46,659.06	69,988.59	10	49,114.80	7	51,570.54	2	19,645.92	50,342.67
F	8	23,217.92	34,826.88	5	29,022.40	2	17,413.44	1	11,608.96	23,217.92
G	14	46,882.22	70,323.33	10	66,974.60	3	30,138.57	1	13,394.92	40,184.76
H	12	48,221.76	72,332.64	6	48,221.76	5	60,277.20	1	16,073.92	52,240.24
	154	345,365.95	518,048.93	109	473,287.50	29	219,676.89	16	142,870.35	317,785.81

- Increasing the premium to the maximum allowable under the regulations has the potential to raise an estimated £318k in additional Council Tax, split between the preceptors.
- The current total of accounts with this premium as at September 2021 is 154.

- 2.6 It is worth noting that Surrey County Council (SCC) has indicated that it would be willing to reallocate its share of the additional council tax empty homes (premium) funding (245k) that directly results from changes in Empty Homes policies. This

reimbursement would be available to fund new, or extend existing initiatives and projects that directly support a County initiative/ specific project. Examples are work within climate change, supporting homelessness reductions, rethinking local transport or supporting economic development. Should Runnymede wish to take up this offer, the Council would need to apply to SCC by the end of December 2021. They would review the position some time in the 2023 financial year as to whether this funding would continue from April 2024.

3. Policy framework implications

- 3.1 This change in policy will support the Corporate Business plan with regards to Housing and Financial stability

4. Resource implications/Value for Money

- 4.1 The estimated additional Council Tax raised by changing both discount schemes would be £405k as follows;

	£
28 day discount	87,662
Empty homes premium	317,785
Total	405,447

- 4.2 The 28-day discount would be shared approximately as follows:

Total	£87,662
Surrey County Council	£67,499
Surrey Police	£12,274
Runnymede BC	£7,889

- 4.3 The empty homes premium income would be shared approximately as follows:

Total	£317,785
Surrey County Council	£244,695
Surrey Police	£44,490
Runnymede BC	£28,600

- 4.4 Whilst both the additional income and homes returning to use quicker would be welcome, implementing this scheme would have additional consequences for the Council.

- 4.5 Currently the HRA are paying Council Tax on empty properties where the current three-month exemption has expired. As at September 2021, 21 Council properties are receiving a discount of £10.5k. This would be reduced to £3.5k if the exemption was amended from three months to 28 days. The increase in Council Tax for Housing would therefore be £7k pa. if they were not relet within the 28-day period.

- 4.6 As at September 2021, the HRA has 8 properties that would be affected by the changes to the long-term premium. Should these changes be implemented, the

potential annual cost to the Council could be in the region of an extra £ 27k Council Tax liability.

- 4.7 The overall potential cost to the HRA based on current costs would be £37.5k.
- 4.8 In addition to the HRA, there are a further 26 properties owned by the Council's commercial company which could be affected by these changes as they have been empty for over 2 years (and will continue to be vacant until renovation works have been completed) and the potential cost could be in the region of an extra £93k. This change in policy may also affect the properties being built at Magna Square in Egham, which are due to be completed in the Spring of 2022. Any properties that remain empty and unoccupied after the 28 day void period will attract a Council Tax liability which will need to be budgeted for by either the Council or the Council's companies.
- 4.9 It is anticipated that the additional costs to both the HRA and the Council's companies will be a short term issue, and if Surrey County Council are willing to reallocate their share of the additional council tax, this additional income (245k) will exceed the potential costs highlighted above.
- 4.10 There is a potential for Runnymede to achieve an additional income of £282k to be spent on specific projects such as climate change or infrastructure.

Runnymede 28-day income	£ 7,889
Surrey County Council	£244,695
Runnymede BC	£28,600
Total income	£281,184

- 4.11 Changes to the policy will automatically be administered by the NEC (formerly Northgate) Revenues system with minimal training and testing. However, there will be an annual charge for the licence, support and maintenance of this additional module of approximately £700 pa which would increase revenue expenditure on the NEC (formerly Northgate) system. This will be found from within existing resources
- 4.12 Properties left empty by deceased persons are exempt from Council Tax until 6 months after probate has been granted. There are 33 properties that have been empty for more than 6 months but less than two years and are currently paying 100% of the charge. If they continue to remain empty, they may then be liable for the increased premium once they have been empty for over two years.
- 4.13 Of 154 that are currently paying the 50% premium, 6 properties belonging to Executors have been empty for under five years so would move to the 100% increase. There is only 1 property that has been empty for over 10 years so would move to the 300% increase.

