Runnymede
BOROUGH COUNCIL

Corporate Management Committee

Thursday 20 January 2022 at 7.30pm

Council Chamber
Runnymede Civic Centre, Addlestone

Members of the Committee

Councillors N Prescot (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

PART II

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

a) Exempt Information

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. **Minutes**

To confirm and sign the Minutes of the meeting of the Committee held on 25 November 2021 (at Appendix ‘A’) and on 16 December 2021 (at Appendix ‘B’).

(To resolve)

Background papers

None

Runnymede Borough Council APPENDIX 'A'

CORPORATE MANAGEMENT COMMITTEE

25 November 2021 at 7.30 p.m.

Members of the Committee present: Councillors N Prescot (Chairman), T Gracey (Vice-Chairman), D Cotty, M Cressey, L Gillham, J Gracey, M Heath, C Howorth, J Hulley, M Maddox, I Mullens and D Whyte.

Members of the Committee absent: None

Fire Precautions

The Chairman read out the Fire Precautions.

Notification Of Changes To Committee Membership

The Groups mentioned below had notified the Chief Executive of their wish that the changes listed below be made to the membership of the Committee. The changes were for a fixed period ending on the day after the meeting and thereafter the Councillors removed would be reappointed.

Group	**Remove From Membership**	**Appoint Instead**
Conservative	Councillor M Willingale	Councillor J Hulley
Runnymede Independent Residents'	Councillor A Alderson	Councillor I Mullens

The Chief Executive had given effect to these requests in accordance with Section 16(2) of the Local Government and Housing Act 1989.

Minutes

The Minutes of the meetings held on 9 September 2021 and 23 September 2021 were confirmed and signed as correct records.

Apologies for Absence

None received.

Declaration Of Interest

Councillor Maddox declared a Disclosable Pecuniary Interest in respect of the item on the Committee's agenda on Further Loan Agreement For RBC Investments (Surrey) Ltd which arose from his appointment as a Director of RBC Investments (Surrey) Ltd. Councillor Maddox left the room for the consideration of this item and for the voting on this item.

2019/20 Statement of Accounts

The Committee considered a report highlighting the production of the Statement of Accounts for the financial year 2019/20 and agreed that they be approved by the Leader of the Council. The Committee noted the reasons for the delay in the completion of the audit of the accounts for 2019/20 by BDO. The need for remote working by BDO as a result of the Covid pandemic was a major factor in the delay. As the 2019/20 audit had had to be undertaken remotely, severe time pressures had been experienced by Finance officers to deliver and explain transactions when normally an auditor would be present in the office to ask questions and obtain information. Runnymede Finance officers had managed to publish the draft accounts for 2019/20 before the Government deadline but meeting the tight timescales set by the Government was only possible due to the goodwill and dedication of the highly experienced members of Runnymede Finance staff who had undertaken substantial amounts of additional hours to complete the job. The Committee expressed its thanks to the Runnymede Finance staff who had worked the additional hours.

Resolved that –

the Statement of Accounts for the financial year 2019/20 be approved and the Chairman of the Corporate Management Committee signs the Statement of Accounts.

Budget Monitoring Report – April 2021 To September 2021

The Committee noted a report setting out the latest financial projections for the 2021/22 financial year for the General Fund, Housing Revenue Account and Capital Programme as at 30 September 2021.

Income was less than planned because of the effects of the Covid pandemic. Parking income was particularly low with more people working from home and with some businesses struggling or having closed. In the 2020/21 financial year the Council had invoiced £29.1m in rent to various businesses and ended the year with arrears of only £1.3m (having previously written off £0.7m during the year). This fell far short of the £4m provision for bad debts predicted at the start of 2021 as businesses struggled with the third national lockdown. Despite this achievement, there was still a need to be wary in regard to the long term ramifications for Covid on the business sector.

The Committee noted a Housing Revenue Account (HRA) Financial Monitoring Statement and changes in the HRA Revenue Account Working Balance as at 30 September 2021. Progress towards the General Fund savings target was noted. Assuming that the predictions for the forecast outturn in the General Fund Financial Monitoring Statement materialised at year end, the General Fund working balance would be reduced by £2.164m at 31 March 2021.

Review and Replacement Of Runnymede's Council Tax Discount Scheme For Empty Properties

This report was withdrawn under Standing Order 27.7. A revised report would be submitted to the Corporate Management Committee meeting on 16 December 2021.

Community Infrastructure Levy (CIL) Partial Review Of Charging Schedule

During 2020 officers had prepared a Community Infrastructure Levy (CIL) charging schedule which set out proposed charges for residential, office and student accommodation development coming forward in the Borough. Following recommendations by the CIL Examiner, the CIL Charging Schedule had been adopted by Council on 9 February 2021 without the student accommodation charge. Council had resolved at that meeting that a partial review of the CIL Charging Schedule be initiated and the Committee considered a report on the supplementary revenue estimate that would be needed if the partial review was undertaken.

The Committee noted the supplementary revenue estimate in the sum of £22,000 for the consultancy support that would be required for a partial review together with the risks involved. The Committee agreed that it would be appropriate to defer a decision on whether to approve this supplementary revenue estimate until the Government's plans to reform CIL and Section 106 were published. Under the Government's proposals to reform the Planning system, the current Section 106 and CIL system was to be replaced by a mandatory all-encompassing Infrastructure Levy (IL). The proposed IL would be calculated on a national formula but based on local values. The proposed reforms had been due to be published in the summer of 2021 but had been delayed. However, in response to questions at a House of Lords Built Environment Committee on 2 November 2021, the Housing Minister, Christopher Pincher, had reiterated that the Government were looking at a better system than Section 106 and CIL and appeared to suggest that proposals would be set out in the near future. If a new national system were introduced, any work undertaken and costs incurred on a partial CIL review in Runnymede would be abortive.

Resolved that –

a decision on whether to approve a supplementary revenue estimate for an additional £22,000 to be provided to the Planning Policy budget to enable a partial review of CIL to be undertaken be deferred until the Government's plans to reform CIL and Section 106 are published.

Reference From Environment And Sustainability Committee – LGV Drivers – Retention And Succession Planning – Waste Management Operations

The Committee considered a reference from the Environment and Sustainability Committee which at its meeting on 17 November 2021 had recommended the approval of a supplementary revenue estimate for an increase to the refuse and recycling budget for a retention/market supplement payment for the DSO's existing 15 LGV drivers, the training and enhanced payment for five relief drivers and additional funding to increase the salary budget of the waste and street scene services for the appointment of an Operations Manager. This increases for the LGV drivers would address national issues which existed in respect of the recruitment and retention of LGV drivers. The appointment of an Operations Manager for the Council's Waste Management Team would further increase work expanding the promotion and improvement of recycling and waste collections across the Borough as well as improving recycling and contamination performance.

When comparing Runnymede's LGV drivers with the private sector LGV and HGV drivers, it was noted that Council drivers would tend to work for shorter hours and have better terms and conditions than the private sector. Drivers in the private sector might be paid more but would tend to have to work for longer and for more unsocial hours. Driver costs in the private sector would be passed on to the customer whereas Council driver costs would be passed to local residents via the Council tax. The Committee fully supported the increase in the budget bearing in mind the rates of pay which were being offered by other local authorities. It was noted that the changes would come into effect from 1 April 2022 and that training would begin in January 2022.

Resolved that –

a supplementary revenue estimate be approved in the sum of £131,500.68 for the additional funding of £57,825 per annum for the existing 15 LGV refuse drivers as a retention/market payment supplement, £11,470 per annum for the training of existing staff to cover the role of relief drivers, £53,205.68 for the increase in salaries once relief drivers are qualified, an increase for five members of staff from a Grade 4 Loader to a Grade 8 LGV Refuse Driver and £9,000 for the increase in the salary budget for the appointment of an Operations Manager for the waste and street scene budget.

Rough Sleeping Accommodation Programme 2021-24

Housing officers had made a successful bid for £225,000 capital grant funding towards purchase and repair for three properties to be used for rough sleepers from the Rough Sleeping Accommodation Programme 2021-24. Permission was sought to purchase three properties utilising this grant, commuted sums held for affordable housing in lieu of on-site provision accrued during the Planning process and funding secured from Surrey County Council. A capital budget of £700,000 was required to cover the purchase price of the three properties, fees and any adaptations required. The anticipated on going revenue costs of the scheme were noted. There would be an annual revenue surplus for the General Fund which barring exceptional circumstances could be approximately £15,000.

There would be no call on the Council's own capital funds to facilitate these purchases. Although the capital funding of £700,000 was in place, the Council's Financial Regulations stated that any additions to the Capital Programme must be approved by Committee and a capital estimate sought regardless of the funding mechanisms. The amount of the capital estimate exceeded the sum which the Committee could approve normally so that normally this funding would be a recommendation to Full Council. However, officers were hoping to complete on one of the three properties before the Full Council meeting on 9 December 2021. Therefore, as an urgent decision was required as it was anticipated that the completion of one of the properties would take place before 9 December 2021, the Committee approved the purchase of the properties and the supplementary capital estimate required to meet the cost of the three properties.

Resolved that –

i) the purchase of three properties under the Homes England Rough Sleeping Accommodation Programme 2021-24 be approved to be held in the General Fund; and

ii) in view of the anticipated completion of one of the three properties before the next meeting of Full Council, in accordance with paragraph 1.3 of Committee Responsibilities and the Scheme of Delegation in the Council's Constitution, a supplementary capital estimate of £700,000 to meet the cost of the three properties be approved to be funded from external grants and commuted sums.

Strode's Foundation – Appointment Of Replacement Trustee

The Committee considered nominations received from Councillor Balkan and Councillor Williams to replace Mrs Eiry Price as a Trustee on Strode's Foundation for a 4 year term. This item had been on the agenda for the meeting of the Committee on 14 October 2021 which had been cancelled and accordingly was submitted to this meeting for decision. The Committee made the appointment in accordance with Standing Order 39.6.

Resolved that –

Councillor A Balkan be appointed to replace Mrs Eiry Price as a Trustee on Strode's Foundation for a 4 year term.

(Councillor S Williams was also nominated for this appointment. The nominations of Councillors Balkan and Williams were put to the vote and Councillor Balkan received the greater number of votes and was duly appointed).

Chertsey Combined Charity – Appointment Of Replacement Trustee

The Committee considered a replacement for Mrs J. Norman who had resigned as a Trustee on the Chertsey Combined Charity. It was noted that one of the Charity's Trustees, Councillor Dolsie Clarke, had nominated Mr Neill Rubidge for this appointment. A nomination form for this appointment had also been received from Mr Adrian Elston. However, as no Members of the Committee proposed or seconded Mr Elston as a candidate for this appointment, the Committee agreed to appoint Mr Neill Rubidge as a replacement Trustee.

Resolved that –

Mr Neill Rubidge be appointed to replace Mrs J Norman as a Trustee on the Chertsey Combined Charity.

Egham United Charity – Appointment Of Replacement Trustee

Officers had received notification from Egham United Charity that one of their current Trustees wished to resign and the Chairman of the Trustees had asked the Council to approve Mr Hemang Shah as replacement Trustee for the unexpired term of office until 2023. This item had been on the agenda for the meeting of the Committee on 14 October 2021 which had been cancelled and accordingly was submitted to this meeting for decision.

The Committee noted that the Egham United Charity had adopted a proactive approach to developing people as future Trustees and had created a group of people as Associate Trustees. When a vacancy for a Representative Trustee arose, the charity invited the Council to appoint a person who was currently an Associate Trustee as a Representative Trustee which meant that someone who was familiar with and committed to the organisation could take on the role. Accordingly the Committee agreed to appoint Mr Hemang Shah as the replacement Trustee.

Resolved that –

Mr Hemang Shah be appointed as the replacement Trustee on the Egham United Charity.

Calendar Of Meetings 2022 - 2023

The Committee considered the proposed Calendar of meetings for the next Municipal Year which would run from May 2022-May 2023. This item had been on the agenda for the meeting of the Committee on 14 October 2021 which had been cancelled and accordingly was submitted to this meeting of the Committee for it to make a recommendation.

The schedule of meetings largely followed the usual well established pattern. The opportunity had been taken to try and avoid meetings of Committees, other than Planning Committee, during school holiday periods and to try and avoid meetings at key football World Cup dates and during the Queen's Platinum Jubilee celebrations. In view of the small amount of business for the two meetings of Corporate Management Committee in September this year, only one Corporate Management Committee meeting was scheduled for September 2022 which would meet on 22 September 2022.

The proposed Calendar and diary schedule of the Committee dates, as reported, were recommended to Full Council for approval. The Chief Executive had delegated authority to make ad hoc minor changes to the Calendar of meetings in consultation with the respective Leaders of the political groups, and special meetings of Committees could be arranged where circumstances dictated.

Recommend to Full Council on 9 December 2021 that –

the calendar of meetings for May 2022 – May 2023 be approved.

Fees and Charges

The Committee considered the proposed fees and charges under its remit for the next financial year, which included garage rents, local land charges and Council Tax and business rates court costs. The Committee approved the proposed fees and charges as set in Appendix 'J' to the agenda including the Civic Centre accommodation charges for out of hours reception cover but agreed that there would be no increase to any of the other Civic Centre accommodation charges.

Resolved that -

the fees and charges as set out in Appendix 'J' to the agenda be approved to be effective from the dates within the Appendix or as soon as practical thereafter with the exception of no increase in the Civic Centre accommodation charges for the Council Chamber, the Committee Room, the Foyer, the Meeting Rooms and the Members' Room.

Treasury Management Mid-Year Report 2021/22

The Committee noted a report on the Council's treasury activity for the first six months of the 2021/22 financial year.

It was noted that in addition to the normal money markets, the Council also invested in its own companies by way of loans provided to them for the purchase of assets from the Council that the Council could not hold itself and via working capital loans. All such Loan Agreements had been approved by Full Council at rates set in accordance with European Commission competition rules. The annual interest on these loans was £1,484,266.

Total investments as at 30 September 2021 were £71,454,000 and total borrowings as at 30 September 2021 were £637,292. During the financial year to date, the Council had operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices.

Urgent Action – Standing Order 42

The Committee noted proformas 984 and 986 detailing action taken after consultation with the Chairman and Vice-Chairman of the Committee.

Project Portfolio Reporting – To End of October 2021

By resolution of the Committee, the press and public were excluded from the meeting during the consideration of this matter under Section 100A (4) of the Local Government Act 1972 on the grounds that the discussion would be likely to involve the disclosure of exempt information of the description specified in paragraph 3 of Schedule 12A to Part 1 of the Act.

As a result of the cancellation of the Committee meeting on 14 October 2021, the 2021/22 quarter 2 report on the project portfolio had not been considered by the Committee. As the quarter 2 report was now out of date, the Committee noted an update on the Project movements in respect of the projects reported in October 2021 as at Risk, as Live or Pipeline.

The Committee also noted a Project Portfolio Dashboard which provided an overview of the current portfolio including the delivery timelines as of the end of October 2021. The risks and issues for the Schools Transport Initiative and the Magna Square Development projects were being monitored closely by the project teams for these projects. The grounds maintenance options appraisal project had been progressed as a result of an Urgent Action approval following the cancellation of the 14 October 2021 meeting. The Kings Lane Bike Track project had been rebaselined and its finish date was now on schedule and the hybrid mail implementation project had been delivered.

Resolved that –

i) **the updates to Projects reported in October 2021 as at Risk be noted; and;**

ii) **the updates to Projects reported in October 2021 as Live or Pipeline be noted.**

Essential User Car Allowance

By resolution of the Committee, the press and public were excluded from the meeting during the consideration of this matter under Section 100A (4) of the Local Government Act 1972 on the grounds that the discussion would be likely to involve the disclosure of exempt information of the description specified in paragraph 4 of Schedule 12A to Part 1 of the Act.

As part of a response to the Council's financial situation, the Committee considered a report proposing to remove the Essential User Car Allowance lump sum for staff with the intention of making savings and dealing with an arrangement that needed to be revisited and updated. This item had been on the agenda for the meeting of the Committee on 14 October 2021 which had been cancelled and was accordingly submitted to this meeting of the Committee for decision.

The Essential User Car Allowance lump sum was given to those members of staff who needed to use their car frequently for work purposes and whose annual mileage was in the region of 1,000 miles per annum. Members of staff who used their cars less frequently for Council business could claim Casual User mileage. Essential Users received a lump sum Allowance to take into account the greater wear and tear on their car from being a very frequent user in addition to receiving a mileage rate. Casual Users only received a mileage rate.

As a number of staff in receipt of the Essential User Car Allowance were in practice not meeting the mileage criteria, it was agreed that the Allowance should be removed subject to the outcome of a consultation exercise with UNISON and staff. Many local authorities had already removed an Essential User Car Allowance. More staff were working from home as a result of the pandemic and the Council would be seeking to minimise the individual use of non – electric vehicles where possible as part of the green agenda.

The approach to be taken for the removal of the Allowance recommended by the Council's officer Senior Leadership Team (SLT) was to give one year's notice of the ending of the Allowance or offer a buy out of one year's essential user lump sum to all those in receipt of the Essential User lump sum. As for a number of staff the Allowance was accepted part of their remuneration, it was considered that it was appropriate for twelve months' notice of the withdrawal of the Allowance to be given to staff if this option were to be taken.

The Committee concurred with the approach recommended by the SLT and agreed that officers proceed as set out in resolutions i) to v) below. As over time some managers had misused the Essential User Car Allowance Scheme as a way to enhance the salary package instead of using market supplements, it was noted that it might be necessary in some cases to check and amend some market salaries.

Employees who were categorised as Essential Users had free parking spaces in the undercroft car park at the Civic Centre or 3 days free parking in the multi-storey car park in Garfield Road, Addlestone. Those who were classed as Casual Users had 2 days free parking in the multi-storey car park and paid on the other days. It had been suggested that all staff receive 5 days free parking in the multi-storey car park in Garfield Road, Addlestone instead of 3 days for Essential Users and 2 days for Casual Users. Finance and Facilities Management had confirmed that there would be no additional cost to giving all staff 5 days free parking in that car park.

Resolved that –

i) **the Essential User Car Allowance be removed subject to the outcome of a consultation exercise;**

ii) **twelve months' notice of the removal of the Essential User Car allowance be given to all staff in receipt of the Allowance;**

iii) **UNISON and staff affected be consulted on the proposal;**

iv) **in the event that responses to the consultation indicate that the majority of staff would prefer to receive a lump sum payment then officers be granted delegated authority to implement that approach;**

v) **officers be granted delegated authority to implement the removal of the Essential User Car Allowance following the conclusion of the consultation process unless the responses to the consultation raise matters which need to be reported to the Committee and if so, officers will report to the Committee for their views; and**

vi) **it be noted that Finance and Facilities Management have confirmed that there will be no additional cost to giving all staff 5 days free parking in the Garfield Road multi-storey car park.**

Human Resources Mini Review

By resolution of the Committee, the press and public were excluded from the meeting during the consideration of this matter under Section 100A (4) of the Local Government Act 1972 on the grounds that the discussion would be likely to involve the disclosure of exempt information of the description specified in paragraphs 1 and 3 of Schedule 12A to Part 1 of the Act.

The Committee considered a report reviewing the Council's Human Resources (HR) service to create a structure that had sufficient capacity for HR to support the organisation in the most effective way in the future. HR's staffing establishment was significantly below the ratios of HR staff to size of workforce in other Surrey districts. The range of tasks carried out by HR was noted. The limited number of HR staff resulted in an overstretched team and delays. Unless further investment was made in HR it would be difficult to retain the existing staff.

The Committee noted the current structure of HR and the proposed revised structure and the costs of the changes. The proposed structure created additional professional capacity to support the substantial ongoing level of casework and the level of organisational change which was due to happen over the next few years. The Committee agreed that the proposed revised structure would provide a more resilient, flexible team with additional capacity at an economic cost and approved the proposed structure in principle subject to consultations with UNISON and the staff affected.

Resolved that –

the proposed structure be approved in principle subject to consultations with UNISON and the staff affected.

Further Loan Agreement For RBC Investments (Surrey) Ltd

By resolution of the Committee, the press and public were excluded from the meeting during the consideration of this matter under Section 100A (4) of the Local Government Act

1972 on the grounds that the discussion would be likely to involve the disclosure of exempt information of the description specified in paragraph 3 of Schedule 12A to Part 1 of the Act.

The Committee considered a report containing a proposal that the Council enter into an agreement to provide a further loan to RBC Investments (Surrey) Ltd (RBCI). RBCI was a Special Purpose Vehicle (SPV) that had been set up to acquire and manage residential investment property for letting in the private rented sector. RBCI provided funding to the Council's other two SPVs, RBC Services (Addlestone One) Limited and RBC Heat Company Limited, if they required it. The Corporate Management Committee exercised the function of shareholder of RBCI.

The Magna Square (formerly known as Egham Gateway) development report presented to the Committee in February 2020 set out the agreement for RBCI to take on private residential units in the new development. This was required in order for the residential units to be let as Private Rented Sector units with Assured Shorthold Tenancies. In order to achieve this, a new loan agreement was required to enable the company to buy the units from the Council.

The valuations and anticipated market rents agreed by the Committee were currently being reviewed to ensure that the original assumptions were still viable for RBCI to take on the loan. Should there be a need to review any of these details a further report would be brought to a future meeting of the Committee. However, it was anticipated that the loan amount set out in the report should be sufficient.

The method of calculation of the loan rate as set out in section 2 of the report and the Legal Implications of the loan were noted by the Committee. The Committee agreed that the rate of interest set out in the report was appropriate. The Committee noted the approximate amount of interest per annum which would be generated for the General Fund once all the units had been transferred across and recommended to Full Council the execution of the loan facility agreement.

Recommend to Full Council on 9 December 2021 that –

the execution of a loan facility agreement between the Council and RBC Investments (Surrey) Ltd be approved for the purchase of residential units in the Magna Square development at up to the sum reported to be repaid over a time period as reported.

Options For Leisure Provision In Runnymede

By resolution of the Committee, the press and public were excluded from the meeting during the consideration of this matter under Section 100A (4) of the Local Government Act 1972 on the grounds that the discussion would be likely to involve the disclosure of exempt information of the description specified in paragraphs 1 and 3 of Schedule 12A to Part 1 of the Act.

The Committee considered a report setting out options for future leisure provision in Runnymede. The options were set out in sections 3 and 4 of the report. The Committee noted the resource, legal, equality and environmental/sustainability/biodiversity implications of the options. The Committee also noted the views of the Council's independent consultant. Having considered this information, the Committee resolved as set out below.

Resolved that –

i) Option 2 as set out in paragraph 3.4 of the report be pursued;

ii) **the Chief Executive reports back to the next meeting of the Committee on the outcome of negotiations to achieve option 2 and the detailed terms of any such arrangements together with a project plan; and**

iii) **the Chief Executive reports back to the next meeting of the Committee on the options set out in paragraph 4.2 of the report.**

Urgent Action – Standing Order 42

By resolution of the Committee, the press and public were excluded from the meeting during the consideration of this matter under Section 100A (4) of the Local Government Act 1972 on the grounds that the discussion would be likely to involve the disclosure of exempt information of the description specified in paragraphs 1 and 3 of Schedule 12A to Part 1 of the Act.

The Committee noted proformas 988 and 989 detailing action taken after consultation with the Chairman and Vice-Chairman of the Committee. Proforma 988 had also been approved by the Chairman and Vice-Chairman of the Housing Committee and this Urgent Action would also be reported to the Housing Committee meeting on 12 January 2022.

(The meeting ended at 9.04.p.m.) Chairman

Runnymede Borough Council

APPENDIX 'B'

CORPORATE MANAGEMENT COMMITTEE

16 December 2021 at 7.30 p.m.

Members of the Committee present: Councillors N Prescot (Chairman), T Gracey (Vice-Chairman), D Cotty, L Gillham, J Gracey, M Heath, C Howorth, M Maddox, I Mullens, D Whyte and M Willingale.

Members of the Committee absent: Councillor M Cressey.

Fire Precautions

The Chairman read out the Fire Precautions.

Notification Of Change To Committee Membership

The Group mentioned below had notified the Chief Executive of their wish that the change listed below be made to the membership of the Committee. The change was for a fixed period ending on the day after the meeting and thereafter the Councillor removed would be reappointed.

Group	Remove From Membership	Appoint Instead
Runnymede Independent Residents'	Councillor A Alderson	Councillor I Mullens

The Chief Executive had given effect to this request in accordance with Section 16(2) of the Local Government and Housing Act 1989.

Apologies for Absence

None received.

Declarations Of Interest

None declared.

Review and Replacement Of Runnymede's Council Tax Discount Scheme For Empty Properties

The Committee considered a report advising them of the implications associated with any changes to the Council's current policy on Council tax discount for empty dwellings and the Council tax premium for dwellings that were empty for a long period of time. Local authorities had been given powers to amend the time period for Council Tax discount for empty dwellings (which were defined in the legislation as unoccupied and substantially unfurnished dwellings), and to increase the Council Tax premiums for longer term empty dwellings.

Currently the Council gave a 100% Council Tax discount for empty dwellings for up to 3 months and increased the additional amount payable (or premium) for Council Tax by 50% for dwellings empty for more than 2 years. If it chose to do so, the Council was able to reduce the time period for the 100% discount for empty dwellings from up to 3 months to up to 28 days and to increase the premium for Council Tax for dwellings empty for more than 2 years from 50% to 100%, for dwellings empty for more than 5 years from 50% to 200% and for dwellings empty for more than ten years from 50% to 300%. The Committee noted the consequences which would result from making these changes and considered whether or not to recommend that to Full Council that they be made.

At its meeting on 15 July 2021, Full Council had 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 the Government. This Motion had been lost and the Leader of the Council had stated that a report would be submitted to the Corporate Management Committee as part of the Medium-Term Financial Strategy (MTFS). As decisions on these issues were related to Council Tax rather than to the MTFS, the report was submitted to the Committee for it to make a recommendation to the Council Tax setting meeting of Full Council which would be held on 10 February 2022.

The Committee noted the policies of the other Surrey local authorities on this discount and on these premiums. Runnymede was the only Surrey authority that granted a 100% discount for up to 3 months. Most of them had reduced the discount period to 28 days or 1 month. Several Surrey authorities had applied Council Tax premiums of 100%, 200% and 300% to dwellings that had been empty for more than 2, 5 and 10 years respectively.