5. Legal implications

- 5.1 There is no legal requirement to consult on the recommended changes but there is a legal requirement to publish any changes to the Council Tax regime in at least one newspaper circulating in the Billing Authority's area. This must be done within 21 days of the resolution being agreed by full Council.
- 5.2 Making changes to the existing level of discounts means that, as the Billing Authority, the Council will incur the additional costs associated with implementing and administering the changes, although this is not expected to be significant.

- 5.3 There is also a risk to the collection of debts resulting from any changes. The recommended levels are based on the considered implications on collection whilst, at the same time, maximising the potential income opportunity for the Council.
- 5.4 The revised discounts may lead to some complaints and appeals. Section 13A of the Local Government Finance Act 1992 allows for the Council to reduce or remit any amount of council tax (at the full cost of the Council). These powers can be considered in certain circumstances where a dwelling cannot be occupied, such as fire or flood damage.

6. **Equality implications**

6.1 Councillors need to demonstrate that they have consciously thought about the three aims of the Public Sector Equality Duty, as set out in Section 149 of the Equality Act 2010, as part of the decision-making process. The three aims the authority must have due regard for are:

- eliminate discrimination, harassment and victimisation
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- foster good relations between persons who share a relevant protected characteristic

6.2 The protected characteristics are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race (including ethnic or national origins, colour or nationality), religion or belief, sex or sexual orientation.

6.3 However, any amendments made to Council Tax discounts for empty or long term empty dwellings are not based on individual circumstances or family characteristics but on whether the property is empty and for how long. Therefore, the recommendations will apply equally to everyone.

7. **Environmental/Sustainability/Biodiversity implications**

7.1 There are no implications for sustainability or biodiversity, but encouraging owners of empty properties to bring them back into occupation in a timely manner may have a positive impact on communities where properties are not left unkempt or rundown which may impact on environmental issues.

8. **Timetable for Implementation**

8.1 It is recommended that these changes are implemented from 1 April 2022.

9. **Conclusions**

9.1 It is recommended that the Committee consider and agree to recommend to full Council on 10 February 2022 the amendments set out in the recommendations at the beginning of this report.

(To recommend to Full Council on 10 February 2022)

Background papers

None

6. **Council Tax Base And Collection Fund Surplus (Assistant Chief Executive - Peter McKenzie)**

Synopsis of report:

To provide the Committee with the statutory details on the 2022/23 Council tax base for approval and the projected Collection Fund Surplus for the year ending 31 March 2022.

Recommendations:

1. That the Council tax base (showing the Band D equivalent dwellings for tax setting purposes for the Borough for the financial year 2022/23) be approved as 34,524.
2. The estimated surplus on the Collection Fund for 2021/22 be declared at £1,907,737 and split among the precepting authorities as reported below and it be noted that Runnymede Borough Council's proportion after the spreading adjustment is £165,770.

1. Tax base

- 1.1 The Council is required to undertake a formal calculation of the 2022/23 council tax base, in accordance with the requirements of the Local Government Finance Act 1992. The precepting authorities are to be provided details by 31 January 2021 to allow them to set their precept.
- 1.2 The legislation requires that the calculations must be based on the actual numbers as at 31 October 2021 using a statutory return to Government. The same tax base will be used by each precepting authority in setting their 2022/23 council tax rates in February 2022.
- 1.3 The tax base is calculated by taking the actual number of properties in each property band from A to H. This then gives us the Band D equivalent numbers. The Council then makes statutory allowances, discounts and other statutory adjustments which then gives the legal Band D requirement.
- 1.4 The Council has to make a judgement on the level of council tax support and the collection rate. In normal years the number of households claiming council support has remained fairly constant and the collection rate a consistent slightly over 98% collected within the financial year. Due to the ongoing impact of Covid - 19 on the collection rate, the estimated collection rate for 2021/22 was reduced from 98% to 96%. At this time it has been assumed there will be no net increase in dwellings due to new build or demolition of properties in the borough, and no increase in council tax support claimants. The collection rate has been increased to pre-pandemic levels. In October 2021, the Council was slightly above its collection target of 98%.