The estimated potential additional Council Tax raised by reducing the discount period from 3 months to 28 days was £87,662 and Runnymede's share of this sum would be £7,889. The estimated potential empty homes premium raised by increasing premiums at 2, 5 and 10 years by the percentages referred to above would be £317,785 and Runnymede's share of this sum would be £28,600.

Surrey County Council had indicated that it would be willing to reallocate its share of the Council tax premium funding (estimated at approximately £245,000) that would potentially directly result from changes in empty homes premium policies. This reimbursement would be available to fund new or extend existing initiatives and projects that directly supported a County initiative or specific project. However, it was noted that Runnymede would not derive benefit from this offer by Surrey County Council until 2023/24 and that the offer would only last for two years. Surrey County Council would require an audit of the sums that had been collected which would not be available until June/July of 2023.

The Committee noted that the overall potential approximate cost to the Housing Revenue Account of making these changes in respect of vacant properties would be £37,500 and that the potential cost of these changes to the Council in respect of other current vacant properties could be in the region of £93,000.

Properties left empty by deceased persons were exempt from Council Tax until 6 months after probate had been granted. The Committee noted details of numbers of properties in Runnymede paying Council Tax empty for more than 6 months but less than two years and those paying Council Tax that had been empty for more than 2 years. The Committee also noted the equality and environmental/sustainability/biodiversity implications in respect of considering a change to the Council Tax discount period and the Council Tax premium payable for empty properties.

A minority of Members of the Committee considered that given the increasing pressures on housing within the Borough, reducing the time period for the 100% discount and introducing the new premiums would provide a greater incentive for owners of empty properties to bring them back into use in a timely manner which would be a positive development. Additional revenue for Runnymede could also result if these changes were made.

However, a majority of Members of the Committee considered that the Council's policy on the time period for empty dwelling Council Tax discount and on the Council Tax premium for dwellings empty for more than two years should be unchanged for a number of reasons. The potential additional income which would result from these changes was speculative and uncertain. There would be potential costs to the Council in respect of current vacant properties as outlined above. Tracing persons liable for these additional amounts of Council Tax and obtaining summonses and court orders would be difficult and costs would be incurred by the Council's officers in pursuing these matters. It would be possible to avoid paying these extra sums quickly and legally. Making these changes would also have an adverse impact on bereaved families.

Recommend to Full Council on 10 February 2022 that with effect from 1 April 2022 -

i) the Council Tax discount for unoccupied and substantially unfurnished dwellings be retained at 100% for up to 3 months (Class C of the Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012); and

ii) 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 the additional amount payable for Council Tax for dwellings that are unoccupied and substantially unfurnished for more than two years be retained at 50%.

Council Tax Base and Collection Fund Surplus

The Committee considered a report on the 2022/23 Council Tax base and the projected Collection Fund surplus for the year ending 31 March 2022.The Council was 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 had to be provided with details by 31 January 2022 to allow them to set their precept.

The Council had to make a judgement on the level of Council Tax support and the collection rate. In normal years the number of households claiming Council Tax support had remained fairly constant and a consistent slightly over 98% of Council tax was collected within the financial year. As a result of the ongoing impact of Covid-19 on the collection rate, the estimated collection rate for 2021/22 had reduced from 98% to 96%. The Committee noted that the collection rate had increased to pre-pandemic levels and that in October 2021, the Council was slightly above its collection target of 98%. The Committee expressed its appreciation of the very high Council Tax collection rate that had been achieved by officers.

Any surplus or deficit on the Collection Fund account had to be paid over or collected by the preceptors in proportion to their precepts set for the year. The Committee noted a table showing the Collection Fund estimated surplus for the year ending 31 March 2022. There were over three months to go to the end of the financial year and the best estimate from the Council's Finance officers was a surplus of £1,907,737. The Committee noted the apportionment of this surplus to Surrey County Council, to Surrey Police and to Runnymede Borough Council.

In December 2020, the Government had changed the legislation to require the surplus or deficit to be spread. The surplus for Runnymede Borough Council would be £165,770 spread over three years from 2022/23 to 2024/25. The Band D equivalent tax base, after increasing the collection rate from 96% to 98%, from 33,404 to 34,524, would increase the expected Council Tax income to the Council in 2022/23.

Resolved that -

i) 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; and

ii) **the estimated surplus on the Collection Fund for 2022/23 be declared at £1,907,737 and split among the precepting authorities as reported and it be noted that Runnymede Borough Council's proportion after the spreading adjustment is £165,770.**

Medium Term Financial Strategy 2022/23 to 2024/25

The Committee considered a report on the draft budget for 2022/23 and the Medium Term Financial Strategy (MTFS) 2022/23 to 2024/25. The report contained the Section 25 report and the detailed risk analysis. The process of preparing the detailed 2022/23 budget and MTFS had begun in September 2021. The report contained the Section 25 report and the detailed risk analysis. The Section 25 report was compiled annually by the Section 151 officer (the Chief Financial Officer) and dealt with the robustness of the estimates included in the budget and the adequacy of reserves. The major review of how the Government intended to fund local authorities, known as the Fair Funding Review, had been delayed by the pandemic and was to be implemented in 2023/24. In late 2021 or early 2022 the Council would receive the detail behind the local government settlement, which would be a one year settlement for 2022/23 only.

In the winter of 2021/22, the impacts of Covid were still being felt across the UK and the emergence of the Omicron variant had led to increased numbers of Covid cases. In the early part of 2021, it had been anticipated that the threat from Covid would be receding. In 2021, the UK was not in the Covid recovery phase which was now anticipated to take place later in 2022 continuing into 2023. The MTFS was based on current forecasts and showed a reasonable, risk-based view of the Council's financial position. The MTFS was highly indicative at this stage. It was not known whether the Council's income streams would return to pre-pandemic levels in 2022 and 2023. One of the effects of the pandemic was that the variances between the original and the actual budgets were much larger than normal. The report covered the budget and medium term financial plans.

Since Business Rates Retention had been introduced, Runnymede had been in every Surrey business rates pool. The objects of the pool were to maximise the resources retained by each member of the pool and to minimise the collective risk of a significant fall in income collected across the pool. The 2022/23 Surrey business rates pool included those Surrey local authorities who were best placed to make the most financial gain for the pool members. Runnymede would be in the Surrey business rates pool for 2022/23 and the inclusion of the London Borough of Sutton in the 2022/23 pool resulted in Runnymede gaining an additional £900,000.

In 2020/21, the Government had paid the Council a grant of £9.6m to cover all the deficit relating to Covid, with a further £3.3m in 2021/22 to cover any future deficits. The Council would use those funds to repay Collection Fund deficits over three financial years.
When the Council set its final budget for 2022/23 in February 2022 an allowance would be made for inflation for the year. There was some uncertainty on inflation rates, mainly due to supply and demand issues. The original budget assumed and increase in costs of £329,000. Recent developments had meant that a further £429,000 had been added in 2022/23 and all subsequent years.

The projected commercial income that the Council would receive had held firm and Commercial Services had contacted all of the Council's tenants to arrange payment plans to pay existing rents and any arrears caused during lockdown. The Council was able to reduce its provision for voids and bad debts from £4,180,000 to £3,115,000. The original provision of 15% had been reduced to 11.5%. Monthly budget monitoring meetings would identify any corrective measures required. The interest charge to the revenue account remained lower than budgeted as officers had borrowed internally when interest rates were relatively high. From 31 March 2019 to 31 March 2021, the Council's commercial assets had appreciated in value by £29m.

The Committee noted that over the next few years, the Council was setting aside prudent sums to cover void periods and bad debts for its commercial income. The Council maintained two earmarked reserves to manage risk around dilapidation costs and to fund any large reductions in income. Some significant tenants had break clauses between 2026 to 2028. These earmarked reserves mitigated the risk of a re-gear of a lease including a rent free or rent reduction agreement. Officers were satisfied that the provision made in these reserves was adequate to cover this risk. In 2027 there was a potential need for more than £7 million to be included in the investment property income equalisation reserve for rent free lease periods. The balance on this reserve was estimated to increase from £3,750,000 at 31 March 2021 to £6,750,000 at 31 March 2025. The reserves would be reviewed every year to check that they were realistic and Commercial Services officers were negotiating with tenants on arrangements for regearing of leases in the future.

The Committee noted a MTFS 2021/22 to 2024/25 General Fund Summary. Adjustments to the 2021/22 base budget were noted. The Committee noted a table summarising the adjustments showing corporate property income or cost reduction/efficiency savings and increased costs. For 2021/22 the main reasons for the additional spending of £1.1million included Covid related income shortfalls and projects planned to start in 2020/21 which could not be completed due to the pandemic where the budgets had been carried forward as a previous year underspend.

The Council had undertaken a senior management restructure and a voluntary redundancy programme would reduce net costs by £380,000 every year from April 2022 onwards. This saving was made after creating new posts including a Bid Officer and a Climate Change Officer. It was noted that there was no extra provision in the budget for spending associated with the Climate Change Officer as it was anticipated that only small amounts of money would be required for environment related events (e.g. a green week) which could be contained within existing provision. It was noted that traveller provision in the budget had not as yet been spent as further work needed to be done before the traveller site which was located in Surrey but was outside Runnymede could be made available for use.

The Committee noted the new cost pressures identified for 2022/23 and potential income generation and revenue reduction ideas. Some of these schemes were included in the draft budgets but had not been approved by Members but as most of these schemes were in an advanced planning stage they had been included in the budget, subject to Member final approval.

The Council would maintain a working balance to fund any unforeseen new costs or reductions in income to the year ending March 2023 when it approved a budget in February 2022. The Committee noted a General Fund Revenue Reserves Calculation Of Minimum Prudent Balance which showed the minimum recommended level of unallocated General Fund reserves based on an assessment of risks and uncertainties. The General Fund Working Balance would remain at no lower than £3 million. The Council had sufficient reserves to continue to provide the same level of service using reserves for several years. The Committee noted a table showing how the reserves were likely to be used until 31 March 2025.

The Committee noted a summary of the capital programme up until 2025/26 and a scheme break down over a five year period. All capital expenditure, unless funded by selling other assets to generate a capital receipt, or by capital grants of contributions, had to be funded from the Council's annual revenue stream. The main schemes to be funded in the capital programme included a contribution of up to £5m towards the Thames flood relief scheme, a contribution of up to £2m to Surrey County Council for improvement to the A320, Egham regeneration, raising energy efficiency ratings and developing digital services infrastructure. The Committee noted the maturity profile of the Council's loan portfolio. The Council set aside cash reserves to repay debt which was known as the Minimum Revenue Provision (MRP). The MRP allowed the Council to fully repay debt when it matured and to not refinance loans at higher interest rates.

Runnymede had the lowest Council Tax in Surrey and one of the lowest in England. For several years now, the Government had set referendum limits so that local authorities could not raise the Council Tax beyond a certain level without holding a referendum, at the cost of the authority, to seek the local electorate's approval to set a higher tax rate. The draft budget assumed that the limit for low Council Tax rate Councils would be set at an increase in the Band D Council tax rate of 3% or £5 a year, whichever was the higher. In Runnymede a £5 a year increase would yield more than a 3% increase. The Committee agreed to recommend that Runnymede should increase its Council Tax in 2022/23 by the maximum amount allowable without holding a referendum. The Committee noted the effect on the Council's income for 2022/23, 2023/24 and 2024/25 if it did not increase the Council Tax by this amount.

The report centred on the risks faced by the Council and how those risks had been evaluated in financial terms to give the Council the resilience to deal with them. The Council's current Section 151 officer was retiring in December 2021 and he had gone through the budget with the Council's new section 151 officer who was content that the budget, reserves and financial position of the Council were robust.

Recommend to Full Council on 10 February 2022 that –

i) the Medium – Term Financial Strategy be approved;

ii) the Band D Council Tax rate be increased by £5 subject to Government referendum limits; and

iii) the revised budget for 2021/22 and 2022/23 be approved.

Update For Shareholders In Respect Of RBC Companies

This item was withdrawn under Standing Order 27.7.

Re – Establishment Of Post In Development Management and Building Control

By resolution of the Committee, the press and public were excluded from the meeting during the consideration of this matter under Section 100A (4) of the Local Government Act 1972 on the grounds that the discussion would be likely to involve the disclosure of exempt information of the description specified in paragraphs 1 and 3 of Schedule 12A to Part 1 of the Act.

The Committee considered a report which proposed that a full time post of Technical Administrator be re-established within the Council's Development Management and Building Control service. The Committee noted the specialist duties of the technical administration team within the Council's Development Management and Building Control service. In 2019, a Technical Administrator post had been removed from the team and an apprentice had been put in post. This apprentice post was for a period of just over 2 years and the apprenticeship would end early in 2022.

The workload of the team had been steadily increasing, the nature of the work had become more complex and Runnymede's staffing levels for the functions of the team were low when compared to a number of other local authorities. Officers had considered not recruiting to the post, delivering the services of the team in a different way, recruiting a new apprentice or re-establishing the post. Officers had recommended that the Technical Administrator post be added to the Council's establishment in order to maintain the level of performance and resilience within the team.

The Committee agreed that the best option was to reintroduce the post and to recruit a full time permanent member of staff. This new post could be funded from existing budgets in at least the short to medium term. The apprentice funds would become available for other roles, either within the Development Management and Building Control service, or in other services of the Council.

Resolved that –

a full time post be added to the Council's establishment for the reintroduction of a Technical Administrator : Development Management and Building Control (Grade 6/7) at a maximum cost in the sum reported (including on-costs).

Addlestone One Lettings

By resolution of the Committee, the press and public were excluded from the meeting during the consideration of this matter under Section 100A (4) of the Local Government Act 1972 on the grounds that the discussion would be likely to involve the disclosure of exempt information of the description specified in paragraph 3 of Schedule 12A to Part 1 of the Act.

Approval was sought for the proposed letting of two commercial units in the Addlestone One development. It was noted that a previous offer from another business for one of these units had fallen through. The details of the proposed business operations and the proposed Heads of Terms for both businesses were noted. The Committee commended officers on bringing these proposals forward which would enhance the development and approved the proposed Heads of Terms for both units. The Committee agreed that delegated authority be given to the Chief Executive for the final sign off of the financial vetting for these two commercial units.

Resolved that –

i) the agreed Heads of Terms outlined in the body of the report for two of the commercial units in the Addlestone One development be approved and leases be granted for these two commercial units; and

ii) delegated authority be given to the Chief Executive for the final sign off of the financial vetting for these two commercial units.

Law and Governance Service Review

By resolution of the Committee, the press and public were excluded from the meeting during the consideration of this matter under Section 100A (4) of the Local Government Act 1972 on the grounds that the discussion would be likely to involve the disclosure of exempt information of the description specified in paragraph 3 of Schedule 12A to Part 1 of the Act.

This item was withdrawn under Standing Order 27.7.

Mr Peter McKenzie – Assistant Chief Executive

It was noted that Mr Peter McKenzie, the Council's Assistant Chief Executive and Section 151 officer (Chief Financial Officer), would be retiring in December 2021. Members thanked Mr McKenzie for his years of service to the Council and expressed their best wishes to him for the future.

(The meeting ended at 8.49.p.m.) Chairman

4. **Apologies For Absence**

5. **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.

6. **2022/23 Treasury Management Strategy, Annual Investment Strategy, Prudential and Treasury Management Indicators and Minimum Revenue Provision Statement (Finance - Paul French)**

Synopsis of report:

The report sets out the Treasury Management Strategy, Prudential and Treasury Management Indicators, and Minimum Revenue Provision Statement for 2022/23.

This report should be read in conjunction with the Capital Strategy report set out elsewhere on this agenda

Recommendations to Full Council on 10 February 2022:

i) **The proposed 2022/23 Treasury Management Strategy encompassing the Annual Investment Strategy attached at Appendix 'C' be approved.**

ii) **The Prudential and Treasury Management Indicators for 2022/23 attached at Appendix 'D' be approved.**

iii) **The authorised limit for external borrowing by the Council in 2022/23, be set at £720,710,000 (this being the statutory limit determined under Section 3 (1) of the Local Government Act 2003).**

iv) **The Council's MRP statement for 2022/23 be agreed as follows:**

"The Council will use the asset life method as its main method for calculating MRP.

In normal circumstances, MRP will be set aside from the date of acquisition. However, in relation to capital expenditure on property purchases and/or development, we will start setting aside an MRP provision from the date that the asset becomes operational and/or revenue income is generated".

1. Context of report

1.1 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 commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

1.2 The second main function of the treasury management function is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.3 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting 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.

1.4 The Council recognises that effective financial planning, option appraisal, risk management and governance processes are essential in achieving a prudent approach to capital expenditure, investment and debt. Therefore, all investment decisions (treasury and non-treasury) are taken in light of the Council's Corporate Business Plan, Medium Term Financial Strategy, Capital Strategy and Treasury Management Strategy.

1.5 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

"The management of the local authority's borrowing, investments and cashflows, 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".

1.6 The Council has adopted both the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes – 2017 Edition (the TM Code) and the Prudential Code (the Code) and this report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the relevant CIPFA Codes and the Department for Levelling Up, Housing and Communities (DLUHC – formerly the Ministry for Housing, Communities and Local Government – MHCLG) Guidance on Local Authority Investments. (DLUHC Investment Guidance).

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

- Prudential and Treasury Indicators and Treasury Management Strategy (this report)
- A mid year Treasury Management Report
- An annual Treasury Report

1.8 The Treasury Management Strategy (TMS) sets out the framework each year for the Council's treasury operations. It covers two main areas:

Capital Issues:

- the capital expenditure plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues:

- Policy on the use of external service providers
- The economy and prospects for interest rates
- The current treasury position
- Borrowing strategy
- Policy on borrowing in advance of need
- Debt restructuring
- Annual investment strategy
- Treasury indicators which limit the risk and activities of the Council
- Other treasury matters (required under DLUHC Investment Guidance)

1.9 The Council has delegated responsibility for the implementation and regular monitoring of its treasury managemnet policies and practices to the Corporate Management Committee, and for the execution and administration of treasury management decisions to the Assistant Chief Executive, who will act in accordance with the Council's Treasury Policy Statement and Treasury Management Practices (TMP).

1.10 These reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Overview and Scrutiny Select Committee which will be considering this report at its meeting on 3 February 2022.

1.11 A glossary of treasury terms has been included at Appendix 'E' to assist Members with some of the terms covered in this report.

2 Capital Strategy

2.1 The CIPFA Prudential and Treasury Management Codes require all local authorities to prepare a Capital Strategy report 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

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

2.3 The Capital Strategy is reported separately from the Treasury Management Strategy Statement to ensure the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercial investments usually driven by expenditure on an asset.

2.4 To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this TMS report.

3 Revised CIPFA Treasury Management Code and Prudential Code

3.1 CIPFA published its revised Treasury Management and Prudential Codes on 20 December 2021 and has stated that formal adoption is not required until the 2023/24 financial year. The Council has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.

3.2 DLUHC is proposing to tighten up regulations around local authorities financing capital expenditure on investments in commercial projects for yield and has already closed access to all PWLB borrowing if such schemes are included in an authority's capital programme. The new CIPFA codes have also adopted a similar set of restrictions to discourage further capital expenditure on commercial investments for yield.

3.3 The revised codes will have the following implications:

- a requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;
- clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment;
- require implementation of a policy to review commercial property, with a view to divest where appropriate;
- create new Investment Practices to manage risks associated with non-treasury investment (similar to the current Treasury Management Practices);
- ensure that any long term treasury investment is supported by a business model;
- a requirement to effectively manage liquidity and longer term cash flow requirements;
- amendment to TMP1 (Treasury Management Practice 1) to address Environmental, Social and Governance (ESG) policy within the treasury management risk framework;
- amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;
- a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage).

3.4 The Prudential Code states that it applies with immediate effect, except authorities may defer introducing revised reporting requirements until the 2023/24 financial year. Officers have incorporated some of the new requirements in both the Capital and Treasury Management Strategies for next year and will look to enhance all future reports with the new reporting requirements once the associated guidance notes have been received. This will include any necessary updates of the Council's

Treasury Management Policy Statement, Treasury Management Practices (TMPs) and Treasury Management Schedules (TMSs).

4 Minimum Revenue Provision (MRP) Policy Statement

4.1 When a Council funds capital expenditure by borrowing, the costs are charged to the Council Tax payer in future years, reflecting the long-term use of the assets. Unlike a mortgage where amounts of principal are repaid each month, the borrowing undertaken by a Council is usually repayable on maturity at an agreed future date. The interest on borrowing is charged in the year it is payable.

4.2 To reflect this, the Council is required to pay off an element of the accumulated General Fund capital spend each year 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). The MRP exists as a charge to revenue each year in order to have sufficient monies set aside to meet the future repayment of principal on any borrowing undertaken. There is not an earmarked reserve for MRP, it is represented in the accounts as increased cash.

4.3 There is no requirement on the Housing Revenue Account (HRA) to make MRP.

4.4 Revised statutory guidance has been issued by the DLUHC which local authorities are required to have regard to which requires the full Council to approve an MRP Statement in advance of each year. The aim of the DLUHC Investment Guidance is to ensure that debt is repaid over a period that is commensurate with that over which the capital expenditure provides benefits. The guidance recommends 4 options for calculating a prudent MRP as follows:

1. Regulatory Method
2. CFR Method
3. Asset Life Method (repayment over the useful life of the asset on an asset life basis)
4. Depreciation Method (cost less estimated residual value)

Options 1 and 2 should normally only be used for Government-supported borrowing with options 3 and 4 being used for self-financed borrowing.

4.5 In December 2014 the Council set an MRP Statement to relate to prudent provisions and the relevant useful lives of assets. These will be unique to each asset borrowed against and as such will not affect the overall method chosen for calculating MRP. The current MRP Policy is as follows:

"The Council will use the asset life method as its main method for calculating MRP. In normal circumstances, MRP will be set aside from the date of acquisition. However, in relation to capital expenditure on property purchases and/or development, we will start setting aside an MRP provision from the date that the asset becomes operational and/or revenue income is generated. Where schemes require interim financing by loan, pending receipt of an alternative source of finance (for example capital receipts) no MRP charge will be applied".

4.6 In November 2021, the Government began a consultation exercise on proposed amendments to the MRP regulations to take effect from 1 April 2023. The paper primarily covers concerns that the government has in respect of compliance with the duty to make a prudent revenue provision for all borrowing. It's intention is not to change policy, but to clearly set out in legislation the practices that authorities should already be following.

4.7 Whilst it is not something that the Council has ever done, part of the Council's current MRP Policy states that "*Where schemes require interim financing by loan, pending receipt of an alternative source of finance (for example capital receipts) no MRP charge will be applied".* This would appear to be contrary to the amendments being consulted on. As this will have no effect on our current operations or plans, it is proposed to remove this line from the Policy for 2022/23 and the recommendations to the report have been worded accordingly.

4.8 Any charges made over the statutory MRP, VRP or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, the Council's MRP policy must disclose the cumulative overpayment made each year. Up until the 31 March 2021 the Council had made no such VRP overpayments.

5 Treasury Management Strategy (TMS)

Treasury management consultants and training

5.1 The Council recognises that there is value in employing external providers of treasury management services in order to secure access to specialist skills and resources. Link Asset Services (Link) provide this service to the Council, although responsibility for final decision making remains with the Council and its officers at all times.

5.2 The quality of this service is controlled by the Assistant Chief Executive assessing the quality of advice offered and other services provided by Link. In particular, the Assistant Chief Executive holds regular meetings with Link (normally 3 to 4 times a year) where, in addition to discussing treasury strategy, the performance of the consultants is reviewed.

5.3 The needs of the Council's treasury management staff for training in investment management are assessed every year as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. Relevant training courses, seminars and conferences are provided by a range of organisations including Link and CIPFA.

5.4 The CIPFA Code requires the Assistant Chief Executive to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny. Member training was last carried out by Link to 22 Members in November 2017. Further training was planned for November 2021. However, CIPFA are now proposing a Treasury Management Knowledge and Skills Framework for officers and Members in the latest treasury code updates including a learning needs analysis to support it so this training has been deferred until 2022 to ensure any new requirements are met.

The economy and prospects for interest rates

5.5 The Council has appointed Link 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 paragraphs gives Link's view on interest rates and the economy as at 20 December 2021.

Link Group Interest Rate View 20.12.21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

5.6 Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.

5.7 As shown in the forecast table above, the forecast for Bank Rate now includes four increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

5.8 It is not expected that Bank Rate will go up fast after the initial rate rise as the supply potential of the economy is not likely to have taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to around 5%. The forecast includes four increases in Bank Rate over the three-year forecast period to March 2025, ending at 1.25%. However, it is likely that these forecasts will need changing within a relatively short timeframe for the following reasons: -

- We do not know how severe an impact Omicron could have on the economy and whether there will be another lockdown or similar and, if there is, whether there would be significant fiscal support from the Government for businesses and jobs.

- There were already increasing grounds for viewing the economic recovery as running out of steam during the autumn and now into the winter. And then along came Omicron to pose a significant downside threat to economic activity. This could lead into stagflation, or even into recession, which would then pose a dilemma for the MPC as to whether to focus on combating inflation or supporting economic growth through keeping interest rates low.

- Will some current key supply shortages spill over into causing economic activity in some sectors to take a significant hit?

- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation.

- On the other hand, consumers are sitting on over £160bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?

- It looks as if the economy coped well with the end of furlough on 30th September. It is estimated that there were around 1 million people who came off furlough then and there was not a huge spike up in unemployment. The other side of the coin is that vacancies have been hitting record levels so there is a continuing acute shortage of workers. This is a potential danger area if this shortage drives up wages which then feed through into producer prices and the prices of services i.e., a second-round effect that the MPC would have to act against if it looked like gaining significant momentum.

- We also recognise there could be further nasty surprises on the Covid front beyond the Omicron mutation.

- If the UK invokes article 16 of the Brexit deal over the dislocation in trading arrangements with Northern Ireland, this has the potential to end up in a no-deal Brexit.

5.9 In summary, with the high level of uncertainty prevailing on several different fronts, we expect to have to revise our forecasts again - in line with whatever the new news is.

5.10 It should also be borne in mind that Bank Rate being cut to 0.25% and then to 0.10%, were emergency measures to deal with the Covid crisis hitting the UK. At any time, the MPC could decide to simply take away such emergency cuts on no other grounds than they are no longer warranted, and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

5.11 **Forecasts for PWLB rates and gilt and treasury yields**: Since the start of 2021, we have seen a lot of volatility in gilt yields, and hence PWLB rates. As the interest forecast table for PWLB certainty rates above shows, there is forecast to be a steady, but slow, rise in both Bank Rate and gilt yields during the forecast period to March 2025, though there will doubtless be a lot of unpredictable volatility during this forecast period.