	2020/21	2021/22	2022/23
Tax base after council tax support	34,748	34,750	35,182
Collection rate	98%	96%	98%
	34,053	33,360	34,478
Add military houses	46	44	46
	34,099	33,404	34,524

- 1.5 Each of the precepting authorities are using the Band D equivalent of 34,524 dwellings to set their precepts.

2 Formal disclosure of the collection fund deficit

- 2.1 Any surplus, or deficit, on the Collection Fund account is to be paid over or collected by the preceptors in proportion to their precepts set for the year.
- 2.2 The tables below show the Collection Fund estimated deficit for the year ending 31 March 2022 using the most reliable data. Members are aware that with over three months to go to the financial year end the best estimate from Runnymede Finance officers is a surplus of just over £1.9m – Members will note that each 0.5% variation alters the surplus or deficit by almost £352,000.

	2021/22
	£
Due to collect as at 31 October 2021	70,433,046
Assumed collection rate	98%
	69,024,385

	2021/22	
	£	%
	Precepts	
Surrey CC	51,745,468	77.1%
Surrey police	9,539,180	14.2%
Runnymede BC	5,832,000	8.7%
	67,116,648	100.0%
Probable tax collected	69,024,385	
Surplus	1,907,737	

- 2.3 Each individual precepting authority will include the surplus shown above in their precepts for the next three years. In December 2020, the Government changed the legislation to require the surplus or deficit to be spread. For Runnymede Borough Council the surplus will be £165,770 spread over 2022/23 to 2024/25.

Apportionment of surplus	£	%
Surrey CC	1,470,823	77.1%
Surrey police	271,144	14.2%
Runnymede BC	165,770	8.7%
	1,907,737	

3. Resource implications

- 3.1 The increase in the Band D equivalent tax base, after increasing the collection rate from 96% to 98%, from 33,404 to 34,524, will increase the expected council tax income to the Council in 2022/23. Following Government announcements on referendum limits, the final precepts will be reported to Council in February 2022 at the latest.

4. Legal implications

- 4.1 The Council is legally obliged to calculate the Council Tax Base for 2022-2023 by 31 January 2022.

- 4.2 Section 31B of the Local Government Finance Act 1992, as inserted by the Localism Act 2011, imposes a duty on Runnymede Borough Council, as a billing authority, to calculate its Council Tax by applying a formula laid down in that Section. The formula involves a figure for the Council Tax Base for the year, which must itself be calculated.
- 4.3 The Local Authority (Calculation of Council Tax Base) (England) Regulations 2012 (the Regulations), require a billing authority to use a given formula to calculate the Council Tax Base.
- 4.4 Legislation also imposes a duty on Runnymede Borough Council to calculate the Council Tax Base within a prescribed period which is laid down in the Regulations as between 1 December and 31 January. The Regulations state that the calculation of the Tax Base must be based on the Valuation list produced by the Listing Officer of HM Revenue & Customs as it stands on 30 November in the year preceding that for which the relevant amount is calculated (i.e. at 30 November 2021 for the financial year 2022-2023). It must show actual numbers of properties at that date and allow for the effects of council tax discounts and exemptions including the council tax support scheme discount (CTS). It must also show likely changes to bands, new properties, properties taken off the valuation list and likely changes to discounts, empty properties and exemptions for 2022-2023.

(To resolve)

Background Papers

Budget working papers held in Accountancy

7. **Medium Term Financial Strategy 2022/23 to 2024/25
(Assistant Chief Executive – Peter McKenzie)**

To follow.

8. **Update For Shareholders In Respect Of RBC Companies
(Assets and Regeneration – Alex Williams)**

Synopsis of report:

To update the shareholders in respect of the special purpose vehicles (SPV)s which were set up to acquire and manage residential property for letting in the private rented sector. The SPVs also provide freedom to deal with specific cases and they can acquire and manage commercial property for letting together with the development of both residential and commercial property.

Recommendation:

To note the update along with the financial information contained within the report.

1. Context of report

- 1.1 In April 2015 the Council agreed to create a wholly owned Special Purpose Vehicle (SPV) to acquire and manage residential investment property for letting in the private rented sector. This company is called RBC Investments (Surrey) Ltd (RBCI).
- 1.2 At the same time as establishing RBCI it was further agreed to create a company called RBC Services (Addlestone ONE) Limited (RBCS) to manage

the Addlestone ONE Development and the administration of the service charges for additional commercial services to occupiers of the Development.