5.12 While monetary policy in the UK will have a major impact on gilt yields, there is also a need to consider the potential impact that rising treasury yields in America could have on our gilt yields. As an average since 2011, there has been a 75% correlation between movements in US 10-year treasury yields and UK 10-year gilt yields. This is a significant UPWARD RISK exposure to our forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.

5.13 There are also possible DOWNSIDE RISKS from the huge sums of cash that the UK populace have saved during the pandemic; when savings accounts earn little interest, it is likely that some of this cash mountain could end up being invested in bonds and so push up demand for bonds and support their prices i.e., this would help to keep their yields down. How this will interplay with the Bank of England eventually getting round to not reinvesting maturing gilts and then later selling gilts, will be interesting to monitor.

5.14 As the US financial markets are, by far, the biggest financial markets in the world, any upward trend in treasury yields will invariably impact and influence financial markets in other countries. Inflationary pressures and erosion of surplus economic capacity look much stronger in the US compared to those in the UK, which would suggest that Fed rate increases eventually needed to suppress inflation, are likely to be faster and stronger than Bank Rate increases in the UK. This is likely to put upward pressure on treasury yields which could then spill over into putting upward pressure on UK gilt yields.

5.15 The forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU within the forecasting period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and Russia, China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

5.16 One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Fed, the Bank of England and the ECB, to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on to stop it going above a target rate. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on ‘achieving broad and inclusive “maximum” employment in its entirety’ in the US, before consideration would be given to increasing rates.

The current treasury position and prospects for investment rates

5.17 Investment returns are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations. Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England and still remain at historically low levels.

5.18 Based on the forecast rates in paragraph 5.5, the assumed investment earnings rates for returns on investments placed for periods up to about three months during each financial year, (based on a first increase in Bank Rate in quarter 2 of 2022), are as follows:

Average earnings in each year	Expected return
2022/23	0.50%
2023/24	0.75%
2024/25	1.00%
2025/26	1.25%
Long term later years	2.00%

5.19 The Council's treasury portfolio position as at 31 December 2021 comprised of:

	31 Mar 21 £'000	**31 Dec 21 £'000**
Borrowing		
Fixed Rate - PWLB	627,292	602,292
Fixed Rate - Money Market	0	55,000
TOTAL BORROWING	**627,292**	**657,292**
Specified Investments		
Banking sector	12,000	22,000
Building societies	5,000	13,000
Local Authorities	33,000	29,500
Money Market Funds	12,490	23,000
Unspecified Investments		
Pooled Funds & Collective Investment Schemes	4,000	4,000
Funding Circle	206	154
TOTAL INVESTMENTS	**66,696**	**91,654**
NET BORROWING	**560,596**	**565,638**

5.20 All Investments are made with reference to the Council's core balances and cash flow requirements which are derived from the annual budget, the Medium Term Financial Strategy, the Capital Programme and Capital Strategy, 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, 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.

5.21 It is important that the Council manages its treasury management activities to maximise investment income and reduce debt interest, whilst managing its exposure to risk and maintaining appropriate liquidity to meet its needs. Based on the above forecasts, the 2022/23 estimate for investment income and debt interest split between the General Fund and Housing Revenue Account (HRA) is as follows:

	General Fund £'000	HRA £'000	Total £'000
Gross external investment income	347	96	443
Interest on loans to RBC companies	1,862	0	1,862
Dividend income	120	0	120
Interest paid on deposits and other balances	(1)	0	(1)
Net Investment Income	**2,328**	**96**	**2,424**
Debt Interest	(13,480)	(3,379)	(16,859)
Management Expenses	(27)	0	(27)
Net Investment Income / (Debt interest)	**(11,179)**	**(3,283)**	**(14,462)**

5.22 The estimate is based on achieving the assumed interest rates set out in paragraph 5.18 using the level of revenue and capital reserves for 2022/23 as set out in the latest capital and revenue budgets contained in the Medium Term Financial Strategy.

Policy on charging interest to the Housing Revenue Account (HRA)

5.23 The Council operates a two-pooled approach to its loans portfolio, which means we separate HRA and General Fund long-term loans. Interest payable and other costs or income arising from long-term loans (for example premiums and discounts on early redemption) are charged or credited to the respective revenue account.

5.24 Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. We will calculate an average balance for the year and interest will be transferred between the General Fund and HRA at the Council's weighted average return on all its investments, adjusted for credit risk. This credit risk adjustment reflects the risk that any investment default will be a charge to the General Fund regardless of whether it was HRA cash that was lost.

Borrowing Strategy

5.25 The proposed new Prudential Code considers that legitimate examples of prudent borrowing include:

a) financing capital expenditure primarily related to the delivery of a local authority's functions
b) temporary management of cash flow within the context of a balanced budget
c) securing affordability by removing exposure to future interest rate rises
d) refinancing current borrowing, including replacing internal borrowing, to manage risk or reflect changing cash flow circumstances.

The Prudential Code determines certain acts or practices that are not prudent activity for a local authority and incurs risk to the affordability of local authority investment. To this extent the guidance states "An authority **must not** borrow to invest for the primary purpose of commercial return". These principles apply to prudential borrowing for capital financing, such as externalising internal borrowing for the primary purpose of commercial return.

5.26 Access to the PWLB is essential for the Council to ensure liqidity and cheap borrowing. The Government's new rules for access to PWLB lending introduced at the start of 2021 require statutory Chief Finance Officers to certify that their Council's capital spending plans do not include the acquisition of assets primarily for yield, reflecting the view that local authority borrowing powers are granted to finance direct investment in local service delivery (including housing, regeneration and local infrastructure) and for cash flow management rather than to add gearing to return-seeking investment activity. Local authorities should not borrow to finance acquisitions where obtaining commercial returns is a primary aim.

5.27 In general the Council will borrow for one of two purposes – to finance cash flow in the short term or to fund capital investment over the longer term. The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

5.28 A key aim of the Treasury Management Strategy is to minimise the cost of the Council's loan portfolio whilst ensuring that the obligation to repay the loan is spread over a period of time. This reduces the impact on the revenue budget of interest payments.

5.29 The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period which the funds are required. Against this background and the risks within the economic forecast, caution will be adopted with the 2022/23 treasury operations. The Assistant Chief Executive will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

5.30 Short term borrowing is the cheapest option but leaves the Council exposed to refinancing risk, which can be divided into interest rate risk (the risk that rates will rise) and availability risk (the risk that no-one will lend to the Council).

5.31 The Council's strategy for long term borrowing is currently as follows:

Sources of borrowing

The approved sources of long-term and short-term borrowing will be:

- *Public Works Loan Board (PWLB)*
- *any institution approved for investments*
- *any other bank or building society approved by the Financial Conduct Authority*
- *UK public and private sector pension funds and Insurance Companies (except the Surrey Pension Fund)*
- *Capital market bond investors*
- *UK Municipal Bond Agency plc and other special purpose companies created to enable joint local authority bond issues (subject to committee report).*

Debt instruments

Borrowing will be arranged by one of the following debt instruments:

- *fixed term loans at fixed or variable rates of interest, subject to the limits in the treasury management indicators*
- *bonds*

5.32 Any proposed borrowing will only be undertaken on a phased basis in accordance with agreed plans and requirements at that time. The borrowing of money purely to invest or lend-on to make a return is unlawful.

Policy on Borrowing in Advance of Need

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

5.34 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. In determining whether borrowing will be undertaken in advance of need the Council will:

- Ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need.
- Ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered.
- Evaluate the economic and market factors that might influence the manner and timing of any decision to borrow.
- Consider the merits and demerits of alternative forms of funding.

5.35 The total amount borrowed will not exceed the authorised borrowing limit. The maximum period between borrowing and expenditure is expected to be no more than six months, although the Council does not link particular loans with particular items of expenditure.

Debt restructuring

5.36 From time to time there may be potential opportunities to generate savings by switching from long term debt to short term debt and vice versa. Any such debt restructuring will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

5.37 The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- to enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

5.38 Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

5.39 Restructuring of the Council's current debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates. All rescheduling will be reported to the Council, at the earliest meeting following its action.

Annual Investment Strategy

5.40 The DLUHC 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 are held for two purposes, to generate income and to meet a strategic priority. These are entered into outside of normal treasury management activities, but nevertheless the TMS comes into play in their financing. The Council recognises that investment in other financial investments taken for non-treasury management purposes, requires careful investment management and all such investments are covered in the Capital Strategy (reported elsewhere on this agenda).

5.41 Local authorities must draw up an "Annual Investment Strategy" for the following financial year. This strategy may be revised at any time, but Full Council must approve the revisions. Both the TM Code and the DLUHC Investment Guidance place a high priority on the management of risk and require the Council to invest its funds prudently and to have regard to the security and liquidity of its investments before seeking high returns (yield). This approach is inherent in our treasury management strategy.

5.42 In accordance with the above guidance, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration of risk.

5.43 The DLUHC Investment Guidance requires local authorities to cover a number of issues in their Annual Investment Strategy and the Council's strategy fully complies with these requirements. The Council approved its Annual Investment Strategy for 2021/22 in February 2021 and an updated Strategy for 2022/23 is set out at Appendix 'C'.

5.44 There are no major changes to the proposed strategy for next year. However, as a consequence of setting aside MRP, cash balances will increase over time as that money is set aside awaiting repayment of the loan. The knock-on effects of this is that there is more money to invest until the principal sums borrowed mature which means the Council will need to increase its counterparty limits and/or seek additional investment vehicles for its money. Estimated cumulative MRP balances built up over the next couple of years are anticipated to be as follows:

	MRP cumulative balance at 31 March £'000
2022/23	16,748
2023/24	21,334
2024/25	26,218

5.45 A close eye will be kept on the limits for each counterparty to ensure that the increasing balances held as a result of setting aside MRP can be adequately catered for and any required amendments will be brought back to this Committee for approval.

6 Treasury Management Risks

6.1 Treasury management activity involves risks which cannot be eliminated but need to be managed. Treasury management risks could be defined as: The ongoing activity of adjusting the authority's treasury exposures due to changing market or domestic circumstances, in order to manage risks and achieve better value in relation to the authority's objectives. The effective identification and management of these risks are integral to the Council's treasury management objectives. All treasury activity needs to be managed to maximise investment income and reduce debt interest whilst maintaining the Council's exposure to risk.

6.2 Overall responsibility for treasury management risk remains with the Council at all times. None of the regulations or guidance prescribes any particular treasury management strategy for local authorities to adopt. The Council's lending & borrowing list is regularly reviewed during the financial year and credit ratings are monitored throughout the year to minimise future risks.

6.3 The DLUHC issued revised statutory guidance on Local Government Investments in 2018, the DLUHC Investment Guidance, and this forms the structure of the Council's policies. The key intention of the DLUHC Investment Guidance is to maintain the current requirement for Councils to invest prudently, and that priority is given to security and liquidity before yield. This means that first and foremost the Council must ensure the security of the principal sum invested (i.e. ensure the full investment is returned), then ensure that we have the liquidity we need (i.e. ensure we have the funds available when we need them), and only then should the yield on return be considered. In order to facilitate this objective, the DLUHC Investment 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 (2017 Edition) (TM Code). The Council adopted the TM Code in March 2018 and applies its principles to all investment activity.

6.4 The Prudential and Treasury Codes set as a prime policy objective the security of funds, and the avoidance of exposing public funds to unnecessary or unqualified risk. All authorities should consider a balance between security, liquidity and yield which reflects their own appetite, but which prioritises security over yield.

6.5 In accordance with the TM Code, the key treasury risks are discussed in detail in the Council's Treasury Management Practices (TMPs) and in the Council's Statement of Accounts both of which can be found on the Council's website.

7 Non-Treasury Management Investment

7.1 The new Prudential and Treasury codes state that all investments and investment income must be attributed to one of the following three purposes:

- Treasury Management
- Service Delivery
- Commercial return

7.2 Treasury Management income arises from the Council's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments. This is what the Treasury Management Strategy is designed to cover. Explanations of the other two areas are set out below.

Service Investments

7.3 The Council may lend money to its subsidiaries, its suppliers, local businesses, local charities or housing associations etc. to support local public services and stimulate local economic growth. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose". Such loans are treated as capital expenditure for accounting purposes.

7.4 For any new loans, the Council will ensure that a full due diligence exercise is undertaken and adequate security is in place. The business case will balance the benefits and risks. All loans are agreed by the Section 151 Officer. All loans will be subject to regular monitoring.

7.5 The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. Therefore, the Council will take security against assets to mitigate the risk of default.

7.6 Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts is shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

Commercial Investments

7.7 These are investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a council's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. "An authority must not borrow to invest primarily for financial return".

7.8 Although it has done so in the past, the Council no longer invests in new commercial property if it is held primarily to generate income. The Council will invest in the commercial property only where the main purposes are to regenerate areas of the borough, encourage private investment and to create or retain local jobs.

7.9 The Council assesses the risk of loss before entering into and whilst holding property investments by having clear, robust and transparent governance arrangements in place as set out in the Capital Strategy. This is critical in meeting the statutory guidance and ensuring an appropriate level of due diligence and scrutiny is applied, together with objective arms-length external advice where appropriate.

7.10 The risk of not achieving the desired income or an unexpected maintenance liability is partially covered by both an income equalisation reserve and a property maintenance reserve. Annual payments are deducted from the rental income each year to add to these reserves.

8. Prudential and Treasury Management Indicators 2022/23

8.1 The Code requires all local authorities to look at capital expenditure and investment plans in light of the overall organisational strategy and resources and make sure that decisions are being made with sufficient regard to the long run financial implications and potential risks to the authority. The key objectives of the Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable; that treasury management decisions are taken in accordance with good professional practice; and that local strategic planning, asset management planning and proper option appraisal are supported.

8.2 The Council recognises that effective financial planning, option appraisal, risk management and governance processes are essential in achieving a prudent approach to capital expenditure, investment and debt. Therefore, all investment decisions (treasury and non-treasury) are taken in light of the Council's Corporate Business Plan, Medium Term Financial Strategy, Capital Strategy (including the Property Investment Strategy) and Treasury Management Strategy.

8.3 In setting or revising their prudential indicators, local authorities must have regard to:

- Service objectives e.g. strategic planning for the authority
- Stewardship of assetse.g. asset management planning
- Value for money e.g. option appraisal
- Prudence and sustainability e.g. implications for external borrowing
- Affordability e.g. implications for Council Tax and balances
- Practicality e.g. achievability of the forward plan.

8.4 To demonstrate that these objectives are being fulfilled the Code operates through the provision of prudential indicators which highlight particular aspects of capital expenditure planning. Each indicator is annually updated as part of the budget process and projected forward for the next three years. The Code requires that the Council approves certain mandatory prudential indicators.

8.5 Prudential Indicators are designed to support and record local decision making. They are not performance indicators and are not comparable between authorities, all of whom will have differing policies and debt positions. In addition, the indicators should not be taken individually; the benefit from monitoring will arise from following the movement in indicators and the year on year changes over time.

8.6 Both the Code and the TM Code set definitions for the terms used and the method of calculating the indicators. A complete set of all indicators, which are a mix of estimated and actual figures, ratios, and limits, is set out in Appendix 'D'.

Changes for 2022/23

8.7 The main indicators are the Authorised Limit for external borrowing and the Capital Financing Requirement (CFR) which is essentially a measure of the Council's underlying borrowing need. A new indicator being introduced by the updated Prudential framework is the Liability Benchmark. The Liability Benchmark is effectively the Net Borrowing Requirement of a local authority plus a liquidity allowance. In its simplest form, it is calculated by deducting the amount of investable resources available on the balance sheet (reserves, cash flow balances) from the amount of outstanding external debt and then adding the minimum level of investments required to manage day-to-day cash flow. This will be introduced into future reports once the guidance on its completion has been received.

8.8 All the indicators for 2022/23 include a provision for the effects of the introduction of International Financial Reporting Standard 16: Leases (IFRS16). This standard comes into effect on 1 April 2022 and brings all leases onto the Council's Balance Sheet as a debt liability for the first time. The inclusion of a provision into the indicators to account for leases is important as from 1 April 2022 it will be unlawful to enter into a lease if there is no headroom in the authorised limit for the new lease liability.

9 Legal Implications

9.1 The powers for a local authority to borrow and invest are governed by the Local Government Act 2003 (LGA 2003) and associated Regulations. A local authority may borrow or invest for any purpose relevant to its functions, under any enactment, or for the purpose of the prudent management of its financial affairs. The Regulations also specify that authorities should have regard to the CIPFA Treasury Management Code and the DLUHC Investment Guidance when carrying out their treasury management functions.

9.2 Part 1 of the LGA 2003 established the legislative framework for the prudential capital finance system for local authorities.

9.3 The LGA 2003 requires each Council to set an affordable borrowing limit. The Full Council must carry out this duty; it cannot be delegated. Having set this limit the Council may not exceed it except for specified temporary purposes. However, the Council can make a new limit at any time.

9.4 Regulations require local authorities to have regard to The Prudential Code when carrying out their duties under Part 1 of the LGA 2003. The Code requires that all prudential indicators are set, and revised, only by the Full Council. This is because the need for Members to approve prudential indicators for capital finance is regarded as an important part of the governance responsibilities of a local authority.

9.5 The LGA 2003 provides the Government with reserve powers to set borrowing limits for local authorities that override their locally determined limits. This could be in the form of a national limit – this can only be imposed for national economic reasons – or a specific limit to prevent an individual authority borrowing more than it could afford.

9.6 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) state:

“A local authority shall determine for the current financial year an amount of minimum revenue provision which it considers to be prudent.”

10. Environmental/Sustainability/Biodiversity implications

10.1 Ethical or Sustainable investing is becoming a more commonplace discussion within the wider investment community. There are currently a small, but growing number of financial institutions and fund managers promoting Environmental, Social and Governance (ESG) products. However, the types of products we can invest in are constrained to those set out in our Investment Strategy which is driven by investment guidance, both statutory and from CIPFA, making it clear that all investing must adopt SLY principles – security, liquidity and yield: ethical issues must play a subordinate role to those priorities.

10.2 ESG investing means different things to different people and can be highly subjective. For instance, some funds may invest in products that are known to be harmful, such as tobacco and alcohol but will not touch those that engage in other legal but morally ambiguous products. Likewise, gas or electricity companies may be shunned by a fund that does not like it’s green credentials, but which may turn a blind eye and invest in companies that have a poor attitude to labour and the working process.

10.3 As well as establishing what funds to invest in, before investing in an ESG product, one of the most important issues is to understand the ESG “risks” that an entity is exposed to and evaluating how well it manages these risks which is not something that officers have the experience or available capacity to undertake. This is why the Council predominantly invests in fixed term deposits with banks, building societies and other local authorities and uses Money Market Funds that predominantly do the same but on a much larger scale. However, all the rating agencies are now extoling how they incorporate ESG risks alongside more traditional financial risk metrics when assessing counterparty ratings so to a certain extent you could argue that their incorporation is already being done, to an extent, by our use of rating agencies.

11. Conclusions

11.1 The Council recognises that effective financial planning, option appraisal, risk management and governance processes are essential in achieving a prudent approach to capital expenditure, investment and debt. Therefore, all investment decisions (treasury and non-treasury) are taken in light of the Council’s Corporate Business Plan, Medium Term Financial Strategy, Capital Strategy and Treasury Management Strategy.

11.2 We remain in a very difficult investment environment with several unknowns. Whilst counterparty risk appears to have eased, market sentiment has still been subject to bouts of, sometimes, extreme volatility and economic forecasts abound with uncertainty. You only need to look to 2020 to show just how quickly circumstances can change.

11.3 With interest rates having spent most of the last year close to, or actually returning, negative rates, it is easy to forget recent history, ignore market warnings and search for that extra return to ease revenue budget pressures. Any option in which an investor hopes to generate an elevated rate of return will almost always introduce a greater level of risk, this strategy ensures that any such risks are minimised and appropriately managed.

11.4 CIPFA issued the revised Treasury Management and Prudential Codes on 20 December 2021 with a clear statement to say there is a soft launch with formal adoption for the 2023/24 financial year. The Prudential Code states that it applies with immediate effect, except authorities may defer introducing revised reporting requirements until the 2023/24 financial year. Officers have incorporated some of the new requirements in both the Capital and Treasury Management Strategies for next year and will look to enhance all future reports with the new requirements once the associated guidance notes have been published.

(To recommend to Full Council on 10 February 2022)

Background Papers

- Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes – 2017 Edition
- Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes – 2021 Edition
- The Prudential Code for finance in local authorities - 2017 Edition
- The Prudential Code for finance in local authorities - 2021 Edition
- Ministry for Housing, Communities and Local Government – MHCLG) Guidance on Local Authority Investments
- Local Authorities (Capital Finance and Accounting) (England) Regulations 2003

Introduction

1. The Council's investment policy has regard to the DLUHC's Guidance on Local Government Investments (3rd Edition) ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (2017 Edition) ("the TM Code"). The Council's investment priorities will be security first, liquidity second, then return.

2. This strategy applies to both in-house and externally managed funds. Where used, managers of External funds must confirm the acceptability of a counterparty before an investment is made.

3. The Council approved the Annual Investment Strategy for 2021/22 in February 2021.

Investment Policy

4. In accordance with the above guidance from the DLUHC and CIPFA, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies with a full understanding of these reflected in the eyes of each agency. Using our treasury advisers ratings service, potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

5. Further, the Council's Officers recognise that ratings should not be the sole determinant of the quality of an institution and that 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 this end the Council will engage with its advisers to maintain and monitor market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

6. 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.

7. The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration of risk.

8. The intention of the strategy is to provide security of investment and minimisation of risk.

Creditworthiness Policy

9. 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 the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security; 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.

10. The Assistant Chief Executive 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 that are considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

11. The minimum rating criteria uses the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies and one meets the Council's criteria, and the other does not, the institution will fall outside the lending criteria. Credit rating information is supplied by Link Asset Services, the Council's treasury advisers, 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 a possible longer term change) are provided to Officers almost immediately after they occur and this information is considered before dealing.

12. 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.

Investment criteria and limits

13. The Guidance defines specified investments as those expected to offer relatively high security and liquidity, and can be entered into with the minimum of formalities. The Guidance defines specified investments as those:

    - denominated in pounds sterling,
    - due to be repaid within 12 months of arrangement,
    - not defined as capital expenditure by legislation, and
    - invested with one of:
        - the UK Government,
        - a UK local authority, parish council or community council, or
        - a body or investment scheme of "high credit quality".

    The Council defines the following as being of "high credit quality" (as per the Guidance), subject to the monetary and time limits shown.

Specified investments				
	Paragraph (where applicable)	**Fitch Long term Rating (or equivalent)**	**£ Limit**	**Duration**
Banks 1	16	A+ A A-	£5.0m £4.0m £3.0m	364 days 189 days 98 days
Banks 2 (Part nationalised)	17	N/A	£3.0m	364 days
Banks 3 (Council's own bankers)	18	N/A	£1.0m	1 business day
Building Societies	19	A+ A A-	£5.0m £4.0m £3.0m	364 days 189 days 98 days
UK Central Government (DMADF – Debt Management Agency Deposit Facility)		UK sovereign rating	Unlimited	189 days
Local, Police, Fire, Civil Defence & Transport Authorities		N/A	£5.0m	364 days
Money Market Funds (CNAV / LVNAV)	20	AAA	£10.0m	Liquid
Government bonds (gilts) and treasury bills	21	N/A	No limit	364 days
Multinational Development Banks		AAA	£1.0m	364 days

14. Investments in any parent and its wholly owned subsidiaries are to be aggregated for the purpose of calculating the limit of investment to that parent or its subsidiaries.

15. With the exception of investments with the UK Government, no investment with any one provider/organisation will exceed £6m in total.

Banks

16. **Banks 1** – Banks will be regarded as having high credit quality if they meet the following criteria:

    i) are UK banks (no country limit will apply to investments in the UK, irrespective of the sovereign credit rating); and/or
    ii) are non-UK and domiciled in a country which has a minimum sovereign long term rating of AAA or AA+

    and have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):

    i) Short term – F1 / P-1 / A-1

ii) Long term – A- / A3 / A-

17. **Banks 2 –** Part nationalised UK banks. These banks can be included if they continue to be part nationalised or they meet the ratings in Banks 1 above.

18. **Banks 3 –** The Council's own banker for transactional purposes if the bank falls below the above criteria. This is because it is needed to facilitate short term liquidity requirements (overnight and weekend) and to provide business continuity.

Building societies

19. The Council will use all building societies with assets in excess of £1bn which meet the ratings for banks outlined above.

Money market funds

20. Money market funds are pooled investment vehicles consisting of instruments similar to those used by the Council. They have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager. Fees of between 0.10% and 0.20% per annum are deducted from the interest paid to the Council. The Council will only use Money Market Funds with a Constant or Low Volatility Net Asset Value (CNAV / LVNAV).

Government bonds (gilts) and treasury bills (T-bills)

21. Conventional gilt is a liability of the Government which guarantees to pay the holder of the gilt a fixed cash payment (coupon) every six months until the maturity date, at which point the holder receives the final coupon payment and the return of the principal.

22. T-Bills are short term securities issued by HM Treasury on a discount basis. For example, a £100 coupon will be issued below its value to the investor and on maturity the investor will receive £100. The difference will be the capital gain received. The security can also be cashed before maturity in the active secondary market giving the lending party more freedom to cash in the T-bill before maturity date.

Foreign countries

23. The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA+ from Fitch. This list will be added to, or deducted from, by Officers should ratings change in accordance with this policy.

24. Due care will be taken to consider the country, group and sector exposure of the Council's investments. In part, the country selection will be chosen by the credit rating of the sovereign state in Banks 1 (paragraph 17) above and will be limited to a maximum of £1 million to be placed with any non-UK country at any time;

25. Sovereign credit rating criteria and foreign country limits will not apply to investments in multilateral development banks (e.g. the European Investment Bank and the World Bank) or other supranational organisations (e.g. the European Union).

Non-specified investments

26. Any investment not meeting the definition of a specified investment (see paragraph 13) is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any with low credit quality bodies. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement.

27. The limit on the amount that may be held in non-specified investments, these being long-term investments only, at any time in the financial year is £3 million (excluding any accrued interest).

28. The advice of our treasury management consultants will be sought prior to making any long-term investment as to the appropriateness of the investment.

Non Specified investments				
	Paragraph (where applicable)	**Fitch Long term Rating (or equivalent)**	**£ Limit**	**Duration**
Any bank or building society (including forward deals in excess of one year from inception to repayment).	37	AAA AA+ AA AA-	£1.0m £1.0m £1.0m £1.0m	3 years 3 years 3 years 2 years
Gilt edged securities.	37	N/A	£1.0m	3 years
Supranational bonds greater than 1 year to maturity a) Multilateral development bank bonds b) A financial institution that is guaranteed by the United Kingdom Government	30, 37	AAA N/A	£1.0m £1.0m	3 years 3 years
Short Dated Bond Funds / Enhanced Cash Funds	30, 37	N/A	£2.0m per fund £6m in total	2 years
Pooled Funds and Collective Investment Schemes	31	N/A	£2.0m per fund £6m in total	N/A
UK Small & Medium Sized Enterprises via the Funding Circle	32	N/A	£5,000 per organisation (subject to an overall limit of £0.5m)	N/A
Investment in Property	33	Subject to the limits set out in the Capital Strategy		

Supranational bonds

29. The Council will invest in two types of bonds:

a) **Multilateral development bank bonds** are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.).

b) **A financial institution that is guaranteed by the United Kingdom Government** (e.g. The Guaranteed Export Finance Company {GEFCO}). The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.

Short Dated Bond Funds / Enhanced Cash Funds

30. Short dated Bond Funds / Enhanced Cash Funds are pooled investment vehicles with an average duration of between 3 months and 2 years with a variable net asset value (NAV) meaning their values can go down as well as up. They have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager and should be looked at as short to medium term investments.

Pooled Funds and Collective Investment Schemes

31. The Council will use pooled funds, for example pooled bond, equity and property funds that offer enhanced returns over the longer term but are potentially more volatile over the shorter term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued stability in meeting the Council’s investment objectives will be monitored regularly.

UK Small & Medium Sized Enterprises via the Funding Circle

32. The Council will make loans for periods of up to three years to small and medium sized enterprises (SME) in the UK that have been independently assessed as being of suitable credit quality. This will be done via the Funding Circle peer-to-peer lending platform. Nevertheless, it is anticipated that such companies will, on occasion, fail to repay the money lent. The Council will therefore ensure that the interest rate secured on such loans is high enough to cover the cost of defaults in all but the most exceptional circumstances.

Non-Treasury Investments

33. In addition to traditional treasury investments, the Council may also invest in property and make loans and investments for financial return and/or for service or policy purposes. Such investments will be subject to the Council’s normal approval processes for revenue and capital expenditure and controls around their use are included in the Council’s Capital Strategy and therefore do not comply with this Treasury Management Strategy.

Liquidity Management

34. Liquidity is defined by the CIPFA Treasury Code of Practice as “having adequate, though not excessive, cash resources, borrowing arrangements, overdrafts or standby facilities to enable the Council at all times to have the level of funds available to which are necessary for the achievement of its business/service objectives”

35. The proportion of the in-house portfolio that may be held in short-term and long-term investments will vary at any one time dependant on the cash flow position of the Council. The Council uses a manual cash book and spreadsheets to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a pessimistic basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments.

36. Limits on long-term investments are set by reference to the Council’s medium term financial plan and cash flow forecast.

37. The amount of investments (both managed in house and externally) that may be held in long-term investments will be, measured on a rolling basis, at any point in time:

    - No more than £1 million of outstanding investments are to be over 3 years until maturity, and
    - No more than £3 million of outstanding investments are to be over 1 year until maturity.

38. The maximum term of any one investment is 3 years with the exception of those loans invested via the Funding Circle (see paragraph 32).

Planned Investment Strategy for 2022/23

39. 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). The cash flow forecast will be used to divide surplus funds into three categories:
    - Short-term – cash required to meet known cash outflows in the next month, plus a contingency to cover unexpected cash flows over the same period.
    - Medium-term – cash required to manage the annual seasonal cash flow cycle, including amounts to cover forecast shortages, planned uses of reserves, and a longer-term contingency.
    - Long-term – cash not required to meet cash flows and therefore liquidity is of lesser concern and a greater yield can be achieved.

40. Short-term funds are required to meet cash flows occurring in the next month or so, and the preservation of capital and liquidity is therefore of paramount importance. Generating investment returns is of limited concern here, although it should not be ignored. Instant access AAA-rated money market funds and bank deposit accounts will be the main methods used to manage short-term cash.

41. Medium-term funds which may be required in the next one to twelve months will be managed concentrating on security, with less importance attached to liquidity but a slightly higher emphasis on yield. The majority of investments in this period will be in the form of fixed term deposits with banks and building societies. A wide spread of counterparties and maturity dates will be maintained to maximise the diversification of credit and interest rate risks; this may be achieved by the use of suitable medium-term money market funds. Deposits with lower credit quality names will be made for shorter periods only, while deposits with higher quality names can be made for longer durations.

42. Cash that is not required to meet any liquidity need can be invested for the longer term with a greater emphasis on achieving returns that will support spending on local authority services. Security remains important, as any losses from defaults will impact on the total return, but fluctuations in price and even occasional losses can be managed over the long term within a diversified portfolio. Liquidity is of lesser concern, although it should still be possible to sell investments, with due notice, if large spending commitments arise unexpectedly. A wider range of instruments, including structured deposits, certificates of deposit, gilts and corporate bonds will be used to diversify the portfolio. The Council will consider employing external fund managers that have the skills and resources to manage the risks inherent in a portfolio of long-term investments.

Forward deals up to one year

43. Forward deals may be entered into with banks and building societies that meet the appropriate credit rating criteria for specified investments where the total period of the investment (i.e. negotiated deal period plus period of deposit) is less than one year.

Markets in Financial Instruments Directive (MiFID)

44. The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small

companies. Given the size and range of the Council's treasury management activities, the Section 151 Officer believes this to be the most appropriate status.

Annex A

Credit ratings and definitions

The Council uses long-term credit ratings from the three main rating agencies Fitch Ratings Ltd, Moody's Investors Service Inc and Standard & Poor's Financial Services LLC to assess the risk of investment default.

Table A: Comparison of long-term credit ratings		
Moody's	**S&P**	**Fitch**
Investment grade		
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BBB+	BBB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-
Speculative grade		
Ba1	BB+	BB+
Ba2	BB	BB
Ba3 and below	BB- and below	BB- and below

<u>(Negative) Rating Watch – Fitch Ratings</u>
Rating Watches indicate that there is a heightened probability of a rating change and the likely direction of such a change. These are designated as "Positive", indicating a potential upgrade, "Negative", for a potential downgrade, or "Evolving", if ratings may be raised, lowered or affirmed. However, ratings that are not on Rating Watch can be raised or lowered without being placed on Rating Watch first, if circumstances warrant such an action.

<u>Review for possible downgrade – Moody's (Standard & Poor's is very similar)</u>
Moody's uses the 'Watchlist' to indicate that a rating is under review for possible change in the short-term. A rating can be placed on review for possible upgrade (UPG), on review for possible downgrade (DNG), or more rarely with direction uncertain (UNC). A credit is removed from the Watchlist when the rating is upgraded, downgraded or confirmed.

<u>(Negative) Rating Outlook – Fitch Ratings (Moody's and Standard & Poor's are similar)</u>
Rating Outlooks indicate the direction a rating is likely to move over a one- to two-year period. They reflect financial or other trends that have not yet reached the level that would trigger a rating action, but which may do so if such trends continue. The majority of Outlooks are generally Stable, which is consistent with the historical migration experience of ratings over a one- to two-year period. Positive or Negative rating Outlooks do not imply that a rating change is inevitable and, similarly, ratings with Stable Outlooks can be raised or lowered without a prior revision to the Outlook, if circumstances warrant such an action. Occasionally, where the fundamental trend has strong, conflicting elements of both positive and negative, the Rating Outlook may be described as Evolving.

APPENDIX 'D'

CAPITAL & AFFORDABILITY RELATED INDICATORS

The Council's capital expenditure plans are the key driver of treasury management activity. The Capital Programme is set out in detail in the Capital Strategy. 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.

1 **Capital Expenditure** – This prudential indicator is a summary of the Council's capital expenditure plans, and financing requirements which have been updated in line with the phased borrowing requirements of the new property investment plans. Any shortfall of resources results in a funding borrowing need.

	Actual 20/21 £000	Probable 21/22 £000	Estimate 22/23 £000	Estimate 23/24 £000	Estimate 24/25 £000
Capital Expenditure					
Housing Revenue Account	911	10,156	15,350	15,600	13,800
General Fund	39,098	62,508	19,088	11,626	6,471
Non-Financial Investments	-	-	-	-	-
- Investment Properties	6,894	442	0	0	0
- Capital loans	150	6,445	6,200	0	0
	47,053	**79,551**	**40,638**	**27,226**	**20,271**
Financed by:					
Capital Receipts	2,029	15,606	14,943	5,440	5,339
Earmarked Reserves	2,847	3,430	1,374	934	1,000
Capital Grants & Contributions	199	4,986	652	652	652
Revenue	3,030	9,331	14,830	15,200	8,280
	8,105	**33,353**	**31,799**	**22,226**	**15,271**
Net Financing Need for the Year	**38,948**	**46,198**	**8,839**	**5,000**	**5,000**

* Non-financial Investments relate to areas such as capital expenditure on Investment Properties, Loans to third parties etc. The net financing need for non-financial investments included in the above table against expenditure is shown below:

	Actual 20/21 £000	Probable 21/22 £000	Estimate 22/23 £000	Estimate 23/24 £000	Estimate 24/25 £000
Non-financial investments					
Capital expenditure from above	7,044	6,887	6,200	0	0
Financing Costs met	150	6,445	6,200	0	0
Net Financing Need for the Year	**6,894**	**442**	**0**	**0**	**0**
Percentage of individual net financing need	**98%**	**6%**	**0%**	**0%**	**0%**
Percentage of total net financing need	**18%**	**1%**	**0%**	**0%**	**0%**

2 **The Council's borrowing need (the Capital Financing Requirement)** – The Council's Capital Financing Requirement (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 underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, 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 borrowing need in line with each assets 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 schemes include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has no such schemes.

The Council is asked to approve the CFR projections below:

	Actual 20/21	Probable 21/22	Estimate 22/23	Estimate 23/24	Estimate 24/25
	£000	£000	£000	£000	£000
CFR at start of year					
- HRA	101,956	101,956	100,000	100,000	100,000
- General Fund	106,009	143,881	191,122	198,872	202,625
- Non-financial investments	435,846	433,102	429,740	426,243	422,606
	643,811	**678,939**	**720,862**	**725,115**	**725,231**
Net Financing Need for the Year	**38,948**	**46,198**	**8,839**	**5,000**	**5,000**
Less MRP/VRP	-3,820	-4,275	-4,586	-4,884	-5,161
CFR at end of year	**678,939**	**720,862**	**725,115**	**725,231**	**725,070**

A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity in relation to the authority's overall financial position. The capital expenditure figures shown in section 1 and the details above demonstrate the scope of this activity and, by approving these figures, consider the scale proportionate to the Authority's remaining activity.

3 **Core funds and expected investment balances** – The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end balances based on assumed cash movements in the MTFS and Capital Programme.

	Actual 20/21	Probable 21/22	Estimate 22/23	Estimate 23/24	Estimate 24/25
	£000	£000	£000	£000	£000
Reserves / Balances					
General Fund Balance	15,188	14,093	13,881	12,631	10,808
Housing Revenue Account	29,254	26,946	18,126	8,126	3,126
HRA Major Repairs Reserve	5,806	3,319	0	0	0
Earmarked reserves / other balances	22,591	15,982	12,418	10,021	10,988
Capital Receipts Reserve	7,572	5,479	2,580	11,877	7,900
Capital Grants Unapplied	5,820	2,910	0	0	0
Expected Investments at year end	**86,231**	**68,729**	**47,005**	**42,655**	**32,822**

4 **Affordability Prudential Indicators –** The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are 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.

5 **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. The net revenue stream is a term used to describe the amount in the General

Fund to be met from Government grant and local taxpayers. For the HRA it is the total HRA income shown in the accounts i.e. rent and other income.

	Actual 20/21	Probable 21/22	Estimate 22/23	Estimate 23/24	Estimate 24/25
	%	%	%	%	%
Ratio of Net Financing Costs to Net Revenue Stream	53.60%	85.91%	79.39%	90.36%	83.17%
General Fund	73.97%	212.48%	176.02%	251.54%	181.77%
Housing Revenue Account	30.99%	31.77%	29.96%	30.03%	30.22%

The General Fund percentage is high due to additional borrowing to fund the Property Investment Strategy and ongoing property developments. These costs are fully met by additional revenue income rather than Government grant and local taxpayers, however this income is not allowed to be included in this calculation. Including the income generated by the Property Investment Strategy in the calculations turns the General Fund figure into a negative figure (a net contributor).

6 **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 upper limit for principal sums invested for longer than 365 days is set at:

	2020/21 Actual £000s	2021/22 Probable £000s	2022/23 Estimate £000s	2023/24 Estimate £000s	2024/25 Estimate £000s
Principal sums invested for longer than 365 days	0	3,000	3,000	5,000	10,000

7 **Investment risk benchmarking** - The Council will use an investment benchmark to assess the investment performance of its investment portfolio of 7 day, 3, 6 or 12 month LIBID (The London Interbank Bid Rate – the rate at which a bank is willing to brrow from other banks).

8 **Borrowing** – The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of approporiate borrowing facilities. The strategy covers the relevant treasury/ prudential indicators, the current and projected debt positions and the annual investment strategy.

9 **Current Portfolio Position** – The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement – CFR), highlighting any over or under borrowing.

	Actual 20/21	Probable 21/22	Estimate 22/23	Estimate 23/24	Estimate 24/25
	£000	£000	£000	£000	£000
External Debt					
Debt at 1 April	632,574	627,629	673,827	680,710	685,710
Expected Chage in debt	- 4,945	46,198	6,883	5,000	5,000
Actual gross debts at 31 March	**627,629**	**673,827**	**680,710**	**685,710**	**690,710**
CFR	678,939	720,862	725,115	725,231	725,070
Under / (Over) Borrowing	**51,310**	**47,035**	**44,405**	**39,521**	**34,360**

The positive balances show that the Council is under borrowing (i.e. borrowing internally using cash balances).

Within the above figures the level of debt relating to non-financial investment is:

	Actual 20/21	Probable 21/22	Estimate 22/23	Estimate 23/24	Estimate 24/25
	£000	£000	£000	£000	£000
Non-Financial Investment Debt					
Overall Debt at 1 April	632,574	627,629	673,827	680,710	685,710
Oustanding Non-Financial Instrument Debt	435,846	433,102	429,740	426,243	422,606
Percentage	**69%**	**69%**	**64%**	**63%**	**62%**

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its 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 2021/22 and the following three financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Assistant Chief Executive reports that the Council has so far complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget report.

10 **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.

	Probable 21/22	Estimate 22/23	Estimate 23/24	Estimate 24/25
	£000	£000	£000	£000
Operational Boundary				
General Fund	571,871	580,710	585,710	585,710
HRA	101,956	100,000	100,000	105,000
Other	15,000	15,000	15,000	15,000
Operational Boundary	**688,827**	**695,710**	**700,710**	**705,710**

11 **The authorised limit for external debt** – A further key prudential indicator represents a control on the maximum level of borrowing. This represents a 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.

1. 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.

2. The Council is asked to approve the following authorised limit:

	Probable 21/22	Estimate 22/23	Estimate 23/24	Estimate 24/25
	£000	£000	£000	£000
Authorised Limit				
General Fund	571,871	580,710	585,710	585,710
HRA	112,152	110,000	110,000	115,500
Other	30,000	30,000	30,000	30,000
Authorised Limit	**714,023**	**720,710**	**725,710**	**731,210**

This limit includes a "cushion" to allow for the non repayment of any borrowing at the required time and headroom for rescheduling of debts (i.e. borrowing new money in advance of repayment of existing). The "Other" column also includes a figure for the potential for new leases being brought onto the balance sheet,

12 Treasury Management Limits on Activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates; and
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

	Probable 21/22	Estimate 22/23	Estimate 23/24	Estimate 24/25
Interest Rate Exposure UPPER Limits	£000	£000	£000	£000
on **fixed** interest rates based on net debt	**669,744**	**693,570**	**707,333**	**717,494**
on **variable** interest rates based on net debt	-	-	-	-

The Upper Limit on fixed interest rates is calculated using the maximum allowed debt (The Authorised Borrowing Limit) less Fixed Term investments. The Council heavily uses Money Market Funds whose rates change on a daily basis therefore it has been assumed that of the Expected Investments balance shown above, £10m will be invested at variable rates, the rest as fixed term investments.

As the Council does not borrow at variable interest rates, the upper limit on this type of debt will always be nil.

Maturity structure of interest rate borrowing 2022/23				
	FIXED interest		**VARIABLE interest**	
	Lower	**Upper**	**Lower**	**Upper**
Under 12 months	0%	25%	0%	0%
12 months to 2 years	0%	25%	0%	0%
2 years to 5 years	0%	25%	0%	0%
5 years to 10 years	0%	50%	0%	0%

10 years and above	0%	100%	0%	0%
20 years to 30 years	0%	100%	0%	0%
30 years to 40 years	0%	100%	0%	0%
40 years to 50 years	0%	100%	0%	0%

This indicator is set to control the Council’s net exposure (taking borrowings and investments together) to interest rate risk. Its intention is to ensure that the Council is not exposed to interest rate rises which could adversely impact the revenue budget. The upper limits proposed on fixed and variable rate interest rate exposures, expressed as the principal sums outstanding in respect of borrowing.

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate. If it is not clear whether an instrument should be treated as fixed or variable rate, then it is treated as variable rate.

The variable rate upper limit of zero means that the Council is minimising its exposure to uncertain future interest rates on its debt. This will still allow a proportion of the debt to be taken as variable as fixed term investments maturing within one year are classified as variable for the purposes of this indicator.

GLOSSARY OF TREASURY TERMS

APPENDIX 'E'

Term	Definition
Basis Point	1/100th of 1%, i.e. 0.01%
Call Accounts	Deposit accounts with banks and building societies that provide same day access to invested balances. Interest paid is usually linked to the level of the official base rate.
CFR – Capital Financing Requirement	The underlying need to borrow for capital purposes
CDs – Certificates of Deposit	Negotiable time deposits issued by banks and building societies which can pay either fixed or floating rates of interest. They can be traded on the secondary market, enabling the holder to sell the CD to a third party to release cash before the maturity date.
CPI – Consumer Price Index	This is a measure of the general level of price changes for consumer goods and services but excludes most owner occupier housing costs such as mortgage interest payments, council tax, dwellings insurance, rents etc.
Corporate bonds	Corporate bonds are those issued by companies. Generally, however, the term is used to cover all bonds other than those issued by governments. The key difference between corporate bonds and government bonds is the risk of default.
Cost of Carry	Costs incurred as a result of an investment position, for example the additional cost incurred when borrowing in advance of need, if investment returns don't match the interest payable on the debt.
Counterparties	These are the organisations responsible for repaying the Council's investment upon maturity and making interim interest payments.
CDS – Credit Default Swaps	A swap designed to transfer the credit exposure of fixed income products between parties. The buyer of a credit swap receives credit protection, whereas the seller of the swap guarantees the credit worthiness of the product. By doing this, the risk of default is transferred from the holder of the fixed income security to the seller of the swap.
DMADF – Debt Management Agency Deposit Facility	An investment facility run by part of the HM Treasury taking deposits at fixed rates for up to 6 months.
Diversification / diversified exposure	The spreading of investments among different types of assets or between markets in order to reduce risk.
Derivatives	Financial instruments whose value, and price, are dependent on one or more underlying assets. Derivatives can be used to gain exposure to, or to help protect against, expected changes in the value of the underlying investments. Derivatives may be traded.
DMO – Debt Management Office	An Agency of HM Treasury whose responsibility includes debt and cash management for the UK Government, lending to local authorities and managing certain public sector funds.

GLOSSARY OF TREASURY TERMS

ECB – European Central Bank	Sets the central interest rates in the European Monetary Union area. The ECB determines the targets itself for its interest rate setting policy; this is to keep inflation within a band of 0 to 2%
EIP – Equal Instalments of Principal	A repayment method whereby a fixed amount of principal is repaid at regular intervals with interest being calculated on the principal outstanding.
Fixed Deposits	These are loans to banks, building societies or other local authorities which are for a fixed period and at a fixed rate of interest.
FRN – Floating Rate Notes	Debt securities with payments that are reset periodically against a benchmark rate, such as the three month London inter-bank offer rate (LIBOR). FRNs can be used to balance risks incurred through other interest rate instruments in an investment portfolio.
Gilts / Gilt Edged Securities	These are issued by the UK Government in order to finance public expenditure. Gilts are generally issued for a set period and pay a fixed rate of interest. At the end of the set period the investment is repaid (at face value) by the Government. However, during the life of a gilt it will often be traded (bought and sold) at a price decided by the market.
LIBID – London Interbank BID Rate	The interest rate at which London banks are willing to borrow from one another.
LIBOR – London Interbank Offer Rate	The interest rate at which London banks offer one another. Fixed every day by the British Bankers Association to five decimal places. This is due to be replaced by SONIA on 1 January 2022 (see below)
Maturity loans	A repayment method whereby interest is repaid throughout the period of the loan and the principal is repaid at the end of the loan period.
MMF – Money Market Funds	Externally managed pooled investment schemes investing in short term cash instruments.
MRP – Minimum Revenue Provision	The minimum amount which must be charged to an authority’s revenue account each year and set aside towards repaying borrowing.
MPC – Monetary Policy Committee	Government body that sets the bank rate (commonly referred to as being base rate). Their primary target is to keep inflation within plus or minus 1% of a central target of 2.5% in two years time from the date of the monthly meeting of the Committee. Their secondary target is to support the Government in maintaining high and stable levels of growth and employment.
Multilateral Investment banks	International financial institutions that provide financial and technical assistance for economic development.
Municipal Bonds Agency	An independent body owned by the local government sector that seeks to raise money on the capital markets at regular intervals to on-lend to participating local authorities.
Pooled Funds	Investments made with an organisation who pool together investments from other organisations and apply the same investment strategy to the portfolio. Pooled fund investments benefit from economies of scale, which allows for lower

	trading costs per pound, diversification and professional money management.
Prudential Code	A governance procedure for the setting and revising of prudential indicators. Its aim is to ensure, within a clear framework, that the capital investment plans of the Council are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good practice.
PWLB – Public Works Loans Board	A central government agency which provides long- and medium-term loans to local authorities at interest rates only slightly higher than those at which the Government itself can borrow. Local authorities are able to borrow to finance capital spending from this source.
Repo – Reverse Repurchase Agreements	An agreement to purchase a security from a counterparty, typically a bank, and then sell the security back to the bank on a predetermined date for the principal amount plus interest. The security is collateral to be used in the event of a default by the counterparty.
SONIA – Sterling Overnight Index Average	SONIA is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors. SONIA replaces LIBOR from 1 January 2022
Supranational Bonds	These are very similar in nature to gilts except that rather than being issued by the UK Government they are issued by supranational bodies supported by more than one national government such as the European Investment Bank which is supported by all of the EU member states.
Treasury Bills	Tradable debt securities issued by the UK Government with a short term maturity (3 months to 1 year) issued at a discount. The income from these is in the form of a capital gain rather than interest income.
TMP – Treasury Management Practices	Schedule of treasury management functions and how those functions will be carried out.
TMS – Treasury Management Schedules	More detailed schedules supporting the TMP at a detailed operational level specifying the systems and routines to be employed and the records to be maintained in fulfilling the Council’s treasury functions
VRP - Voluntary Revenue Provision	A voluntary amount charged to an authority’s revenue account and set aside towards repaying borrowing.
Working Capital	Timing differences between income and expenditure (debtors and creditors).

7. **Capital Strategy and Capital Programme 2022/23 to 2025/26**
(Finance – Paul French)

Synopsis of report:

To recommend a draft Capital Strategy and Capital Programme for Full Council approval in February 2022.

The report highlights the use of existing and future capital receipts and the potential use of revenue contributions to fund certain items of capital expenditure. The Strategies come together in the Council's Medium-Term Financial Strategy (MTFS) and detailed Revenue Budget for 2022/23 to be considered by Full Council in February 2022.

This report should be read in conjunction with the Treasury Management Report set out elsewhere on this agenda

Recommendation to Full Council on 10 February 2022 that :

the Capital Strategy at Appendix 'F' and the Capital Programme at Appendix 'G' be approved.

1. Context of report

1.1 The Local Government Act 2003 requires the Council to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice ("TM Code"), and specifically the Prudential Code when determining how much it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital expenditure plans of local authorities are affordable, prudent and sustainable.

1.2 The Prudential Code for Capital Finance in Local Authorities together with the Government's statutory guidance, CIPFA's Prudential Property Investment Guidance, other statutory guidance and legislation requires the Council to produce a comprehensive capital strategy. The purpose of the capital strategy is to describe how the investment of capital resources will contribute to the achievement of the Council's key objectives and priorities, and to describe the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

1.3 Under the TM Code the Council must also have an approved investment strategy, and the implications associated with that detailed in the capital strategy. This includes financial and non-financial assets, for example, money on deposit is a financial asset and investment property is a non-financial asset.

1.4 This report should be read in conjunction with the Treasury Management Report - this will allow readers to understand how stewardship, value for money, prudence, governance, risk management, sustainability and affordability are managed by the Council. The Council's strategies are influenced by Government policy and their legislative targets, for example the autumn 2020 announcement that petrol and diesel engines are to be phased out within a decade which will influence how the Council replaces its vehicle fleet and provides electric charging points in its car parks. In late 2021 the Government and CIPFA produced statutory guidance effectively forbidding Councils to invest in commercial property for financial gain. Assembling sites for regeneration purposes and acquisition to enable service delivery is still legal.

1.5 There have been no significant changes to the Council's strategies since the Council planned significant regeneration projects commencing in Addlestone and Egham (including a new leisure centre with an indoor swimming pool). All of these place shaping projects have committed considerable capital sums which revitalise areas of the Borough, create new leisure facilities including cinemas, create employment opportunities, reduce running costs and provide much needed new housing, including affordable units and a long term sustainable income stream to fund further major regeneration projects. In 2021/22 the most recent project, Magna Square in Egham, is nearing completion.