- 1.3 The final element of the suite of companies created by the Council in April 2015 was a trading company to sell hot water for space heating and hot water generation in the residential and commercial units in the Development. This company is RBC Heat Company Limited (RBCH).

2. Report

- 2.1 This report is presented to this Committee in its role as shareholder of the Council's companies.

Update on Directorships for the Companies

- 2.2 Following the departure of the Director and Deputy Director of Commercial Services, along with ensuring transparency between the Council and its shareholders, the Directorships have changed which gives the companies the stability they require to deliver the future business that the companies need to undertake during the coming years. The Committee should note that a new business plan will be put forward in the new financial year. The revised Directorships of the Companies are attached in Appendix 'A'.

Properties For Which The Companies Are Responsible

- 2.3 The Committee should note that since the inception of the companies, the companies have expanded to take on more property management and service charge work on behalf of the Council on a long lease. RBCI now manages the following properties:

- Addlestone ONE residential properties (various)
- St Judes Cottages, Egham
- 168 High Street Egham
- The Precinct, Egham

RBCS carries out Service Charge work for:

- Addlestone ONE
- Waitrose Car Park, Egham
- Chertsey Business Park
- Egham Business Park

- 2.4 In addition to this, the purchase of the of the Magna Square residential units and the management of the Magna Square development itself will add to the work of both companies. Following agreement by this Committee in December 2020, a restructure of the Commercial Services team was undertaken in the New Year and included in this was restructuring of the staff within the SPVs some of which is ongoing but nearing completion. Due to this and the additional development and thereafter completion of Magna Square it would be premature to update the business plan for the next 5 years at this point, but this will be forthcoming in 2022 and reported to the shareholders.

3. RBCI Properties Overview

Addlestone ONE (ADD 1) residential properties (various)

- 3.1.1 Whilst the CV19 pandemic affected the income at the outset of the pandemic and there were arrears, this was purely due to people being furloughed or out of work. A number of payment plans have been agreed with tenants and there had to be some write offs, but this has been kept to a minimum as the financial reporting outlines. The market remains strong for lettings and whilst there

remains “churn” there are limited voids within the development for RBCI.

St Judes Cottages, Egham

- 3.1.2 In line with the above, there remains churn in this asset, and we have also experienced dampness in one of the cottages which has proved challenging to resolve. Other than that, the remaining cottages let very quickly and the tenants stay for the year usually moving on due to buying their own property within the vicinity.

168, High Street, Egham

- 3.1.3 These units, of which there are 4, are popular and there is less churn in these properties and the tenancies are regularly renewed enabling RBCI to continue to secure its income.

The Precinct, Egham

- 3.1.4 The Precinct comprises 6 residential units and the income remains secure with limited churn. This is due to the closeness to the town centre. The units remain tired and are in need of refurbishment and the Precinct, Egham was to be a further regeneration project for the Council but due to the pandemic this has been put on hold while we investigate options for Members to consider.

RBCS Properties Overview

- 4.1 RBC Services Ltd continues to provide hard and soft facilities management for Addlestone One (ADD 1) and the common parts of the flats known as St Judes and 168 High Street. ADD1 has a complex service charge regime which is currently being reviewed by external experts particularly to focus on the VAT elements in respect of the commercial and residential properties. The Waitrose car park continues to perform and we have an external car parking operator; the income is below what would be expected due to the pandemic but is recovering well. At the beginning of the year 2020 Chertsey Business Park had just been handed over the Council. As at the time of writing the report the scheme is fully let bar one unit which we hope to go under offer on shortly. The service charge is in place and the tenants continue to pay on time. In addition to this Egham Business Park has continued to perform and is now fully let with tenants again paying service charge and their rent on a timely basis

RBCH Overview

- 4.2 RBCH remains modestly profitable largely due to the Civic Centre utilising the heat supply. However, the position remains challenging for the company as with low uptake of the heat offering by commercial tenants it is not possible to achieve economies of scale or put aside funds for future upgrades to the plant.