1.6 Over the last decade the Council has used various strategies to increase its revenue income, capital receipts and prudential borrowing to invest in the infrastructure, regeneration and commerce of the Borough. The Council still aims to be financially self-sufficient in the medium term (i.e. no call on revenue balances), despite the setback of the 2020/2022 pandemic. This has been the aim of the Council since 2014 and continues to be so over the life of the current Corporate Business Plan and the financial strategies which support it. Each year the financial strategies are updated and reviewed by Council.

1.7 The long-term revenue implications of the Council's strategies are included in the Medium-Term Financial Strategy (MTFS) which includes:

- Funding the fixed interest, fixed term maturity and annuity loans
- Setting aside income to repay debt when due (Minimum Revenue Provision policy)
- Maintaining both the General Fund minimum working balance at a prudent level and the property based earmarked reserves to mitigate risk of loss of any kind.
- Continuous review of income, debt levels and void rates to ensure effective budgetary control of the Council's financial position.
- Fund more of its capital programme from revenue and place less reliance on capital receipts.
- Rolling valuation of asset values with certain high value assets being valued every year.

1.8 The reduction in revenue resources from Government has a number of funding implications for the Capital Strategy and detailed capital programme. These include the following:

- Capital receipts have been declining for a number of years. However, the sale of the remaining apartments in Addlestone will replenish capital receipts and as Magna Square in Egham is completed further capital receipts will be received.
- Traditionally short life assets (heavy vehicles and plant, CCTV equipment) have mainly been funded from Capital receipts. The Council created a "Repairs and renewals fund " in 2018/19 to fund more "short life" assets from revenue income and place less reliance on capital receipts.
- The Council has ambition to commence further regeneration schemes when the Magna Square development in Egham is completed. It is likely these will be joint ventures with strategic partners rather than the Council funding entire schemes. These regeneration schemes will produce a revenue income and capital receipts.

1.9 As part of the Council's governance arrangements, the Capital Strategy, Treasury Management Strategy and MTFS consider the long-term context when making investment decisions. Individual business cases progress through various Member working groups, Committees and Full Council. Performance is monitored through the revenue and capital budget monitoring reports to Corporate Management Committee with Treasury Management and Prudential Indicators performance being reported to Members three times in a financial year – setting, half year monitoring and year end actuals - to both Corporate Management Committee and Overview and Scrutiny Select Committee.

1.10 The Council has a proportion of its assets and all investment property assets valued by an external professional valuer in January each year as part of its stewardship arrangements in preparing the Statement of Accounts to report to the electorate. These include the assets and liabilities of the Council owned companies.

1.11 The overarching aims of these strategies is to provide a framework within which the capital investment plans will be delivered. While it covers a four-year timeframe the Council recognises there is some uncertainty in future years. Therefore, the strategies focus on 2022/23 and 2023/24.

1.12 During the Covid19 pandemic the Council reviewed its capital spending plans in light of its evolving financial position with many schemes being deferred, the exception to this being the Magna Square regeneration scheme in Egham.

1.13 The Council's last purchase of an investment property to support its regeneration strategy was in the latter part of 2019/20. Since then, no further acquisitions have been made as:

- The pandemic has caused uncertainty in the UK economy.
- The asset purchases were made to facilitate the regeneration schemes in Addlestone and Egham (including the new Leisure Centre) whereby rental income would fill the void left by additional costs during the developments and future sales.

1.14 Government legislation now precludes buying commercial assets purely for profit and the Treasury have amended their lending terms for the PWLB (Public Works Loans Board) to help facilitate this. As part of the new lending terms the Council will continue to submit to government a:

- "High level description of their capital spending and financing plans for the following three years including planned use of the PWLB"
- Confirmation from the Chief Finance Officer that the Council has no intention to buy investment assets primarily for yield at any point in the next three years. As loans are not linked to specific capital projects this means if a capital plan includes investment asset purchase, that local authority cannot borrow anything from the PWLB.
- In any future borrowing the Council's Chief Finance officer must confirm that the original assurance that not buying investment assets primarily for yield remains valid.
- Government are considering in late 2021 early 2022 giving specific loan approvals to specific schemes to further tighten control on local authority capital funding by loan finance.

1.15 The CIPFA Treasury Management and Prudential Codes have recently been revised and after consultation which finished in November 2021 are expected to be issued in early January 2022. The new codes will be introduced softly for 2022-23. However, CIPFA expect full implementation by 2023-24. Runnymede has always been committed to the prudential system and sees no issues with complying with the new versions of the regulations being implemented during 2022/23.

2. Investment Strategy

2.1 In 2014 the Council commenced a major regeneration project on land it owned in Addlestone. Construction commenced in 2015 which committed the Council to £75m of expenditure. The financial plans acknowledged that capital receipts from the sale of dwellings and rent income from dwelling and commercial premises would not start to flow until 2018/19 and not be fully online until 2020/21. The well documented problems with the retail sector in the high street and the Covid pandemic have caused the Council to revisit that strategy in the latter part of

2020/21. It is known that commercial tenants with a good quality covenant, the type the Council wanted to attract to Addlestone often demanded a contribution to the “fit out” costs and a “rent free” period. The financial plans in 2022 onwards accommodate those commercial realities.

2.2 Trading conditions in the private sector have become challenging as uncertainty arose over trade links with the European Union, the increasing use of on-line retail and now Covid19 with the potential to increase unemployment. This has led to several well-known names either ceasing to trade or significantly reducing their asset base. The well documented slow down on the high street economy has made it difficult to fully let the commercial elements of the Addlestone One development. It is anticipated the remaining commercial units in Addlestone will be rented out slowly in 2022 onwards. The revised strategy focuses less on retail outlets and more on food and beverage and the “night time” economy.

2.3 The Council also had significant aspirations around the development of Egham to improve the night-time economy and increase the number of town centre dwellings. Implementation of these plans started in January 2020 and will be completed in 2022 with most, if not all of the commercial units completed. The residential units are a mix of purpose built student accommodation, owner occupier, social housing and private rented accommodation. The privately rented apartments are to be owned by a company 100% owned by the Council.

2.4 During the construction of Egham (Magna Square), Addlestone One and Egham Leisure Centre, the Council planned to fund most of the costs through long term borrowing at fixed interest rates. Between the financial years 2011/12 to 2021/22 the General Fund working balance was consciously increased when possible to pay for the cost of borrowing during construction. The General Fund working balance has been used to fund the Magna Square project and will remain above the prudent balance set by the Council until rent income is received.

2.5 While there has been no change in the Council’s strategy, the Council has faced, along with most other organisations in the UK, a number of unforeseen cost pressures. These include reduced central government support, pension fund deficits, increases in fuel costs and general inflation which could not be completely offset by the £6m+ of efficiency savings made by the Council over the same period. Clearly the Covid pandemic has added further cost pressures which cannot be completely offset by the significant Government financial support received.

2.6 By March 2020 the Council’s commercial investment strategy to fund its regeneration plans had been completed.

2.7 The Council’s asset portfolio is centred on the place shaping agenda in the Borough; however, some good quality commercial properties have been acquired outside of the Borough in the past to aid diversification. The portfolio includes office space – some leased to the NHS - supermarkets, hotels, light industrial / business parks, and a bonded warehouse serving most airports in the South East of England. The two business parks were developed by the Council on brownfield sites to regenerate the local area and create local jobs.

2.8 Acquisition for investment in regeneration purposes has been a natural progression for the Council in pursuit of improving services. A good example is the Egham Leisure Centre which had only “dry” facilities, had significant future maintenance liabilities and was a cost to the taxpayer. By investing in a new, energy efficient centre with a swimming pool the Council has provided new facilities for residents, removed a near term maintenance liability and exchanged a revenue cost for a revenue income. Part of this income can be set aside into a “repairs and renewals fund” to even out future year’s expenditure on the maintenance of the Council’s asset base.

2.9 Holding on to commercial property carries risks which the Council is fully aware of – property prices falling, maintenance liabilities, rent default, void property should a tenant leave. The UK commercial property market is well established, attracts global investors and is defined in the market as a "mature asset class". As such, it has a wide range of established investors including institutions such as pension funds, specialist property companies, charities, and local authorities.

2.10 To mitigate the risks and manage the portfolio effectively, fair value assessments are made for all investment property assets as part of the year end accounting process in accordance with International Accounting Standard 40: Investment Property. The Annual Capital Strategy will include a statement that a fair value assessment has been made within the past twelve months, and whether the underlying assets continue to provide security for the capital investment. Where this is no longer the case, details of the mitigating actions that the Council is taking or proposes to take to protect the capital invested are provided.

3. Capital Strategy

3.1 The Capital Strategy at Appendix 'F' attached sets out the Council's rationale as to investment in capital assets and projects. This Strategy was last approved by the Council in February 2021. The updated Strategy covers a ten-year period. It is hoped to extend the coverage further in the future as the UK economy recovers in 2022/23 onwards.

<u>Schemes included in Capital Programme</u>

3.2 The updated Capital Programme is set out at Appendix 'G' attached. The main changes for 2022/23 are the phasing adjustments due to the coronavirus pandemic and the inclusion of some provisional new schemes for which further Committee approval will be sought during the life of the Programme. Set out below are some of the material schemes included in the capital plans (subject to Committee approval):

- Provision for potential new HRA new build of dwellings for rent schemes
- Disabled facility and renovation grants
- New housing schemes in the General Fund and the HRA, including buying "street" properties
- Major works to the Council owned housing stock
- A commitment to part fund the River Thames Flood Relief scheme
- A commitment to contribute part of the costs of the A320 road improvements
- Continued investment in ICT systems to improve the service we deliver to residents and to create efficiencies through better workflow functionality

3.3 The total Capital Programme costs over the next five years are set out in Appendix 'H' attached.

3.4 The programme is funded in a number of ways. In the Housing Revenue Account (HRA), tenants' rents fund the works to the Council's housing stock and, when a dwelling is sold, part of the sale proceeds are used to develop new homes. In the General Fund, revenue contributions fund some assets with a short life, and we use capital receipts from the sale of assets to fund much of the remainder. In the General Fund most of the capital receipts are generated from the sale of apartments in the Addlestone One and Egham Magna Square regeneration area, and in future years these will come from the development of future regeneration schemes which are in the planning stage.

3.5 The Council only borrows to fund large scale regeneration schemes to fund its regeneration initiatives. All the loans are for fixed rate of interest and for fixed periods to provide certainty on costs over the next 40-50 years. The Council also sets aside rent income each year to fully repay loans when they mature. The proposed method for financing the Capital Programme is set out in the table at Appendix ‘H’.

Non-treasury Investments

3.6 The Prudential Code, TM Code and DLUHC regulations include guidance on what is termed “non-treasury” investments. For Runnymede this is our commercial and investment property portfolio, and our loans to our wholly owned companies and local community groups. These are entered into outside of normal treasury management activities, but nevertheless the Treasury Management Strategy comes into play in their financing.

3.7 The Council owns a significant investment property portfolio. Properties have been purchased in the past which generate a significant rental stream exceeding the rates the Council is able to get with its cash investments. The Council takes a proactive stance in investing in property and property development to achieve several aims including diversification of assets, facilitate regeneration schemes, potential capital appreciation and to compensate for lost income during developments.

3.8 A local authority may choose to make loans to local enterprises as part of a wider strategy for local economic growth even though those loans may not all be prudent if adopting a narrow definition of prioritising security and liquidity.

3.9 In 2015 the Council approved the establishment of the following three Council owned companies:

- RBC Investments (Surrey) Limited – (RBCI)
- RBC Services (Addlestone One) Limited – (RBCS)
- RBC Heat Company Limited – (RBCH)

3.10 Loan Facilities Agreements have been entered into between the Council and RBC Investments (Surrey) Limited for the purchase of property (from the Council) and a working capital to be drawn down as and when required. Under accounting regulations, the development loan is classed as capital expenditure whilst the working capital loan is a revenue cost to the General Fund. In 2021/22 a new loan agreement will be entered into to transfer ownership of apartments in Magna Square development.

3.11 In addition to these loans, the Council has made capital loans to the following community-based groups:

- Addlestone Canoe Club
- 1st Virginia Water Scout Group
- St Ann’s Hill Trust

Any loan to an outside body brings with it a risk of non-repayment. A loan to a community group predominantly reliant on income from its users increases this risk. Therefore, where possible the Council agree a loan guarantee facility that is secured on the assets of the groups.

Capital receipts

3.12 A capital receipt is a sum received by the Council when it disposes of an asset that was originally classed as capital expenditure. Capital receipts are classed by the Council as a corporate resource and are not ring-fenced to the service committee disposing of an asset. The Council’s usable general capital receipts are declining as predicted. Most short life assets are funded from capital receipts (heavy plant, equipment and vehicles) with some being funded from the revenue budget (ICT and Safer Runnymede equipment). The Council’s financial strategy aspires to fund all short life assets from revenue when the resources become available.

3.13 All capital receipts generated from sales of Council dwellings are subject to special rules. A proportion of all receipts are paid over to Central Government according to a set of complex criteria. The balance of any sale that is not paid over to the Government, is then split between an amount set aside for debt repayment (i.e. the debt associated with that property) leaving the balance available for like for like (1-4-1) replacement. This latter amount is fed back into the capital programme to finance the purchase of HRA properties.

3.14 The current forecast for capital receipts, both general and set aside for housing purposes, is shown in the following table and is based on existing plans for the sale of flats in the Addlestone One and Egham developments, Marshall Place and Barbara Clark House:

Capital Receipts Summary	**2021/22**	**2022/23**	**2022/23**	**2024/25**	**2025/26**
	£	**£**	**£**	**£**	**£**
Set Aside for Debt repayments					
Receipts at 1 April 2020	1,010,970	0	0	0	54,970
Add new receipts in the year	250,000	250,000	250,000	250,000	320,000
Less Applied during the year	(1,260,970)	(250,000)	(250,000)	(195,030)	0
Anticipated year end balance	**0**	**0**	**0**	**54,970**	**374,970**
Set Aside for 1-4-1 Replacements					
Receipts at 1 April 2020	2,981,036	2,463,207	2,130,307	1,797,407	2,261,607
Add new receipts in the year	307,100	307,100	307,100	984,200	984,200
Less Applied during the year	(824,929)	(640,000)	(640,000)	(520,000)	(520,000)
Anticipated year end balance	**2,463,207**	**2,130,307**	**1,797,407**	**2,261,607**	**2,725,807**
General Usable Receipts					
Receipts at 1 April 2020	3,578,866	3,015,055	448,080	10,078,296	5,582,700
Add new receipts in the year	14,217,500	11,736,215	14,430,215	323,715	323,715
Less Applied during the year	(14,781,311)	(14,303,190)	(4,799,999)	(4,819,311)	(2,331,999)
Anticipated year end balance	**3,015,055**	**448,080**	**10,078,296**	**5,582,700**	**3,574,416**
TOTAL useable receipts applied	15,606,240	14,943,190	5,439,999	5,339,311	2,851,999
TOTAL year end balance available	5,478,262	2,578,387	11,875,703	7,844,307	6,300,223

3.15 The Government have published a three year direction (statutory guidance) ending in March 2022 on the flexible use of capital receipts which allows local authorities to use capital receipts to fund transformational projects which are expected to deliver future ongoing revenue savings. Transformation costs typically include:

- Investment in the modernisation of IT systems
- Review, transformation and remodelling of service delivery of front line and back office services (major restructure costs in one year which produce ongoing savings)

To date the Council has only used this flexibility to fund the reorganisation of the officer structure in 2021/22; however, subject to a further renewal of the direction to help alleviate the effects of the coronavirus pandemic, it remains a financing option to the Council should it be required.

3.16 To fund what would normally be classed as revenue expenditure as capital, the Government would need to give a specific dispensation to the Council. No dispensation has been sought and there are no plans to do so in the foreseeable future.

3.17 Since 2016/17 – and programmed to run until 2021/22 – a general direction has been applicable as part of the initiative for the flexible use of capital receipts. The statutory guidance confirms that authorities are best placed to decide which projects will be most effective for their areas, applying the key criterion that they are forecast to generate ongoing savings to the authority, several authorities or another public sector body.

Revenue funding and other funding streams (section 106, Community Infrastructure Levy)

3.18 In setting the budget for 2021/22 and future years the Council approved an ongoing revenue budget to fund ongoing ICT hardware and CCTV camera replacement as well as contributing to a Repairs and Renewals Fund. The remaining capital receipts can then be used to fund strategic investments which add to the Borough's vitality and/or generate an income to support service expenditure. In the medium term the pressure on the revenue budget is likely to mean revenue funding of ***all*** short life assets remains aspirational.

3.19 In considering an application for planning permission the Council may seek to secure benefits to an area related to the proposed developments through the negotiation of a 'planning obligation' with the developer – known as a Section 106 agreement. The obligation must be necessary to make the development acceptable in planning terms, be directly related to the development and fair and reasonable to the scale of the development.

3.20 In 2022/23 onwards the Council will be able to collect a planning charge known as Community Infrastructure Levy (CIL). CIL largely replaces Section 106 contributions in delivering strategic infrastructure. However, Section 106 agreements will still be used for securing the provision of affordable housing and some developments will provide such housing and pay CIL. Contributions may also be sought via Section 278 of the Highways Act 1980 agreements where modifications are required to the highway. Councils who wish to charge CIL must produce a Charging Schedule which is supported by an evidence base including an Economic Viability Study and an Infrastructure Delivery Plan.

3.21 Some of the assets used by the Council are leased, e.g. photocopiers. With the advent of Prudential borrowing this source of finance is less attractive as leasing interest rates are usually higher. There may be instances where leasing could offer value for money and it will be considered during option appraisal. From 1 April 2022 any leased assets will be brought "on balance sheet" as the public sector adopts International Financial Reporting Standard (IFRS) 16: Leases. This will mean all assets over a predetermined limit leased by the Council will be included in the Capital Programme and in the Non-Current Assets section of the Balance Sheet.

3.22 Some Councils use the Private Finance Initiative (PFI) to fund capital schemes. At the present time the Council has no PFI schemes being considered.

4 Treasury Management Strategy (TMS)

4.1 The Treasury Management Strategy is inextricably linked to the Capital Strategy and Capital Programme. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed - particularly where Capital purchases are concerned. The capital plans set out in this report provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

4.2 The Treasury Management Strategy (TMS) sets out the framework each year for the Council's treasury operations.

5. Borrowing

5.1 The Council investigates opportunities to resource capital projects using prudential borrowing where schemes generate enough income to pay the interest on the loan and the principal (the Minimum Revenue Provision policy). The Capital Strategy also allows borrowing for the regeneration programme, which invests in long term assets.

5.2 Since 2012 the Council has taken advantage of the Public Works Loans Board (PWLB) certainty rate which reduces loan rates by 20 basis points or 0.20%. The Council accessed this discount by providing Government annually with detailed information on its capital spending and borrowing plans.

5.3 To date most of the borrowing has been in the form of long-term maturity loans from the PWLB. While annuity loans would be preferable, they increase the cash payments as an element of the principal sum borrowed is repaid as well as interest. As the repayment of loans for Addlestone One relied on the General Fund working balance until the commercial income came online, maturity loans were the only viable option. To date only one annuity loan has been taken out which has been used to part finance the Magna Square development.

6. Prudential and Treasury Management Indicators

6.1 The Prudential Code requires all local authorities to look at capital expenditure and investment plans in light of the overall organisational strategy and resources and make sure that decisions are being made with sufficient regard to the long run financial implications and potential risks to the authority. The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable; that treasury management decisions are taken in accordance with good professional practice; and that local strategic planning, asset management planning and proper option appraisal are supported.

6.2 To demonstrate that these objectives are being fulfilled the Prudential Code operates through the provision of prudential indicators which highlight aspects of capital expenditure planning. Each indicator is annually updated as part of the budget process and projected forward for the next three years. The Code requires that the Council approves as a minimum certain mandatory prudential indicator. A complete set of all indicators is included in the Annual Treasury Management Strategy report.

<u>Revised CIPFA Treasury Management Code and Prudential Code</u>

6.3 CIPFA published its revised Treasury Management and Prudential Codes on 20 December 2021 and has stated that formal adoption is not required until the 2023/24 financial year. The Council has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.

6.4 DLUHC is proposing to tighten up regulations around local authorities financing capital expenditure on investments in commercial projects for yield and has already closed access to all PWLB borrowing if such schemes are included in an authority's capital programme. The new CIPFA codes have also adopted a similar set of restrictions to discourage further capital expenditure on commercial investments for yield.

6.5 The revised codes will have the following implications:

- a requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;
- clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment;
- require implementation of a policy to review commercial property, with a view to divest where appropriate;
- create new Investment Practices to manage risks associated with non-treasury investment (similar to the current Treasury Management Practices);
- ensure that any long term treasury investment is supported by a business model;
- a requirement to effectively manage liquidity and longer term cash flow requirements;
- amendment to TMP1 (Treasury Management Practice 1) to address Environmental, Social and Governance (ESG) policy within the treasury management risk framework;
- amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;
- a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage).

6.6 The Prudential Code states that it applies with immediate effect, except authorities may defer introducing revised reporting requirements until the 2023/24 financial year. Officers have incorporated some of the new requirements in both the Capital and Treasury Management Strategies for next year and will look to enhance all future reports with the new reporting requirements once the associated guidance notes have been received.

7. Environmental/Sustainability/Biodiversity implications

7.1 The capital programme is the expression in financial terms of the Council's agreed policies and schemes and as such there are no specific Environmental, Sustainability, or Biodiversity implications arising from this report. Any implications arising from new initiatives or those marked as being subject to a further report, will be fully explored within those future reports.

8 Legal Implications

8.1 Under the Local Government Act 2003, local authorities must have regard to statutory proper practices in their treasury management and borrowing activities. These are set out in the following:

- CIPFA's Treasury Management in the Public Services: Code of Practice 2017 Edition [The CIPFA Code] which requires the Council to approve a treasury management strategy before the start of each financial year;
- CLG Guidance on Local Authority Investments, 3rd Edition [CLG Guidance] which requires the Council to approve an investment strategy before the start of each financial year; and
- CIPFA Prudential Code for Capital Finance in Local Authorities 2017 Edition [The Prudential Code] which requires the Council to have regard to the Prudential Code when determining how much money it can afford to borrow.
- Numerous other CIPFA codes and statutory guidance

8.2 The above codes require all local authorities to produce detailed Capital Strategy. The Capital Strategy is intended to give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability. The development of a Capital Strategy allows flexibility to ensure that the overall strategy, governance procedures and risk appetite are fully understood by all elected members.

9. Conclusion

9.1 The Council recognises that effective financial planning, option appraisal, risk management and governance processes are essential in achieving a prudent approach to capital expenditure, investment and debt. Therefore, all investment decisions (treasury and non-treasury) are taken considering the Council's Strategic Business Plan, Medium Term Financial Strategy, Capital Strategy (including the Property Investment Strategy) and Treasury Management Strategy.

9.2 The Capital Strategy and Capital Programme balance the resources available to the Council and leave options open as to future funding over the life of the MTFS. The key objectives of the Capital, Property Investment and Treasury Management Strategies are to deliver a Capital Programme that will:

- Ensure assets of the Council are used to support the delivery of the priorities set out in the Corporate Business Plan.
- Support the Council's specific project plans – especially economic development and regeneration
- Be affordable, financially prudent and sustainable.

9.3 The financing of the capital programme continues to be compiled on the basis that it will:

- Use revenue resources where possible to fund relatively short life assets (ICT and CCTV equipment) with a view to increasing the revenue funding when practicable.
- Use a combination of prudential borrowing or internal borrowing and/or capital receipts to finance General Fund capital expenditure and invest in the Council's existing asset base.

9.4 In preparing these strategies the Council believes the capital strategies are deliverable within existing resources, including prudential borrowing for the regeneration programme. The revenue consequences are affordable as shown in the Council's Medium Term Financial Strategy. Risks and governance of the strategies are actively monitored by officers and regularly reported to Members.

9.5 CIPFA issued the revised Treasury Management and Prudential Codes on 20 December 2021 with a clear statement to say there is a soft launch with formal adoption for the 2023/24 financial year. The Prudential Code states that it applies with immediate effect, except authorities may defer introducing revised reporting requirements until the 2023/24 financial year. Officers have incorporated some of the new requirements in both the Capital and Treasury Management Strategies for next year and will look to enhance all future reports with the new requirements once the associated guidance notes have been published.

(To recommend to Full Council on 10 February 2022)

Background Papers

- Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes – 2017 Edition

- Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes – 2021 Edition
- The Prudential Code for finance in local authorities - 2017 Edition
- The Prudential Code for finance in local authorities - 2021 Edition
- Ministry for Housing, Communities and Local Government – MHCLG) Guidance on Local Authority Investments
- Local Authorities (Capital Finance and Accounting) (England) Regulations 2003

CAPITAL STRATEGY 2022/23 to 2025/2026

APPENDIX 'F'

1. Introduction

1.1 The Capital and Investment Strategy forms a key part of the Council's Corporate Planning framework. The strategy sets out the rationale for investment in capital assets and projects, including prioritisation, planning, outcomes, funding, and project management and monitoring. It is updated annually to react to the changing Council priorities, social and demographic changes and crucially the financial climate. The Capital Strategy focuses on the core principle that underpins the Councils detailed capital programme. The strategy applies to the General Fund only; the strategy for the Council's dwelling stock is contained in the Housing Revenue Account Business Plan.

1.2 Most items of capital expenditure have associated revenue implications. For that reason, most of the items included in the detailed Capital Programme will sustain an essential service, reduce running costs in the medium term or generate an income to the Council. The detailed annual report to Council in February each year shows the current position and projects where the Council will be in three years' time and how it will get there.

1.3 The Council's Medium-Term Financial Strategy aims to set a balanced budget over the life of the financial planning cycle. The Council maintains a working balance to fund unforeseen cost increases or to pump prime initiatives or fund some items of capital expenditure from revenue resources.

1.4 This strategy maintains a strong and current link to the Council's priorities and to its key strategy documents notably the Treasury Management Strategy, Property Investment Strategy, Medium Term Financial Strategy (MTFS) and the Corporate Business Plan. It is also consistent with the Council's housing policies and programmes. These are covered in the Council's Housing Strategy and Housing Revenue Account (HRA) Business Plan. The Capital and Investment Strategy describes how the deployment of capital resources will contribute to the achievement of these aims.

1.5 The Council has long established links with local community and voluntary groups, many of whom it supports through grant funding, and has signed a formal compact with the voluntary and community sector. In addition, the Council works with a number of other organisations including:

- Surrey County Council and neighbouring Borough Councils
- Surrey Police
- Registered Social Landlords
- North Surrey Clinical Commissioning Group, Health Trusts and the Surrey Health and Wellbeing Board.
- Runnymede Business Partnership and the universities
- Sports clubs
- Local Enterprise Partnership
- Voluntary Support North Surrey

1.6 The financial implications of the Capital Strategy are reflected in the Council's Treasury Management Strategy, Prudential Indicators, the overall Medium-Term Financial Strategy (MTFS) 2022/23 to 2025/26 and revenue budget and tax setting proposals for 2022/23. The objectives of the Prudential Code are to ensure:

- capital expenditure plans are affordable
- all external borrowing and other long-term liabilities are within prudent and sustainable levels
- treasury management decisions are taken in accordance with good professional practice.

1.7 The asset portfolio of the Council broadly falls into four distinct categories

- **Operational** – supporting core business and service delivery e.g. Civic centre, waste management depot
- **Investment** – to provide a financial return for the Council in order to progress regeneration plans
- **Community** – to support specific local communities. e.g., Community and day care centres
- **Regeneration** – enabling strategic place shaping and economic growth e.g. Addlestone One

1.8 The Council is ultimately accountable and has a clear and transparent framework for its decision making. These Strategies are driven by the Council's corporate plan - the key strategic planning document which articulates the Council's vision, aims and objectives.

2. Borough profile

2.1 Runnymede Borough lays in north-west Surrey some twenty miles south-west of Central London, covering an area of 7,804 hectares. Its northern and eastern edges are formed by the Rivers Thames and Wey. It has a population of 80,500 living in approximately 35,500 households. The area has an extensive Green Belt which makes it an attractive location to live and work. Development restrictions and demand for housing are reflected in high property prices. Additionally, Runnymede has a strong local economic base with many commercial enterprises in the town centres, industrial estates and business parks located in the area. As a result, more people commute into Runnymede for work than commute out. Equestrian and market gardening activities dominate in the rural areas with some traditional farming.

3. Objectives

3.1 The Council's mission is to "deliver services, enhance our environment, and improve the economy by working with local people and partners for the greater good of the community", whilst it's vision is to produce "a vibrant Borough with a high quality environment, where we maximise opportunities with partners to provide services which are highly regarded by local people".

3.2 It is recognised that we cannot achieve all the changes/developments we would like to see locally as one organisation, so the Council seeks to achieve these aims in a number of ways. The Council will act as a lead agency for delivering the Corporate Business Plan and will work with our partners in steering the vision and the delivery mechanisms.

3.3 In essence Runnymede councillors determine their programmes for capital investment that are central to the delivery of quality services. The Prudential Code plays a key role in supporting that objective. The code requires a local authority to look at its capital spending and investment plans in the light of its Corporate Plans and how these will be resourced. Decisions made now on capital spending have regard to the long-term financing implications and potential risks.

4 Capital Strategy strategic aims

4.1 The key objectives of the capital strategy are to deliver a Capital Programme that will:

- Ensure assets of the Council are used to support the delivery of the priorities set out in the Corporate Business Plan.
- Supports the Council's specific project plans – especially economic development and regeneration. This includes creating new, sustainable income streams from commercial and service driven activities.
- Spend to save – transformation projects to reduce costs and enhance the services we provide
- Addresses major infrastructure investment
- Delivers wider economic outcomes e.g. employment opportunities
- Asset Management maintenance and investment
- Is affordable, financially prudent and sustainable.

4.2 The Capital Strategy should be read in conjunction with the Treasury Management Strategy and the overarching Medium Term Financial Strategy (MTFS). These three strategic plans show where capital and revenue investment can assist the Council in delivering its priorities. The impact of these strategies is summarised in the Medium-Term Financial Strategy. This demonstrates the Council's plans to invest in the Borough not only improves the residential and commercial offering to residents, but also provides an income stream to continue delivering services the residents need/desire.

4.3 A key element of the Corporate Plan are the regeneration projects.

4.4 The regeneration schemes themselves have a total budget of £195 million which is largely funded by borrowing and use of capital receipts to reduce revenue costs. During construction the schemes do not generate income, in some cases they reduce income as car parks are closed and existing Council owned income generating assets are demolished as part of the scheme. For that reason, the Council approved a Property Investment Strategy in 2014/15 which sought to acquire assets which would generate income to fund borrowing costs and replace the lost income during the developments.

4.5 The five-year Property investment Strategy ended in March 2020 and saw substantial investment in assets which generate a sustainable income stream for the Council. The pertinent sections of this former Strategy are now incorporated into this Capital Strategy.

4.6 The Council wishes to continue its regeneration strategy in other phases of Addlestone, Egham and Chertsey and will now seek alternative ways to finance them.

5 Priority areas for investment

5.1 There is increasing pressure on the availability of housing in the Borough – social housing and private sector rented accommodation. The Council has a housing strategy which accounts for a significant part of the capital programme. The figures in the programme include the Council's expenditure on its own stock. Works to the housing stock are totally financed from tenants rent. The expenditure on private sector housing includes making grants to private householders to enable them to continue living in their own home e.g. Disabled Facilities Grants. The present Housing Strategy and long term business plans are currently under review and this will include reviewing our approach to the provision of more affordable housing potentially through a Council sponsored vehicle, or Joint Venture agreement. The investment needed to fund this will be considered at the same time.

5.2 The Council continues to have ongoing responsibilities to maintain its assets and will keep its asset base under review and will continue to invest in its key assets which include the Civic Centre, community halls, depot and car parks.

5.3 The Council has commitments to partners as well as legal and other statutory obligations. It will continue to support capital works to discharge those commitments.

5.4 It is anticipated “invest to save” and income generation projects will continue to play a large role to assist the Council in its efficiency and business transformation agenda.

5.5 The Council’s priority areas for investment are summarised as:

- Housing investment (private and public sector)
- Asset maintenance and enhancement
- External partnerships commitments
- Invest to save
- Economic regeneration

6 Priorities and risk in property investment

6.1 The Council’s Property Investment Strategy was introduced to fund the regeneration schemes of the Council and to help fund services to residents that may have otherwise been curtailed due to the loss of central Government funding. The of objectives of that Strategy have largely been met and as a result the focus of investment has shifted to maintaining and developing our existing asset base.

6.2 The Council funded the purchase by borrowing money, mainly from the Government (PWLB) and always at a fixed rate of interest for a fixed period of years. For that reason, the Council faces no risk from increased borrowing costs over and above those planned when members approve the original business case.

6.3 The rent income from the tenant is governed by the lease agreement which includes regular, normally every five years, rent reviews. The lease agreements are upwards only. As the starting rent more than covers the loan repayments, the net income to the Council will increase as rents are reviewed upwards. The long-term impact of the pandemic may change that.

6.4 Whilst the Council has not been investing to make a capital gain, historically, property has proved to be one of, if not the best, investment in terms of capital growth over the last 50 years. If the Council owns a property for say 15 years, and the property is well managed and maintained, the Council can expect to see an increase in the value of the property as well as an annual income.

6.5 Acquisition for investment and treasury management purposes was linked to asset acquisition for regeneration and service delivery priorities. For example, the new leisure centre in Egham is an integral part of the regeneration scheme but replaces an old asset with considerable maintenance liabilities with a net cost to the council with a new facility which generates income.

7 Approach to investment

7.1 The Capital Programme is approved by the Council in February each year and is amended during the year to reflect changing circumstances. Future capital programmes are driven by the budget and business planning process. The size of the programme is determined by:

- Any requirement to incur expenditure
- Affordability and available resources

- Revenue implications from capital expenditure

7.2 The de-minimis for schemes to be included in the programme is £10,000 unless wholly funded from external sources. Schemes below this threshold are funded from revenue sources.

7.3 The Council identifies programmes and prioritises investment and funding via a robust business case and project management methodology. Business cases must be approved by the relevant Service Committee and Corporate Management Committee before being included in the draft strategy for Council to consider in February.

8 Specific funding of schemes

8.1 Funding of capital schemes can originate from a number of sources and in some cases a variety of sources. Irrespective of the source of funding all capital schemes are included in the Council's approved programme. The main sources of funding are likely to be the following:

- **Revenue funding** - There may be instances where a revenue contribution in part or wholly is used to fund the capital expenditure. Items would include CCTV cameras, vehicles and ICT equipment. Invest to save schemes or income generation schemes could provide funding to "pay back" the initial investment.

- **External funding** - Funding may in part or wholly come from external bodies. This includes government capital grant, contributions from other public sector bodies or via negotiated agreements.

- **Capital receipts** - The Council on occasion sells a capital asset which is surplus to requirements. The sales proceeds are used to fund future capital schemes. The receipts are treated as a corporate resource to be used to invest in the Council's priorities. This means an individual service is not solely reliant on its ability to generate capital receipts.

- **Borrowing** - The Council may take out loans to fund capital expenditure. The Treasury Management Strategy approved by Council in February each year sets out the acceptable counterparties and the Council's borrowing limits which comply with the Prudential Code. Borrowing is restricted to funding assets which generate enough income to repay the loan completely.

9 Capital finance

9.1 The main source of the Council's capital resources has traditionally been capital receipts derived from land sales. This source of finance will continue for a number of years as major regeneration schemes in Addlestone and Egham are forecast to produce homes for sale as well as social housing and apartments for rent

9.2 The Council's overall financial position is formally reviewed at least two times per year. Every quarter the Corporate Management Committee receives an update on projected spending for the remainder of the financial year and the likely level of available capital receipts for the following year.

9.3 The Local Government Act 2003 introduced the Prudential Regime. The Prudential regime requires all local authorities to look at capital expenditure and investment plans in light of the overall organisational strategy and resources and make sure that decisions are being made with sufficient regard to the long-term financial implications and potential risks to the authority. The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable; that treasury management decisions are taken in accordance with good professional practice; and that local strategic planning, asset management planning and proper option appraisal are supported.

9.4 The Council recognises that effective financial planning, option appraisal, risk management and governance processes are essential in achieving a prudent approach to capital expenditure, investment and debt. Therefore, all investment decisions (treasury and non-treasury) are taken in light of the Council's Strategic Business Plan, Medium Term Financial Strategy, this Capital Strategy and the Treasury Management Strategy.

9.5 One important Council policy is in relation to prudential borrowing. The Council will only borrow to fund capital projects where a robust business case has been developed and the Prudential Indicators prove that the project is affordable. This will include consideration of past borrowing, maintenance requirements and planned disposals, not just in the medium term but over the life of the asset base or underlying debt. The Council will only borrow:

- For assets which will generate sufficient income to cover the borrowing costs – both interest and capital repayment
- Where maturity loans have been taken out then each year the Council will set aside income to fully repay the loan when it matures via a Minimum Revenue Provision (MRP).

10 Prioritisation, governance and agreement of capital project proposals

10.1 All new schemes are subject to a business case being prepared to be submitted to Members for approval via Service Committees. This gives Service Committees the opportunity to introduce new schemes, vary the specifications and defer others as operational needs develop over time. Following a review of the business case the Corporate Management Committee releases the capital budget. Every quarter the Corporate Management Committee receives an update of the projected outturn via the Financial Monitoring report or updated strategies.

10.2 Each proposed scheme includes a financial appraisal using a whole life costing approach for the capital and revenue implications, pay back periods etc.

10.3 The Corporate Management Committee consider the impact on the overall capital programme and make the final recommendation to Council in February each year on the size and schemes to be included in the Capital Programme. The housing capital programme (HRA) is evaluated separately in accordance with the Council's Housing Strategy by the Housing Committee who makes recommendations to full Council as part of HRA rent and budget setting.

10.4 The financial strategy includes projections of capital resources likely to be available within the period of the plan and provides the framework within which the forward Capital Programme has been developed based on existing and expected resources. The Capital Programme is reviewed throughout the year with only those schemes which have undergone detailed scrutiny being included in the programme.

10.5 In order to make their way into the Capital Programme during the year any new capital projects are brought forward in the first instance to the appropriate Committee, having been appraised in consultation with the Corporate Head of Finance and the Corporate

Leadership Team using a full business case, prepared using the Council's project management and procurement methodology.

10.6 Once agreed, the service Committee will make an appropriate recommendation to the Corporate Management Committee to include the scheme in the Capital Programme. It will be for the Corporate Management Committee to approve the method of financing the scheme.

10.7 When necessary, schemes are then prioritised and evaluated according to the agreed corporate criteria by the Corporate Leadership Team (CLT). Potential schemes are evaluated in terms of the following categories to give an order of priority. Within each priority ranking each "bullet point" ranks higher than the one below it.

Priority 1

- Schemes essential and to the extent necessary to comply with statutory obligations, including Health and Safety
- Schemes for which there is a contractual commitment to another party
- Schemes necessary to avoid a service breakdown
- Schemes which a business plan demonstrates to be self-financing
- Schemes which will permit future savings or increased efficiency

Priority 2

- Schemes necessary to maintain an existing asset
- Schemes necessary to maintain required standards of service
- Schemes to meet urgent established need

Priority 3

- Schemes to permit the development of services in accordance with approved policies

Priority 4

- Schemes representing other desirable developments within services
- Schemes to meet emerging needs and/or demands emanating from consultation, benchmarking or Best Value exercises.

11 Prioritisation, governance and agreement of property purchase proposals

11.1 The Council had a Property Investment Strategy in place that ended in 2019/20. Full Council approved three progressive versions of the Strategy in 2014, 2015 and most recently at Full Council on 9 February 2019. The aim of that strategy was to:

- To invest resources that regenerate the main towns in Runnymede and which secure place shaping improvements and the creation of economically and socially sustainable communities.
- To develop a balanced property portfolio that produces sustainable and increasing revenue income streams that financially support the regeneration and place shaping of the Borough.

11.2 This Strategy came to a natural conclusion on 30 March 2020. Any future acquisitions will be integral to a regeneration scheme.

12 Capital Loans

12.1 The Council may make loans to third parties to generate income or to meet a strategic priority. In doing so it may choose to make loans to local enterprises as part of a wider strategy for local economic growth even though those loans may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity.

12.2 The Council may also from time to time make Soft Loans (Loans charged at interest rates at less than market value). Before such loans are undertaken, the implied subsidy will be clearly identified and quantified as part of the decision-making process.

12.3 Any loans to a third party will only be undertaken if there is an acceptable level of risk. This will be assessed against the overall sustainability of the Council and will include considerations such as:

- The level to which the budget is dependent upon income from the loan and the certainty of the income moving forward
- The amount of the capital invested and the potential volatility of the fair value of the loan compared to the initial investment
- How the investment is to be financed and its affordability
- The liquidity of the investment compared to the longer-term cash flow requirements of the Council
- The cumulative impact of all the loans made by the Council

13 Value for money

13.1 Value for money is delivered through two separate mechanisms. The first is efficient procurement of goods and services through competitive processes and partnerships. These are established mechanisms and are set out in the Procurement Strategy. The other means is through careful scrutiny of possible projects at the assessment stage and prioritising them according to the extent to which the outcomes they promise to deliver match the priorities of the Council.

13.2 Value for money will also be assessed via the regular reporting of property investments and capital loan portfolios so that any material increase in risk or threat to ongoing yield can be assessed.

14 Risk management

14.1 Risk appetite can be defined as “the amount of risk that an organisation is prepared to accept, tolerate, or be exposed to at any point in time”. The Council is very aware that risk always exists in some measure and can never be totally removed. In order to regenerate the Borough in the way the Council plans, some risk has to be accepted. It is worth noting the Public Accounts Select Committee supports risk taking across government, recognising that innovation and opportunity to improve public services requires risk taking - provided that the ability, skills, knowledge and training to manage those risks will exist within the organisation or can be brought to bear. In general, the Council’s risk appetite is expressed through its tolerance to risk in terms of capital preservation (level of capital receipts etc.), meaningful liquidity (General Fund working balance) and income volatility (e.g. business rates equalisation fund, provision for bad debts etc.). These risks are reported to Members annually in February.

14.2 The Council recognises that the investment in other financial assets and property primarily for financial return, taken for non-treasury purposes, requires careful investment management. Such capital expenditure includes loans supporting service outcomes, investments in subsidiaries and investment property portfolios. The Council fully recognises that the risk appetite for these activities may differ from that for treasury management and a full appraisal will be undertaken to mitigate any such risks.

14.3 The Council has a number of Risk Management mechanisms in place when implementing the strategies. All are regularly reported to and approved by members of the following Committees - Standards and Audit, Overview and Scrutiny, Corporate Management Committee with Full Council taking on responsibility following reports from those committees. The risk management arrangements detailed below, especially release of funds are contained in the standing orders and financial regulations of the Council.

14.4 Each project on the capital programme is subjected to a capital appraisal process. The Council operates a “whole life costing process” and evaluates overall financial costs using discounted cash flow and other appropriate techniques to aid decision making.

14.5 The financial risk assessment takes into account the likelihood of a budget variance, the consequence of any potential variance, and the significance of these two factors for the budget assumptions.

14.6 Every report to members from officers which includes references to any of the above strategies must be approved by the Chief Executive and include Resource, legal and risk management implications as a minimum.

Capital Strategy Risk management

14.7 Items can be included in the draft Capital Strategy which is approved by Council in February each year. However before a scheme can commence a full business case, prepared using the Council’s project management and procurement methodology must be agreed by relevant service committee and the release of capital funds agreed by Corporate management Committee. Members receive reports on any potential variation to the project before officers are authorised to amend the project plan.

Property management risks

14.8 Property risks include loss of income during void periods, the risk the tenants cannot pay the rent, overall property market risk and the risk of falling property values. The Council mitigates these by having a diverse investment property portfolio, a review of tenant covenant strength for prospective tenants prior to them becoming a tenant, including a review of the company finances and credit checks. The Council will also request rent deposits where appropriate.

14.9 At 31 March the Council’s balance sheet shows the value of each commercial asset. Clearly a risk going forward is that assets may fall in value as world economic conditions change, however, this is not an issue if there is no intention to sell the asset in question. However, to accommodate the risk of fluctuating values the Council:

- Has a balanced portfolio between asset types;
- Diversifies the location where properties are owned within the Borough and where relevant outside the Borough to create some geographic diversity;
- To ensure the diversification of tenants, such that for example the Council owns hotel and supermarket assets with a range of operators;
- To keep commercial assets in good repair with planned preventative maintenance regimes and where relevant complete refurbishment plans in place and where relevant commercially attractive but realistic service charge regimes that protect the assets.

14.10 The Council ensures that it provides fully resourced, proactive and professional management in the handling of its commercial assets portfolio to optimise the value of the investments over time.

14.11 The Council's Assets and Regeneration Team monitor and support commercial tenant(s) by undertaking effective rent reviews, re-gearing leases where appropriate or remarketing the lease opportunity in a timely and market focussed manner. Furthermore, the Council ensures tenants fulfil their repair and maintenance obligations of their leases including dilapidation remediation on termination. But as the landlord, the Council ensures its commercial buildings remain attractive to tenants for letting both to preserve income levels but also to ensure the asset is attractive for re-letting or for future sale.

14.12 The Prudential Code espouses that the risks associated with commercial investments be proportionate to their financial capacity – i.e. that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services. The Council therefore maintains significant earmarked reserves to mitigate risk of rent loss or dilapidations costs

Treasury Management Risks

14.13 Treasury management activity involves risks which cannot be eliminated but need to be managed. The effective identification and management of these risks are integral to the Council's treasury management objectives. All treasury activity needs to be managed to maximise investment income and reduce debt interest whilst maintaining the Council's exposure to risk. The key treasury risks are set out in detail in the Council's Treasury Management Practices (TMPs) and in the Council's Statement of Accounts both of which can be found on the Council's website.

14.14 The Treasury Management Strategy details the Councils approach to borrowing. Risk mitigation in this regard can be summarised as:

- Only fixed interest rate loans can be taken out.
- Loans can only be taken out to fund tangible asset acquisition
- Since 2014 the Council has focused borrowing on assets which repay debt and contribute to balances to allow regeneration projects to be undertaken. (To mitigate the risk of void rent loss, bad debts etc. the Council makes a provision for these sums in the budget each year).

15 Asset management planning and disposals

15.1 Asset disposals should meet specified criteria to ensure proper consideration and terms and also compliance with Section 123 Local Government Act 1972 as amended by The Local Government Act 1972: General Disposal Consent 2003.

15.2 Regular reviews are undertaken to identify assets that could be used as part of one of the Council's regeneration projects; redeveloped or their use changed to generate additional income; or in the absence of adding value or to contain the cost of asset ownership, to declare the asset surplus and maximises the selling price. Furthermore, as part of reviewing the property portfolio the Council may determine to dispose of a commercial asset to reduce its exposure in a particular market sector, geographic location or simply to release capital that can be reapplied to regeneration projects or to acquire new or redevelop old commercial property assets.

15.3 The Council's reviews also involve challenging all property assets and an options appraisal judged against the value and contribution that assets can make to service delivery and corporate objectives. For example, building utilisation can be improved by a combination of agile working and improved work scheduling techniques. Assuming the released space is marketable, the same services can be delivered using less space and therefore securing additional revenue income from the released space.

15.4 The asset challenge process will therefore determine which of the following five categories the asset will fall into:

- **Fit for Purpose** - these should be retained and maintained through a programme of planned and reactive maintenance; or
- **Enhanced Utilisation** – These should be retained; however, utilisation should be re-considered to improve the financial and/or service delivery performance (for example through shared services); or
- **Major Investment** – The future direction of the building needs to be determined as major works are required; or
- **Vision Property** – These assets should be retained, undertaking minimum maintenance pending investigation of the development potential of the site. The asset should be developed or disposed when its potential can be maximised; or
- **Surplus** - Develop or dispose of the asset immediately, in accordance with the Investment Strategy

15.5 Where a disposal is considered the following criteria must be satisfied:

- **Market Testing** - Any sale of an asset should be subject to an open market test where reasonable steps have been taken to identify all interests in acquiring the asset and so to have sought to optimise the value of the sale;
- **Valuation** – Where there is a substantial value to the asset an independent valuation should be sought. For property sales, an independent Royal Institute of Chartered Surveyors' Red Book" valuation should be undertaken which confirms the value of the sale is at or above the independent valuation;
- **Optimising Value** - The Council should seek to optimise the price paid through considering current and future value and, for property sales for example, applying overage clauses in the sale agreement, where there is a potential for increasing the number of residential units to be built / increased value of the units / land assembly with increased marriage value / etc.

16. Consultation

16.1 The Council consults on its strategies and provides feedback with the community and a wide variety of interested groups. This is undertaken through, special interest groups (e.g. Disability Liaison Group, Tenants Associations and Allotment Users), the Runnymede Business Partnership, other local authorities, other strategic partners, and a Citizens' Panel. This two-way process is informed using relevant performance indicators, benchmarks and detailed outcome reports.

16.2 The views obtained inform the development of service strategies and the Corporate Business Plan, which in turn inform the Capital Strategy.

16.3 Major capital investment will be in response to evidence-based work, covering need, demographic trends and the appropriate local or user group consultation. Effective ward networks provide an important source of policy and service aspirations.