5. Policy framework implications

- 5.1 For a variety of legal, regulatory and other reasons, a local authority chooses (or is required) to conduct their activities not through a single legal entity but through two or more legal entities which fall under its ultimate control and to this end Runnymede Borough Council has three subsidiary companies which prepare annual individual and group accounts that are separately reviewed and audited by local accounting firm, CSL Partnership LLP. For clarity these are:
- RBC Investments (Surrey) Ltd (RBCI) -The Council owns 100% of the shares in RBCI. The purpose of the company is to hold investments in residential property around the borough and act as the holding company of RBC Services (Addlestone One) Limited.

- RBC Services (Addlestone One) Limited (RBCS) - The Council owns 1% of the shares in the company with the remaining 99% owned by RBC Investments (Surrey) Ltd. RBCS was set up to publicise and promote the Addlestone One development and to carry out its ongoing maintenance via a service charge and to undertake other commercial service charge and property activity for Council owned property including Egham Business Park, Egham Town Centre Car Park, and Chertsey Business Park.
- RBC Heat Company is 100% owned by RBC Services (Addlestone One) Limited, and therefore Runnymede Borough Council has influence over it via its shares in RBC Investments (Surrey) Limited and RBC Services (Addlestone One) Limited. RBCH provides heat to all the residential properties within the Addlestone One development and any commercial properties that wish to take it and going forward Magna Square will be included .

6. Financial implications

- 6.1 Members should note that it was always envisaged that the Council companies would operate at a loss for the first 14 years of their existence.
- 6.2 Attached at Appendix 'B' are the draft financial accounts for the companies in respect of 2020/2021. The Committee should note that these are draft and still need to be signed off by external accountants which will happen over the next few months. See also a summary of the financial position below:

<u>Consolidated income statement</u>	£
Revenue	1,710,894
	0
Operating profit	1,001,685
Gain on property valuation	<u>426,300</u>
PROFIT BEFORE INTEREST	1,427,985
Net Interest payable	<u>1,463,156</u>
Profit / (Loss) before taxation	(35,171)
Tax paid	(7,495)
Loss after taxation	(27,676)

<u>BALANCE SHEET</u>	Consolidated balance sheet
	£
Fixed Assets	28,699,025
Current Assets	1,198,311
Less creditors	(1,158,127)
Total Assets less current liabilities	28,739,209
Loan term debt	(28,371,054)
Provision for bad debts etc	(56,875)
Net Assets	(28,427,929) 311,280
Capital, retained earnings (Equity)	311,280

However the following key points should be noted by the Committee acting in its capacity as shareholder:

- The Group Companies loss decreased by £1.25M year on year.
- RBCI administration expenses decreased last year. This was mainly due to savings on staff costs as a result of the Government's furlough scheme. The Companies were allowed to take advantage of this.
- The biggest impact on profitability was through the £1.4M positive movement in respect of the valuation of the investment property stock but the Committee should note that we value our commercial properties year on year and they are subject to change in value due to market forces.
- Our heat company RBCH which operates the community heat network experienced reduced demand from commercial units at the Addlestone One development due to them being closed for the majority of the year.
- The redevelopment of Magna Square will have a major impact on the three companies in the current year and going forward and this will need to be captured in the new business plan for the companies.
- The interest expense of £1.5M for the Group represents General Fund income to the Council which continues to be a good way of achieving income for the General Fund.

7. **Legal implications**

- 7.1 By the Council creating companies care is required to ensure that the terms of any arrangements with the Council avoid constituting what is termed State Aid under EU competition rules. This extends to any support, including the provision of loans, services and staff by the Council.

8. **Conclusions**

- 8.1 The Committee is recommended, as the body which makes decisions in respect of the Council's position as a shareholder of the companies, to note the progress and financial aspects for the Special Purpose Vehicles.

(For information)

Background papers

RBCI working files

Appendix A – Board Members.

RBC Investments (Surrey) Limited.

Alex Williams – Director
Emma Lyons - Director
Cllr Mark Maddox - Director
Cllr Mark Adams - Director
Paul Green – Secretary

RBC Services (Addlestone One) Limited.

Alex Williams – Director
Emma Lyons - Director
Cllr Mark Maddox - Director
Cllr Mark Adams - Director
Paul Green – Secretary

RBC Heat Company Limited.