General Fund Capital Programme 2020/21 to 2029/30

Scheme Details	Updated Budget	Actual to 31 Mar 21	Budget 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28	Budget 2028/29	Budget 2029/30	Budget 2029/30	Budget 2030/31	Comments
	£	£	£	£	£	£	£	£	£	£	£	£	£	
Housing Services														
Improvement Grants/Loans (private sector properties)														
Disabled Facilities Grants	5,885,000		535,000	535,000	535,000	535,000	535,000	535,000	535,000	535,000	535,000	535,000	535,000	
Discretionary Renovation Grants	329,736		29,976	29,976	29,976	29,976	29,976	29,976	29,976	29,976	29,976	29,976	29,976	
Minor Works Assistance Grants	186,670		16,970	16,970	16,970	16,970	16,970	16,970	16,970	16,970	16,970	16,970	16,970	Funded by grant
Loans - Granted	440,000		40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	
Moving Home Scheme Loans	325,171		29,561	29,561	29,561	29,561	29,561	29,561	29,561	29,561	29,561	29,561	29,561	
Capital Schemes (non-council housing)														
Purchase of 3 properties for rough sleepers	700,000		700,000											Scheme subject to future committee report. Part Homes England funding, part s106
Sleeping Pods - Salvation Army Premises	20,000	11,169	8,831											
Capital Schemes (HRA Housing)														
Capitalisation of improvement works	72,976,000		2,976,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	Capitalisation at year end. Met from MRR in 21/22& 22/23
Purchase of Property	13,700,000		1,000,000	1,300,000	1,000,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	Part financed by use of Housing receipts not paid to the Government Pool - New Build Housing
St Georges Development, Addlestone	2,127,930	947,573	1,180,357											
Dunkirk Nursery Land Purchase	3,592,136	842,136		1,250,000	1,500,000									Future works subject to Committee report.
HRA Grants to Registered Providers	2,000,000		500,000	500,000	500,000	500,000								Provision of new affordable housing and the use of retained 1-4-1 right to buy capital receipts. Funded 100% from 1-4-1 set aside receipts
Conversion of garages into temporary accommodation	900,000			300,000	600,000									Part financed by use of Housing receipts not paid to the Government Pool. Garage conversions - subject to committee report and approval
New Build Programme:	20,500,000			5,000,000	5,000,000	5,000,000	5,500,000							£25m programme as per HRA Business Plan - Hsg Cttee Mar 21. Last two years funded from borrowing
Purchase of land - Kennett Lane, Chertsey	4,500,000		4,500,000											
	128,182,643	**1,800,878**	**11,516,695**	**16,001,507**	**16,251,507**	**14,451,507**	**14,451,507**	**8,951,507**	**8,951,507**	**8,951,507**	**8,951,507**	**8,951,507**	**8,951,507**	
Environment & Sustainability														
Environmental Services														
Depot vehicle fleet replacement programme	4,504,603	1,996,155	109,113			386,000	312,000	25,000	1,567,235	109,100				Post 20/21 budgets subject to future committee report (Based on replacement schedule Dec 18)
River Thames Flooding Scheme	5,000,000		2,000,000	2,000,000	1,000,000									
A320 North of Woking HiF Scheme	2,000,000				2,000,000									
ANPR Car Parking Programme	500,000			500,000										Scheme subject to future committee report
Replacement car parking vehicles	50,000			50,000										Scheme subject to future committee report
	12,054,603	**1,996,155**	**2,109,113**	**2,550,000**	**3,000,000**	**386,000**	**312,000**	**25,000**	**1,567,235**	**109,100**				
Community Services														
Community Transport														
Vehicle fleet replacement programme:														
- Approved purchases	187,146		187,146											
- Future provision	1,463,000		61,000	288,000		144,000	288,000		45,000		61,000	288,000	288,000	
Community Development														
Safer Runnymede														
CCTV Equipment Replacement	1,100,000		100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	Annual provision available to draw down
Grant Aid to Sporting and Community Organisations														
Grants to Local Organisations	220,000		20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	Annual provision available to draw down
Parks and Open Spaces														
Runnymede Pleasure Ground	4,781,000	467,688				4,313,312								
New Bike Track - Kings Lane Open Space	30,000		30,000											
Replacement play area programme	900,000			100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	Scheme subject to future committee report
Parks Vehicle replacement programme	218,000		68,000	18,000	12,000	34,000					68,000	18,000	18,000	
Grounds Maintenance Contract Vehicles	420,000		420,000											Scheme subject to future committee report & dependant on Norse proposal outcome
General Schemes														
Youth Café	160,000		160,000											Scheme subject to future committee report
1st Chertsey Scout Hut demolition	55,000	40,272	14,728											
	9,534,146	**507,960**	**1,060,874**	**526,000**	**232,000**	**4,711,312**	**508,000**	**220,000**	**265,000**	**220,000**	**349,000**	**526,000**	**526,000**	
Corporate & Business Services														
General Schemes														
Provision for Asset Management	12,250,000		350,000	500,000	500,000	500,000	2,400,000	1,000,000	5,500,000	500,000	500,000	500,000	500,000	
Development Loans to RBCI (Egham Gateway)	12,644,500		6,444,500	6,200,000										non -financial investment - Offset by Capital Receipt
Depot Refurbishment works	290,000		145,000	145,000										
Capital Contribution towards Surreywide Travellers' Site	200,000			200,000										
Restructuring & Transformation - Staff costs	1,500,000		1,500,000											Capital Directive to be funded from Capital Receipts
Restructuring & Transformation - ICT & PPE	500,000		500,000											Scheme subject to future committee report
Green Homes - raising energy efficiency ratings	2,897,500		2,897,500											Met from grant
ICT Schemes														

General Fund Capital Programme 2020/21 to 2029/30

Scheme Details	Updated Budget	Actual to 31 Mar 21	Budget 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28	Budget 2028/29	Budget 2029/30	Budget 2029/30	Budget 2030/31	Comments
	£	£	£	£	£	£	£	£	£	£	£	£	£	
ICT Hardware Replacement (Incl Members)	1,409,684		307,184	122,500	122,500	122,500	122,500	122,500	122,500	122,500	122,500	122,500	122,500	Annual provision available to draw down
ICT Upgrades & Developments	1,132,072		232,072	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	Annual provision available to draw down
E- Procurement System	20,000			20,000										
Digital Transformation Strategy														
Retendering Systems - Provision	1,250,000		250,000	500,000	500,000									Provision reduced and reprofiled
- Income Management System	91,800	67,054	24,746											
- Northgate Systems (Revs, Bens, Hsg, Planning, Info@work)	511,500	89,363	422,137											
- Housing Northgate system upgrade	246,382		123,191	123,191										Funded from HRA balances
- Customer Relationship Management & Content Managemnt Systems	300,000	200,560	99,440											
- Modern.gov system	22,570		22,570											
- Bartec upgrade	10,000		10,000											Scheme subject to future committee report
- Financial Management System	500,000		100,000	400,000										Scheme subject to future committee report - Reprofiled
- GDPR Data Recovery	15,000		15,000											Scheme subject to future committee report
- Network and Infrastructure update	90,000		90,000											Scheme subject to future committee report
- Combined HR & Payroll system	40,000		10,000	30,000										Scheme subject to future committee report - Reprofiled
- Telephony system	100,000		100,000											
- Parking Services system	25,000		25,000											
- Environmental Services system	170,000			170,000										Scheme subject to future committee report
- Sharepoint	50,000			50,000										Scheme subject to future committee report
- Land Charges system	60,000			60,000										Scheme subject to future committee report
Property related schemes														
Addlestone ONE Project	79,984,528	77,704,895	2,279,633											
Addlestone One refurbishment	4,520,000			3,000,000	1,520,000									
Addlestone One Internet upgrade	100,000			100,000										Scheme subject to future committee report
Egham Gateway West (Magna Square) Regeneration	90,000,000	46,685,209	38,474,791	4,840,000										Scheme funding revised to borrow £80m of the £90m cost
Provision for purchases for regeneration purposes	20,000,000		10,000,000	5,000,000	5,000,000									Any potential purchases subject to future committee report
Chertsey Business Park	18,820,000	18,377,497	442,503											non -financial investment
	249,750,536	**143,124,578**	**64,865,267**	**21,560,691**	**7,742,500**	**722,500**	**2,622,500**	**1,222,500**	**5,722,500**	**722,500**	**722,500**	**722,500**	**722,500**	
Summary														
Housing Services	128,182,643	1,800,878	11,516,695	16,001,507	16,251,507	14,451,507	14,451,507	8,951,507	8,951,507	8,951,507	8,951,507	8,951,507	8,951,507	
Community Services	9,534,146	507,960	1,060,874	526,000	232,000	4,711,312	508,000	220,000	265,000	220,000	349,000	526,000	526,000	
Environment & Sustainability	12,054,603	1,996,155	2,109,113	2,550,000	3,000,000	386,000	312,000	25,000	1,567,235	109,100				
Corporate and Business Services	249,750,536	143,124,578	64,865,267	21,560,691	7,742,500	722,500	2,622,500	1,222,500	5,722,500	722,500	722,500	722,500	722,500	
	399,521,928	**147,429,571**	**79,551,949**	**40,638,198**	**27,226,007**	**20,271,319**	**17,894,007**	**10,419,007**	**16,506,242**	**10,003,107**	**10,023,007**	**10,200,007**	**10,200,007**	

APPENDIX 'H'

TOTAL CAPITAL PROGRAMME COSTS OVER THE NEXT FIVE YEARS

		2021/22	2022/23	2023/24	2024/25	2025/26
		£'000	£'000	£'000	£'000	£'000
EXPENITURE						
Housing Revenue Account (HRA)		10,156.4	15,350.0	15,600.0	13,800.0	13,800.0
Housing General Fund		1,360.3	651.5	651.5	651.5	651.5
		11,516.7	16,001.5	16,251.5	14,451.5	14,451.5
Environmental Services						
	River Thames flood scheme	2,000.0	2,000.0	1,000.0		
	A320 road improvement			2,000.0		
	Other environmental schemes	109.1	550.0	0.0	386.0	312.0
Community services		1,060.9	526.0	232.0	4,711.3	508.0
Corporate Management						
	General	11,837.0	7,045.0	500.0	500.0	2,400.0
	Digital services & transformation	1,831.3	1,575.7	722.5	222.5	222.5
	Corporate property assets	51,196.9	12,940.0	6,520.0		
TOTAL		79,551.9	40,638.2	27,226.0	20,271.3	17,894.0
FUNDED BY:						
	HRA revenue balances	6,355.4	7,830.0	15,200.0	8,280.0	7,780.0
	HRA Major Repairs Reserve	2,976.0	7,000.0			
	Earmarked revenue reserves	3,429.5	1,373.5	934.5	1,000.5	1,110.5
	Grants and other contributions	4,987.8	651.5	651.5	651.5	651.5
	Capital receipts	15,606.3	14,943.2	5,440.0	5,339.3	2,852.0
	Prudential borrowing	46,196.9	8,840.0	5,000.0	5,000.0	5,500.0
		79,551.9	40,638.2	27,226.0	20,271.3	17,894.0

8. **Budget and Council Tax 2022/23 (Amanda Fahey – Assistant Chief Executive)**

Synopsis of report:

To provide an update for approval on the 2022/23 Budget considered at the December 2021 Corporate Management Committee following the receipt of the details of the 2022/23 Provisional Finance Settlement.

Recommendations to Full Council on 10 February 2022:

i) That £595,000 of the additional grant money received from the provisional Finance Settlement be transferred to the Property Repairs and Renewals Reserve.

ii) The amended budget for 2022/23 as set out in Appendix 'I' be approved.

iii) The amended Medium-Term Financial Strategy as set out in Appendix 'J' be approved.

1. **Context of report**

1.1 In December 2020 this Committee approved the Council Tax Base and Collection Fund Surplus to be split among the precepting authorities.

1.2 At the same meeting the former Assistant Chief Executive submitted the Medium-Term Financial Strategy (MTFS) for 2022/23 to 2024/25 containing the detailed risk analysis, the Section 25 report on the detailed budget and the main elements of risk faced by the Council.

1.3 The same report stated that as Government announcements are made regarding the Fair Funding Review, changes to New Homes Bonus, business rates retention and pilot schemes, Members can consider revised financial plans. Since that report was published, the Government has provided details of the Provisional Finance Settlement which has increased the anticipated funding to the Council in 2022/23 (for one year only).

2. **Report and, where applicable, options considered**

2.1 In last month's financial settlement, as well as getting some extra money for the New Homes Bonus (for one year) based on new properties brought into rating during the previous 12 months, the Council also received some unexpected money from the continuation of the Lower Tier Services Grant (originally assumed to be an additional Covid Relief grant) and a new Services Grant which includes funding to offset the 1.25% increase in employer National Insurance contributions.

	Approved 2022/23	Revised 2022/23	Increase 2022/23
	£'000	**£'000**	**£'000**
Government Grants (Non-Service Specific)			
- New Homes Bonus	(564)	(907)	343
- Services Grant	0	(127)	127
- Lower Teir Services Grant	0	(163)	163
	(564)	**(1,197)**	**633**

2.3 This, along with some other very minor adjustments to previously estimated figures, means that next year we are making a contribution to working balances of £393,000 rather than the use of £212,000 reported to Members in December 2021.

Earmarked Reserves

2.4 The Council's earmarked reserves are part of its risk management strategy. In particular the Commercial Income Equalisation and Property Repairs and Renewals reserves are there to protect the Council's income stream from its commercial activities, which are the main reason why the Council's use of General Fund working balances are so low. It is the S151 officers view that those earmarked reserves are much more, not less, likely to be called upon for the purpose intended over the next year as the after effects of the remaining coronavirus measures are removed.

2.5 The Council currently manages £541 million of investment property which generates approximately £25 million for the General Fund. Ideally, as a minimum, the Council would wish to set aside 10% of this income to put into the above two reserves to pay for future known and unknown events. At present only 6% of income is set aside annually which is split evenly between the two reserves.

2.6 It is therefore proposed that, with further savings still to make to balance future years budgets in the MTFS, that a further £595,000 be transferred into the Property Repairs and Renewals earmarked reserve in 2022/23 to help protect the crucial investment income stream from any serious future unknown events. This will bring the General Fund bottom line back to the deficit figure reported to, and agreed by, Members in December. This would make the anticipated movement in reserves as follows:

ESTIMATE January 22	Balance at 31 March 2021	Movement in 2021/22	Balance at 31 March 2022	Movement in 2022/23	Balance at 31 March 2023
	£000	£000	£000	£000	£000
General Fund Working Balance	15,188	-1,106	14,082	-212	13,871
Business Rates (NNDR) equalisation reserve	10,880	-3,147	7,733	-3,147	4,586
Englefield Green Maintenance	237		237		237
Equipment repairs and renewals reserve	889	-735	154	22	176
Infrastructure Feasibility Reserve	222	-20	202	-162	40
Insurance Reserve	106		106		106
Investment Property income equalisation reserve **	3,750	750	4,500	750	5,250
Maintenance of graves in perpetuity	35		35		35
Museum purchase and conservation fund	2		2		2
Property repairs and renewals reserve	1,945	-1,195	750	700	1,450
Section 106 and other contributions reserve	4,525	-2,263	2,263	-1,131	1,131
Total	37,779	-7,715	30,064	-3,181	26,884

Council Tax

2.7 As part of the Local Government Settlement, the referendum limit was approved as a principle of up to 2% or £5, whichever is higher, for shire district councils. Having such a low Council tax means Runnymede is allowed to increase its tax by £5.

2.8 The report on the MTFS to the December Committee recommended that the Runnymede Borough Council Tax be increased by £5 (band D equivalent) to £179.59 for 2022/23 and the Committee agreed to recommend this increase and as such no changes are required to this for referral to Full Council.

3 Policy framework implications

3.1 The 2022/23 budget and MTFS are based on the Corporate Plan approved by Council.

4. **Resource implications (where applicable)**

4.1 On the assumption that Members are content with the above course of action, the updated budget for approval is set out at Appendix ‘I’ with the updated MTFS Summary page set out at Appendix ‘J’.

5. **Legal implications**

5.1 There are none contained within this report

6. Environmental/Sustainability/Biodiversity implications

6.1 The budget is the expression in financial terms of the Council’s agreed policies and as such there are no specific Environmental, Sustainability, or Biodiversity implications arising from this report. Any implications arising from new initiatives or those marked as being subject to a further report, will be fully explored within those future reports.

7. **Conclusions**

7.1 The additional income from the provisional grant settlement is to be welcomed. Placing this into the the Property Repairs and Renewals earmarked reserve will help protect some of the Council’s key income contributors.

(To recommend to Full Council on 10 February 2022)

Background papers

Medium Term Financial Strategy 2022/23 to 2024/25 – Corporate Management Committee 16 December 2021
Council Tax Base and Collection Fund Surplus - Corporate Management Committee 16 December 2021

APPENDIX 'I'

General Fund Summary Revenue Account

Council Budget for the Year Ending 31 March 2023

	2020/21 Actual £	2021/22 Estimate £	2021/22 Probable £	2022/23 Estimate £
Expenditure on Services				
Housing Committee	1,543,197	2,050,009	2,072,139	2,229,070
Community Services Committee	3,912,566	5,507,175	4,707,320	4,870,489
Environmental and Sustainability Committee	3,250,844	4,067,145	4,219,724	4,453,171
Licensing Committee	8,293	30,885	26,348	25,429
Regulatory Committee	86,864	97,873	92,439	105,325
Planning Committee	1,391,390	1,645,277	1,619,933	2,047,735
Corporate Management Committee	(16,688,673)	(15,712,263)	(16,735,997)	(17,651,960)
Efficiencies and revenue reductions	0	(500,000)	0	0
Net Expenditure on Services	**(6,495,519)**	**(2,813,899)**	**(3,998,094)**	**(3,920,741)**
Transfers and Financing Adjustments				
Accounting and Other Adjustments:				
Reversal of Depreciation Charge	(2,232,141)	(2,736,854)	(1,976,574)	(2,178,067)
Cost of Capital Charge to HRA	(43,000)	(43,000)	(43,000)	(43,000)
Other accounting adjustments	1,051,409	0	0	0
Transfer to/(from) Reserves:				
Business Rates Equalisation Reserve	8,000,000	(3,880,000)	(3,147,000)	(3,147,000)
Equipment repairs and renewals reserve	1,286,000	750,000	750,000	750,000
Property repairs and renewals reserve	445,000	500,000	750,000	1,345,000
Investment Property income equalisation reserve	0	0	750,000	750,000
Infrastructure Feasibility Study Reserve	122,000	0	(20,000)	(162,000)
Financing and Investment Income:				
Investment Income	(353,639)	(209,000)	(259,000)	(440,000)
Interest on loans to RBC companies	(1,460,731)	(1,477,000)	(1,496,000)	(1,862,000)
Capital financing costs	12,149,650	15,097,000	12,670,000	13,480,000
Minimum Revenue Provision	3,819,919	3,973,000	4,275,000	4,586,000
Taxation and Non-Specific Grant Income:				
Council Tax income	(5,782,890)	(5,832,000)	(5,832,000)	(6,200,000)
Council Tax surplus/deficit	0	44,000	44,000	(165,770)
Business Rates Retention (net)	(10,425,862)	1,100,000	454,000	(1,383,000)
New Homes Bonus	(1,657,919)	(599,418)	(599,418)	(907,260)
Services Grant	0	0	0	(127,000)
Lower Teir Services Grant	0	(800,000)	(800,000)	(163,000)
Other Grants	(1,242,569)	0	(416,000)	0
Use of / (Contribution to) Working Balance	**(2,820,292)**	**3,072,829**	**1,105,914**	**212,162**

Council Tax Income Calculation

Council Tax Base (note 1)	34,099	33,404	33,404	34,524
Basic Amount of Council Tax (note 2)	£169.59	£174.59	£174.59	£179.59

Notes

1. This represents the number of properties adjusted for discounts, exemptions and bandings.
2. Calculated by dividing the net demand by the Council Tax base.

APPENDIX 'J'

Medium Term Financial Strategy 2021/22 to 2024/25 - General Fund Summary

	Estimate 2021/22	Probable 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
	£'000	£'000	£'000	£'000	£'000
Housing Committee	2,050	2,072	2,229	2,395	2,360
Community Services Committee	5,507	4,707	4,870	5,143	5,086
Environmental and Sustainability Committee	4,067	4,219	4,453	3,877	3,827
Licensing Committee	31	26	25	24	24
Regulatory Committee	98	92	105	112	112
Planning Committee	1,645	1,620	2,048	2,123	2,258
Corporate Management Committee	(15,712)	(16,736)	(17,651)	(18,692)	(19,071)
Efficiencies and revenue reductions	(500)	0	0		
Adjusted base budget A	**(2,814)**	**(4,000)**	**(3,921)**	**(5,018)**	**(5,404)**
Accounting adjustments:					
- Reversal of depreciation charges	(2,737)	(1,976)	(2,178)	(2,737)	(2,737)
- Capital charge to HRA	(43)	(43)	(43)	(43)	(43)
Transfers to/from reserves:					
- Business Rates Equalisation reserve	(3,880)	(3,147)	(3,147)	(3,147)	0
- Equipment repairs and renewals reserve	750	750	750	750	750
- Property repairs and renewals reserve	500	750	1,345	750	750
- Investment Property income equalisation reserve	0	750	750	750	750
- Surrey Infrastructure Feasibilty Fund	0	(20)	(162)	0	0
Treasury and Financing					
- Investment & Dividend Income	(209)	(259)	(440)	(612)	(829)
- Interest on loans to RBC companies	(1,477)	(1,496)	(1,862)	(2,025)	(2,025)
- Capital Financing	15,097	12,670	13,480	14,239	14,783
- Minimum Revenue Provision (MRP)	3,973	4,275	4,586	4,884	5,161
Government Grants (Non-Service Specific)					
- New Homes Bonus	(599)	(599)	(907)	0	0
- Services Grant	0	0	(163)	0	0
- Lower Tier Services Grant	(800)	(800)	(127)	0	0
- Covid 19 LA Support Grants	0	(416)	0	0	0
Budget requirement B	**7,761**	**6,439**	**7,961**	**7,791**	**11,156**
Funded by:					
- Business rates retention scheme	(2,780)	(2,700)	(3,800)	(3,300)	(2,800)
- Share of Business Rates (surplus)/deficit for prior years	3,880	3,147	3,147	3,147	0
- Share of Council Tax (surplus)/deficit for prior years	44	44	(165)	0	0
- Share of Business Rate Enterprize Zone receipts	0	107	170	0	0
- Share of Business Rate Pooling Fund gain	0	(100)	(900)	0	0
Sub total of government funding C	1,144	498	(1,548)	(153)	(2,800)
Net demand (B less C)	**8,905**	**6,937**	**6,413**	**7,638**	**8,356**
Tax base - Band D equivilent numbers	33,404	33,404	34,524	34,674	34,824
Band D tax per year	174.59	174.59	179.59	184.59	189.59
Council tax income D	**(5,832)**	**(5,832)**	**(6,200)**	**(6,401)**	**(6,602)**
Use of / (contribution to) Working Balance	**3,073**	**1,105**	**212**	**1,238**	**1,754**

9. **Help To Buy Scheme – Magna Square and Addlestone One**
(Assets and Regeneration – Alex Williams)

Synopsis of report:
This report recommends that the Council enters into an Agreement with the Homes England in order that the Government's Help to Buy Scheme can be offered to eligible purchasers of the residential dwellings on the Magna Square and the Addlestone One developments

Recommendation:

The Committee authorises the Assistant Chief Executive in conjunction with the Corporate Head of Law and Governance to enter into an agreement with Homes England in order that the Government's Help to Buy Scheme can be offered to eligible purchasers of residential dwellings on the Magna Square and Addlestone One developments.

1. **Context of report**

1.1 The Council, as the freeholder of the Magna Square and the Addlestone One developments, has agreed to sell 23 of the private residential units in the Magna Square development and the remaining 5 private residential units in the Addlestone One development on the open market. To assist sales to first time buyers, it is recommended that the Council enters into an agreement with the Homes England in order to be able to offer the Help to Buy (HTB) Equity Loan Funding Scheme with effect from completion of the Magna Square units, which are due to be available from March 2022, until the end of March 2023 when the current Help to Buy Scheme expires.

1.2 The Council was previously registered under the HTB Scheme for Addlestone One but the registration expired last year. It is, however, necessary for the Council to enter into a new agreement with Homes England in order to participate in the 2021-2023 HTB Scheme which is subject to new terms and conditions, operating procedures and regulations.

2. **The Help to Buy Equity Loan Funding Scheme**

2.1 The Government created the Help to Buy Scheme to assist first time buyers to purchase their own residential property for occupation as their main residence. Eligible purchasers may apply to access a Help to Buy Equity Mortgage for up to 20% of the full purchase price of an eligible dwelling subject to the regional full price cap (£437,600 in the South East). Eligible purchasers must contribute a 5% cash deposit and take out a mortgage of at least 80% of the purchase price.

2.1.2 The HTB Scheme is of benefit to first time buyers who have not previously owned or purchased a property as it enables them to buy a new build property with a small deposit.

2.1.3 The Council has registered its interest in the HTB 2021/23 Scheme but is required to sign a new legal agreement with Homes England as soon as possible so that eligible prospective purchasers can be referred to Homes England to apply for a HTB equity mortgage. The agreement enables the loan funding to be paid directly to the Council for the purchase of eligible properties by eligible purchasers. The agreement is a standard form agreement used by Homes England for all developers participating in the HTB Scheme, with a small adjustment to reflect that the Council will be the provider of the accommodation. The agreement requires the Council to adhere to a range of new quality measures to improve consumer experience and safety, including a requirement that it will be subject to adjudication by the voluntary New Homes Ombudsman Service and will co-operate and comply with any investigations and findings imposed by the Ombudsman. Committee authority is sought to enter into the agreement so that the Council can warrant that it has the power to do so and exercise its rights and perform its obligations under the agreement. Officers have considered the draft agreement and are satisfied that the Council can comply with the requirements but further work will need to be done before the agreement can be executed.

3. Policy framework implications

3.1. The Council at its meeting on 9 February 2017 approved the Property Investment Strategy. The proposed action in relation to the signing of an agreement aligns with the aims and objectives of the Property Investment Strategy. The Property Investment Strategy recognises that the Council must be agile and responsive if it is to secure suitable diversification of property assets within a broad portfolio. However, this must be balanced by effective due diligence processes and governance. The Magna Square and Addlestone One regeneration schemes are key to this strategy.

3.2 The disposal of 23 units in the Magna Square development at full market value has been agreed by Committee in February 2020. The disposal of the residential units in the Addlestone One development has also previously been agreed by the Committee.

4. Resource implications

4.1 Participation in the HTB Scheme is more likely to assist the sales of the lower value units namely the 1 bed units and is likely to deliver the capital receipt early rather than solely relying on open market sales. The approved Capital Strategy and Capital Programme has assumed a certain level of capital receipts to part pay for the Magna Square development rather than rely on borrowing. The HTB Scheme would assist in the marketability of the units which should mean that the receipts are generated in a timely manner.

5 Legal implications

5.1 The purpose of the HTB Agreement with Homes England is to enable the payment of the Equity Loan Funding direct to the Council and to manage that process, to create the framework and process for monitoring and agreeing of forecasts of available eligible properties and to assist Homes England with the monitoring and projection of spend.

5.2. The Agreement contains provisions to prevent fraud, bribery or other misuse of the public funds being provided by the HTB Scheme. The Council must satisfy several pre-conditions and give certain warranties. These include financial obligations including market value and permitted incentives, quality construction and compliance with Homes England’s advertising requirements. None of these are considered onerous and the Council can comply.

5.3. There are no obligations on the Council to give a purchaser advice in relation to the HTB Scheme as this is the role of the purchaser’s solicitor and Homes England. Eligibility for the HTB Scheme will be checked by nominated HTB agents appointed by Homes England. Advertising publicity information and details of the HTB Scheme are controlled by Homes England although the Council agrees to provide each potential purchaser with the Standard Literature provided by Homes England.

5.4. The Council’s power to enter the HTB Agreement with Homes England flows from the general power of competency contained in the Localism Act 2011.

6. Conclusions

6.1 Marketing of the both the Private Rented Sale and Open Market Sale units at Magna Square has commenced and we have good interest and the HTB Scheme will be of great assistance to first time buyers which we wish to attract. Officers are recommending that we proceed with entering into an agreement with Homes England which will be overseen by the Assistant Chief Executive and Corporate

Head of Law and Governance with assistance from the Corporate Head of Assets and Regeneration.

(To resolve)

Background Papers

None stated

10. **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 'K'.

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 'L' 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:

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

	Consolidated balance sheet
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)
	(28,427,929)
Net Assets	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 'L'

RBC Group Companies Financial Statements 2020-21 - DRAFT

Income Statement	**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 INVESTMENTS 2020-21 £'000s	RBC INVESTMENTS 2019-20 £'000s	RBC SERVICES 2020-21 £'000s	RBC SERVICES 2019-20 £'000s	RBC HEAT 2020-21 £'000s	RBC HEAT 2019-20 £'000s	GROUP 2020-21 £'000s	GROUP 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**

11. **Process For Appointments to Outside Bodies (Law and Governance – Mario Leo)**

Synopsis of report: **The Committee is asked to consider approval of a revised process for appointments to outside bodies as recommended by the Constitution Member Working Party.**

Recommendation: **Subject to Committee approval, the revised process be implemented for this year's appointments to outside bodies.**

1. **Context and background of report**

1.1 Appointments are made annually in May each year by Corporate Management Committee to 30-40 outside bodies. The nature of each body is categorised as follows:

- internal Council bodies or are formal joint Committees or joint working groups set up with other authorities. Members serve on them as Council Members and as far as liability is concerned are covered by the Council's insurances.