Alex Williams – Director
Emma Lyons - Director
Cllr Mark Maddox - Director
Cllr Mark Adams - Director
Paul Green – Secretary

APPENDIX 'B'

RBC Group Companies Financial Statements 2020-21 - DRAFT

<u>Income Statement</u>	RBC INVESTMENTS (RBCI)	RBC INVESTMENTS (RBCI)	RBC SERVICES (RBCS)	RBC SERVICES (RBCS)	RBC HEAT (RBCH)	RBC HEAT (RBCH)	GROUP	GROUP
Financial Year	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
REVENUE	1,377	1,313	99	101	238	251	1,710	1,652
Cost of Sales					168	154	168	154
GROSS PROFIT	1,377	1,313	99	101	70	96	1,542	1,497
Administrative Expenses	473	548	63	65	51	34	583	635
	904	764	36	36	19	62	960	863
Other Operating Income	42	74	1	0	0	0	42	74
OPERATING PROFIT/(LOSS)	946	838	37	36	19	62	1,002	937
Interest Receivable and Similar Income	8	8	3	3	0	0	0	0
Gain/(Loss) on Revaluation of Investment Property	426	(1,013)	0	0	0	0	426	(1,013)
	1,380	(167)	40	39	19	62	1,428	(77)
Interest Payable and Similar Expenses	1,463	1,414	8	8	3	3	1,463	1,414
PROFIT/(LOSS) BEFORE TAXATION	(83)	(1,582)	32	32	16	59	(35)	(1,491)
Tax on Profit/(Loss)	(7)	(228)	(1)	4	0	0	(7)	(224)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	(76)	(1,354)	33	28	16	59	(28)	(1,267)
Minority interest							0.5	

Balance Sheet	RBC	RBC	RBC SERVICES	RBC SERVICES	RBC HEAT	RBC HEAT	GROUP	GROUP
	INVESTMENTS	INVESTMENTS						
	2020-21 £'000s	2019-20 £'000s	2020-21 £'000s	2019-20 £'000s	2020-21 £'000s	2019-20 £'000s	2020-21 £'000s	2019-20 £'000s
FIXED ASSETS								
Property, Plant & Equipment	0	0	4	9	0	0	4	9
Investments	0	0	0	0	0	0	0	0
Investment Property	28,695	28,268	0	0	0	0	28,695	28,268
	28,695	28,269	4	9	0	0	28,699	28,277
CURRENT ASSETS								
Debtors	269	317	285	271	149	79	550	511
Cash at Bank & in Hand	437	572	178	211	33	73	648	856
	706	889	462	482	182	153	1,198	1,366
CREDITORS								
Amounts Falling Due Within One Year	(796)	(769)	(310)	(366)	(56)	(42)	(1,157)	(1,169)
NET CURRENT LIABILITIES	(90)	119	152	116	126	111	40	197
TOTAL ASSETS LESS CURRENT LIABILITIES	28,605	28,388	157	125	126	111	28,739	28,474
CREDITORS								
Amounts Falling Due After More Than One Year	(28,371)	(28,071)	(105)	(105)	(44)	(44)	(28,371)	(28,071)
Provision for liabilities	(56)	(63)	(1)	(2)	0	0	(57)	(64)
NET ASSETS/(LIABILITIES)	178	254	51	18	82	67	311	339
CAPITAL & RESERVES								
Called up Share Capital	0	0	0	0	0	0	0	0
Retained Earnings	178	254	51	18	82	67	310	338
SHAREHOLDERS' FUNDS	178	254	51	18	82	67	310	338
NON_CONTROLLING INTERESTS							1.319	0.833
TOTAL EQUITY	178	254	51	18	82	67	311	339

9. **Exclusion Of Press And Public**

OFFICERS' RECOMMENDATION that –

the press and public be excluded from the meeting during discussion of the following reports under Section 100A (4) of the Local Government Act 1972 on the grounds that the reports in question would be likely to involve disclosure of exempt information of the description specified in paragraphs 1 and 3 of Part 1 of Schedule 12A of the Act.

(To resolve)

PART II

Matters involving Exempt or Confidential information in respect of which reports have not been made available for public inspection

	<u>Exempt Information</u>	<u>Paras</u>
10.	Re-Establishment of Post In Development Management and Building Control	1&3
11.	Addlestone One Lettings (To follow)	3
12.	Law and Governance Service Review (To follow)	1&3

Confidential Information

(No reports to be considered under this heading)