- Bodies which are independent of the Council but are advisory or consultative and appointees have a representative function rather than an executive one. The purpose of the appointment is to speak on behalf of Runnymede Borough Council. Appointees should not find themselves participating in any act which incurs legal liabilities.

- Bodies which are independent outside bodies and the appointees are placed there to act as Trustees, members of the Management Committee, or some similar role. They are not there to act as Council representatives but to use their judgement in the best interests of the Charity. In many cases, while acting on the outside body, they will be under a positive legal duty to act in its best interests rather than those of the Council. Council insurance does not cover them, but **<u>Members of the Council are currently covered by an indemnity</u>** when appointed by the Council, which the Council has agreed to provide. Representatives who are not Members of the Council may be appointed to these bodies, but are not covered by the Council's indemnity. These bodies also proactively seek appointees which are then recommended to the Council by the Trust for appointment.

2. **Report**

2.1 The Corporate Management Committee at its meeting on 22 July 2021 considered matters raised by Overview and Scrutiny Select Committee concerning the call-in of the decision made by Corporate Management Committee on appointments to outside bodies.

2.2 As a result, the Constitution Member Working Party was asked to review the process for appointments to outside bodies in order to make the process more transparent, give equal access to nominate and appoint the most appropriate person to such bodies. The Member Working Party (MWP), has reviewed the process and recommends the following revised process be implemented for this year's external appointments. The majority of Members of the MWP agreed for the proposed process to be reported to this meeting so that, if approved, it could be in place for this year's appointments round. However, Councillor Cressey questioned whether the proposed process would ensure appointments were made on non-political lines or secure the appointment of the most suitable person.

2.3 The suggested revised process is set out below:

2.3.1 On 8 March, Democratic Services notifies all 41 Councillors of the outside bodies to which appointments are sought and associated Terms of Office, current representatives, and specify which outside bodies cannot be contested;

2.3.2 As part of notification, Councillors are asked to complete a standard brief nomination form (max 250-300 words) in support of their nomination for submission by 8 April, if they wish to be considered. A separate nomination form will be required for each outside body to whom appointment or re-appointment is sought;

2.3.3 The above information would also be publicised by Kath Richards/Mario Leo at candidates/agents briefing on 9 March to allow any new groups or candidates not aligned to political groups to be aware of the process and make nominations via their respective Group leaders. Any nominations from prospective candidates would only be valid if subsequently elected;

2.3.4 Deadline for submission of nominations - 8 April. Existing reps can stand for re-appointment to an outside body if they so wish, but would have to submit a nomination form;

2.3.5 On 14 April the list of outside bodies and nominations received are circulated to all Councillors by email link to folder. Councillors can then ask nominees direct any questions regarding their nominations and suitability for the appointment;

2.3.6 On 9 May, the list of outside bodies and names of nominees received are incorporated into an agenda item for inclusion in the agenda for Corporate Management Committee (CMC) which will be printed on 16 May. Completed nomination forms will not be circulated with the agenda but will be available on request;

2.3.7 CMC meets on 26 May and votes by hand on appointments. No debate or new nominations are allowed. Standing Order 39.6 would be amended to explain the procedure for such appointments;

2.3.8 After CMC, outside bodies informed of the Council appointees;

2.3.9 Representatives periodically reminded (monthly or quarterly) to provide short written feedback for inclusion in monthly Members Bulletin on any issues or events likely to affect a significant number of residents etc. This would not apply to all outside bodies and would only be necessary if the representative felt there was an issue which needed to be brought to the attention of the wider membership. This would not apply to charitable Trusts who are required to report on their activities to the Charity Commission;

2.3.9 Constitution to include list of outside bodies to which the Council makes appointments and associated terms of office.

3. Resource implications/Value for Money (where applicable)

3.1 There are no budgetary implications arising from this revised process. There is additional officer time needed to implement this new process which will be absorbed within existing resources.

4. Legal implications

4.1 None identified other than the indemnity issues referred to above.

5. **Equality implications**

5.1 The Council is required to have due regard to its public sector Equality Duty before implementing this new procedure to make appointments to outside bodies.

5.2 The Council's Duty is stated under the Equality Act 2010 and is to have regard to the need to:

a) eliminate unlawful discrimination, harassment or victimisation
b) advance equality of opportunity between persons who share a Protected Characteristic and persons who do not share it
c) foster good relations between those who share a relevant characteristic and those who do not

5.3 All Councillors are able to put themselves forward for or make nominations for appointments to outside bodies regardless of whether they have a protected characteristic. Therefore, it is not considered that a screening assessment or impact assessment are required on this occasion. However, in order to make the process accessible, if a Councillor requires the nomination form in another format or is unable to engage in the process electronically because of, for example, a disability, other formats and means of facilitating their nominations can be made available and/or assistance provided.

5.4 A number of outside bodies to whom the Council makes appointments are relevant to Equalities in that their purposes and activities may benefit people with the protected characteristics of age, disability etc and therefore have a positive impact on these groups.

6. **Environmental/Sustainability/Biodiversity implications**

None identified

(To resolve)

Background papers

Papers for the Constitution MWP (agenda and notes/action points)

12. **Preliminary Consideration Of Mayoral Selection (Law and Governance – John Gurmin)**

Synopsis of report:
To recommend a nomination for the office of Mayor for the Municipal Year 2022/23 to the next Ordinary Meeting of the Council.

Recommendation:
That Councillor Margaret Harnden be nominated for the office of Mayor for the Municipal Year 2022/23.

1. In accordance with Standing Order 7, the following procedures apply for the selection of the Mayor.

i) consideration of candidates for the office of Mayor will be undertaken by the Corporate Management Committee before the end of February in each calendar year;

ii) the Corporate Management Committee will recommend one Member of the Council to be nominated as Mayor for the following Municipal Year to the first Ordinary meeting of the Council after that Committee meeting; and

iii) if the Council approves the recommendation of the Committee, the nominee will be put forward as a candidate for the office of Mayor at the Annual Meeting in the next Municipal Year, provided that they are still a Member of the Council.

2. The Committee is therefore asked to consider candidates for the office of Mayor and recommend a nomination for this office for 2022/2023 to the next Ordinary meeting of the Council.

3. Members will recollect that because of the Covid pandemic, the Government in April 2020 enacted the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020. Those regulations allowed the continuation in office of any Mayor who had been appointed to office in May 2019.

4. Former Councillor P Sohi, who had been appointed as Mayor in 2019 and was scheduled to leave office in May 2020 agreed to remain in office to assist the Council and avoid the need to hold an Annual Meeting at a time when the country was in lockdown.

5. In October 2020, when the use of remote meeting technology had been developed, Councillor Sohi resigned from the office of Mayor. Councillor Elaine Gill was appointed by Full Council to take over the office of Mayor until May 2021 and Councillor Margaret Harnden was appointed to the office of Deputy Mayor for the same period.

6. Councillors Gill and Harnden had been nominated to take on the offices of Mayor and Deputy Mayor in May 2020 but due to the Covid pandemic were unable to do so. Members indicated prior to the Full Council meeting in October 2020 that they would support the nomination of Councillors Gill and Harnden for the offices of Mayor and Deputy Mayor for the Municipal Year 2021/22 in acknowledgement of the fact that due to the impact of Covid 19 they were unable to take up those offices in May 2020.

7. At the Annual Meeting of the Council on 19 May 2021, Councillor Gill was elected Mayor of Runnymede for the Municipal Year 2021/22 and Councillor Harnden was appointed Deputy Mayor for the Municipal Year 2021/22.

8. As it is the normal custom of the Council for the Deputy Mayor in one Municipal Year to become the Mayor in the next Municipal Year, the Committee is recommended to nominate Councillor Margaret Harnden for the office of Mayor for the Municipal Year 2022/23.

(To recommend to the next Ordinary Meeting of Full Council)

Background papers

None

13. **Urgent Action – Standing Order 42 (Law and Governance – John Gurmin)**

Copies of proformas 990 and 992 detailing action taken after consultation with the Chairman and Vice-Chairman of the Committee are attached at Appendix ‘M’.

As agreed, following the cancellation of the December 2021 Full Council Meeting, Urgent Action 990 was circulated to other Group Leaders for information.

(For information)

Background Papers

None

RUNNYMEDE BOROUGH COUNCIL

APPENDIX 'M'

CONSULTATION WITH APPROPRIATE CHAIRMAN AND VICE- CHAIRMAN FOR URGENT ACTION TO BE TAKEN UNDER STANDING ORDER 42

990

TO: **Councillors N Prescot & T Gracey**
Chairman and Vice- Chairman of the Corporate Management Committee

FROM: Mario Leo Corporate Head of Law and Governance

OFFICER REFERENCE: Model Code of Conduct

DATE: 10th December 2021

1. **Synopsis of report:**

To inform Members of changes made by the Local Government Association (LGA) to the Model Code of Conduct, May 2021, and report to the Officer's response to a consultation by the LGA on matters relating to the Code of Conduct. A report on this matter was considered by the Standards and Audit committee at its meeting on the 23rd November 2021 and it made a recommendation to Full Council for the adoption of the proposals contained in this SO42.

2. **Reasons why this matter cannot wait for a Committee Decision:**

2.1 The adoption of the revised Code of Conduct will require changes to the manner in which Members interests are recorded. The Council is adopting a new software package called Mod Gov which deals with the recording of Member interests and a delay in adopting the revised Code of Conduct will delay the implementation of that system.

3. **Recommendation(s):**

(i) the revised Model Code of Conduct be adopted by; and

(ii) approval is given to the Corporate Head of Law and Governance to amend as necessary the Declarations of Interests forms (paper and electronic versions), completed by elected Members and co-opted Members, to reflect the changes to the Model Code of Conduct

4. **Context of report**

4.1 In April 2021, the Council adopted a new Model Code of Conduct for elected Members and co-opted Members, drawn up by the Local Government Association (LGA), following an extensive consultation with local authorities and other relevant organisations.

4.2 The New Code of Conduct came into operation from May 2021. However, in September 2021, the Monitoring Officer received an email from the LGA detailing changes they had made to the Code since its publication, apologising for their errors and omissions and asking us to respond to some questions relating thereto.

5. **Report and, where applicable, options considered**

5.1 In September 2021, Officers reviewed the Code of Conduct in light of the amendments made by the LGA and concluded there was a mixture of typographical corrections, but also some significant amendments to parts of the Code, which made it necessary to bring the changes to the attention of
elected and co-opted Members of the Council and for a new revised Code of Conduct to be formally adopted by the Council.

5.2 The proposed changes to the Code are attached at appendix 'A' to this SO42, shown in track changes, and summarised in the following paragraphs. The Code itself is set out in the Council's Constitution on pages 287 – 304 and is available on our website.

5.3 Minor corrections and amendments were made to:

Sections 7.2 (inclusion of 'authority' omitted from May 2021 version) – page 295
Section 8 c) within Disclosure of Non-Registrable Interests of Appendix B (reworded for clarity) – page 300
Section 9 replaces 'your' financial interest with 'the' financial interest – page 300. In making that amendment the LGA introduced another very minor typo which we have corrected in our version.
Table 2 Other Registrable Interests – deletion of 'any body' from c) ii) – page 300

5.4 A more substantive re-wording was made to section 10 of Appendix B (page 300), with new wording to reflect how a Member with an interest should proceed in matters of executive decisions. We do not operate an Executive system but have changed the paragraph for the sake of completeness.

5.5 In Table 1, Disclosable Pecuniary Interests (page 300), within the employment box, 'any unpaid directorship' has been moved to become an Other Registrable Interest in Table 2. The rationale for this change is because although it was one of the recommendations made by the Committee for Standards in Public Life, it was not legislated for so has had to be removed. This is a significant change and will require all Members for whom this is relevant to have their Declarations of Interest form amended.

5.6 Another change requiring action is in Table 2, Other Registrable Interests (page 302). As stated above it now includes any unpaid directorships as a new a) (so old a) becomes b)), and importantly new c) has changed to clarify that the bodies and organisations covered by i), ii) and iii) need to be declared if the elected and/or co-opted Member is a member of these or in a position of general control or management. Officers have sought clarification from the LGA on this last point because one could not be in a position of control or management unless they were a member of that organisation so we have queried whether the LGA means 'or' to be 'and' which would mean that Members would not need to declare some of their currently declared 'other registrable interests' if they were just an ordinary member of a relevant body,
for example The National Trust.

5.7 Subject to this approval, we consider the best way of addressing the amended code is rather than ask Members to submit new forms, to make the changes to elected Members' and co-opted Members' forms ourselves and then send them to individuals to check they are happy with what we have done, and we will also update the forms on the website.

5.8 In the same email notifying us of changes to the Model Code of Conduct, the LGA asked for our response on three topics. These are 'Training', 'Review of the Model Code' and 'Adoption of the Model Code.'

5.9 The LGA has given a commitment to providing training to elected Members on the Model Code, with a modest budget of £30,000. Monitoring Officers across the country were asked how best to deliver it. There were three options: e-learning, workshops and 'train the trainer' events

5.10 The Monitoring Officer responded with a preference for options 1 and 3. The rationale for this was that given the time demands on councillors, e-learning would allow them to undertake e-

learning when it was most convenient for them. In the current climate, this would also be more sensible than classrooms or workshops, which may be more difficult for councillors to attend. The LGA provides national level training and support on-line. Option 3, 'train the trainer' was also considered a good idea, because Monitoring
Officers and Officers from Democratic Services and Legal have day to day contact with councillors and are in a good position to understand how the Code operates locally. This would also meet the LGA's aspiration to involve Monitoring Officers in the training and with whom responsibility lies for 'enforcing' the Code. The LGA could commission an expert with the appropriate skills and knowledge to train Officers delivering the training.

5.11 The LGA gave a commitment to reviewing the Code on an annual basis, which is as Members will recall, Best Practice Recommendation 3 of the Committee on Standards in Public Life (CoSPL). However, feedback suggests that it might be too early to review it now and the Monitoring Officer concurred with this view.

5.12 In addition, it may be better to conduct a review early in the spring, next year, so that if further revisions are made it would be more timely to re-adopt around the start of the new Municipal Year and would also sit well with our own internal review of the Council's Constitution.

5.13 It is also understood that central government may be publishing a response to the CoSPL recommendations by the end of this year, which might also have a bearing on the review

5.14 Finally, the LGA asked whether local authorities had adopted the Model Code in full (as Runnymede has), in part, or not at all and their reasons if 'not at all.' The Monitoring Officer was asked to respond by 1 October 2021, and did so in advance of the meeting of the Standards and Audit Committee meeting which considered this matter.

6. **Policy framework implications:**

6.1 The Model Code of Conduct was adopted in full and is part of the Council's Constitution.

7. **Financial and Resource implications (where practicable):**

7.1 Making the necessary changes to the Constitution will take Officer time but will be done within existing resources in Law and Governance and Digital Services.

7.2 Choosing e-learning and 'train the trainer' allows training to take place virtually which is a more efficient use of resources for councillors and officers.

8. **Legal implications:**

8.1 It is a legal requirement for elected Members and co-opted Members to declare their interests in a timely fashion and to keep their declarations up to date and to notify us of any changes within 28 days of such occurring.

8.2 Unfortunately there is a handful of elected Members who have not complied with the Code of Conduct in this respect and a number of reminders have been sent. This matter has been considered by the Constitution Working Party and those Members who haven't completed their forms may be asked to by their Group Leader in consultation with the Monitoring Officer

9.	**Equality implications:**
9.1	Intrinsic to the Model Code are the principles of complying with the Council's Public Sector duty under the Equality Act 2010 to: a) eliminate discrimination, harassment or victimisation b) advance equality of opportunity between persons who share a protected characteristic and persons who do not share it c) foster good relations between those who share a relevant characteristic and those who do not
9.2	The Model Code specifically refers to the Equality Act and the role councillors play in ensuring equalities issues are integral to the local authority's performance and strategic aims.
9.3	One of the general principles underpinning the Code requires Members to treat others fairly and with respect. Therefore, Officers do not consider that an Equalities Screening Assessment is required on this occasion. This was also discussed with members of the Council's Equalities panel who were consulted on report on this matter which was considered by the Standards and Audit committee, who concurred with this view.
10.	**Other implications:**
10.1	There are no Environmental/biodiversity/ sustainability issues flowing out of the proposals contained in this proposal.
11.	**Background papers:**
11.1	Emails between the LGA, the Council's Monitoring Officer and Democratic Services dated 22 September and 5 October 2021.
12.	***Chief Officer(s) Decision*** Signature of authorised officer .[redacted]........................ I have been consulted and am in agreement with the above Signature(s) and position(s) of other relevant Chief Officer, Corporate Heads or authorised representatives .... **NB**: this must include the Assistant Chief Executive or his authorised representative where the decision involves expenditure, loss of income, or future implications for budget or financial forecast.
13.	***Chief Executive's Decision*** Signature of Chief Executive [redacted]........ I have been consulted and am in agreement with the above

14. ***Chairman and Vice-Chairman Comments***

I concur in the Chief Officer's decision

[redacted] Signed [redacted]

Date [redacted]

[redacted] Signed [redacted]

Date [redacted]

I have the following further comments:

Further information may be obtained from Mario Leo on Ext.5640.

The completed copy is to be returned by the Councillors to the Corporate Head of Law and Governance (John Gurmin) who will send a copy to the Chief Officer and report to the relevant Committee for information.

Local Government Association

Local Government Association
Model Councillor Code of Conduct 2020

Joint statement

The role of councillor across all tiers of local government is a vital part of our country's system of democracy. It is important that as councillors we can be held accountable and all adopt the behaviors and responsibilities associated with the role. Our conduct as an individual councillor affects the reputation of all councillors. We want the role of councillor to be one that people aspire to. We also want individuals from a range of backgrounds and circumstances to be putting themselves forward to become councillors.

As councillors, we represent local residents, work to develop better services and deliver local change. The public have high expectations of us and entrust us to represent our local area, taking decisions fairly, openly, and transparently. We have both an individual and collective responsibility to meet these expectations by maintaining high standards and demonstrating good conduct, and by challenging behaviour which falls below expectations.

Importantly, we should be able to undertake our role as a councillor without being intimidated, abused, bullied, or threatened by anyone, including the general public.

This Code has been designed to protect our democratic role, encourage good conduct and safeguard the public's trust in local government.

Approved 3rd 12.2020
Updated 19 January and 17 May 2021

Introduction

The Local Government Association (LGA) has developed this Model Councillor Code of Conduct, in association with key partners and after extensive consultation with the sector, as part of its work on supporting all tiers of local government to continue to aspire to high standards of leadership and performance. It is a template for councils to adopt in whole and/or with local amendments.

All councils are required to have a local Councillor Code of Conduct.

The LGA will undertake an annual review of this Code to ensure it continues to be fit- for-purpose, incorporating advances in technology, social media and changes in legislation. The LGA can also offer support, training and mediation to councils and councillors on the application of the Code and the National Association of Local Councils (NALC) and the county associations of local councils can offer advice and support to town and parish councils.

Definitions

For the purposes of this Code of Conduct, a "councillor" means a member or co-opted member of a local authority or a directly elected mayor. A "co-opted member" is defined in the Localism Act 2011 Section 27(4) as "a person who is not a member of the authority but who

a) is a member of any committee or sub-committee of the authority, or;
b) is a member of, and represents the authority on, any joint committee or joint sub-committee of the authority;

and who is entitled to vote on any question that falls to be decided at any meeting of that committee or sub-committee".

For the purposes of this Code of Conduct, "local authority" includes county councils, district councils, London borough councils, parish councils, town councils, fire and rescue authorities, police authorities, joint authorities, economic prosperity boards, combined authorities and National Park authorities.

Purpose of the Code of Conduct

The purpose of this Code of Conduct is to assist you, as a councillor, in modelling the behaviour that is expected of you, to provide a personal check and balance, and to set out the type of conduct that could lead to action being taken against you. It is also to protect you, the public, fellow councillors, local authority officers and the reputation of local government. It sets out general principles of conduct expected of all councillors and your specific obligations in relation to standards of conduct. The LGA encourages the use of support, training and mediation prior to action being taken using the Code. The fundamental aim of the Code is to create and maintain public confidence in the role of councillor and local government.

General principles of councillor conduct

Everyone in public office at all levels; all who serve the public or deliver public services, including ministers, civil servants, councillors and local authority officers; should uphold the Seven Principles of Public Life, also known as the Nolan Principles.

Building on these principles, the following general principles have been developed specifically for the role of councillor.

In accordance with the public trust placed in me, on all occasions:

- I act with integrity and honesty
- I act lawfully
- I treat all persons fairly and with respect; and
- I lead by example and act in a way that secures public confidence in the role of councillor.

In undertaking my role:

- I impartially exercise my responsibilities in the interests of the local community
- I do not improperly seek to confer an advantage, or disadvantage, on any person
- I avoid conflicts of interest
- I exercise reasonable care and diligence; and
- I ensure that public resources are used prudently in accordance with my local authority's requirements and in the public interest.

Application of the Code of Conduct

This Code of Conduct applies to you as soon as you sign your declaration of acceptance of the office of councillor or attend your first meeting as a co-opted member and continues to apply to you until you cease to be a councillor.

This Code of Conduct applies to you when you are acting in your capacity as a councillor which may include when:

- you misuse your position as a councillor
- Your actions would give the impression to a reasonable member of the public with knowledge of all the facts that you are acting as a councillor;

The Code applies to all forms of communication and interaction, including:

- at face-to-face meetings
- at online or telephone meetings
- in written communication
- in verbal communication
- in non-verbal communication
- in electronic and social media communication, posts, statements and comments.

You are also expected to uphold high standards of conduct and show leadership at all times when acting as a councillor.

Your Monitoring Officer has statutory responsibility for the implementation of the Code of Conduct, and you are encouraged to seek advice from your Monitoring Officer on any matters that may relate to the Code of Conduct. Town and parish councillors are encouraged to seek advice from their Clerk, who may refer matters to the Monitoring

Officer.

Standards of councillor conduct

This section sets out your obligations, which are the minimum standards of conduct required of you as a councillor. Should your conduct fall short of these standards, a complaint may be made against you, which may result in action being taken.

Guidance is included to help explain the reasons for the obligations and how they should be followed.

General Conduct

1. Respect

As a councillor:

1.1 I treat other councillors and members of the public with respect.

1.2 I treat local authority employees, employees and representatives of partner organisations and those volunteering for the local authority with respect and respect the role they play.

Respect means politeness and courtesy in behaviour, speech, and in the written word. Debate and having different views are all part of a healthy democracy. As a councillor, you can express, challenge, criticise and disagree with views, ideas, opinions and policies in a robust but civil manner. You should not, however, subject individuals, groups of people or organisations to personal attack.

In your contact with the public, you should treat them politely and courteously. Rude and offensive behaviour lowers the public's expectations and confidence in councillors.

In return, you have a right to expect respectful behaviour from the public. If members of the public are being abusive, intimidatory or threatening you are entitled to stop any conversation or interaction in person or online and report them to the local authority, the relevant social media provider or the police. This also applies to fellow councillors, where action could then be taken under the Councillor Code of Conduct, and local authority employees, where concerns should be raised in line with the local authority's councillor-officer protocol.

2. Bullying, harassment and discrimination

As a councillor:

2.1 I do not bully any person.

2.2 I do not harass any person.

2.3 I promote equalities and do not discriminate unlawfully against any person.

The Advisory, Conciliation and Arbitration Service (ACAS) characterises bullying as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. Bullying might be a regular pattern of behaviour or a one-off incident, happen face-to-face, on social media, in emails or phone calls, happen in the workplace or at work social events and may not always be obvious or noticed by others.

The Protection from Harassment Act 1997 defines harassment as conduct that causes alarm or distress or puts people in fear of violence and must involve such conduct on at least two occasions. It can include repeated attempts to impose unwanted communications and contact upon a person in a manner that could be expected to cause distress or fear in any reasonable person.

Unlawful discrimination is where someone is treated unfairly because of a protected characteristic. Protected characteristics are specific aspects of a person's identity defined by the Equality Act 2010. They are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

The Equality Act 2010 places specific duties on local authorities. Councillors have a central role to play in ensuring that equality issues are integral to the local authority's performance and strategic aims, and that there is a strong vision and public commitment to equality across public services.

3. Impartiality of officers of the council

As a councillor:

3.1 I do not compromise, or attempt to compromise, the impartiality of anyone who works for, or on behalf of, the local authority.

Officers work for the local authority as a whole and must be politically neutral (unless they are political assistants). They should not be coerced or persuaded to act in a way that would undermine their neutrality. You can question officers in order to understand, for example, their reasons for proposing to act in a particular way, or the content of a report that they have written. However, you must not try and force them to act differently, change their advice, or alter the content of that report, if doing so would prejudice their professional integrity.

4. Confidentiality and access to information

As a councillor:

4.1 I do not disclose information:

- **a. given to me in confidence by anyone**
- **b. acquired by me which I believe, or ought reasonably to be aware, is of a confidential nature, unless**
  - **i. I have received the consent of a person authorised to give it;**
  - **ii. I am required by law to do so;**
  - **iii. the disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or**
  - **iv. the disclosure is:**
    - **1. reasonable and in the public interest; and**
    - **2. made in good faith and in compliance with the reasonable requirements of the local authority; and**
    - **3. I have consulted the Monitoring Officer prior to its release.**

4.2 I do not improperly use knowledge gained solely as a result of my role as a councillor for the advancement of myself, my friends, my family members, my employer or my business interests.

4.3 I do not prevent anyone from getting information that they are entitled to by law.

Local authorities must work openly and transparently, and their proceedings and printed materials are open to the public, except in certain legally defined circumstances. You should work on this basis, but there will be times when it is required by law that discussions, documents and other information relating to or held by the local authority must be treated in a confidential manner. Examples include personal data relating to individuals or information relating to ongoing negotiations.

5. Disrepute

As a councillor:

5.1 I do not bring my role or local authority into disrepute.

As a Councillor, you are trusted to make decisions on behalf of your community and your actions and behaviour are subject to greater scrutiny than that of ordinary members of the public. You should be aware that your actions might have an adverse impact on you, other councillors and/or your local authority and may lower the public's confidence in your or your local authority's ability to discharge your/its functions. For example, behaviour that is considered dishonest and/or deceitful can bring your local authority into disrepute.

You are able to hold the local authority and fellow councillors to account and are able to constructively challenge and express concern about decisions and processes undertaken by the council whilst continuing to adhere to other aspects of this Code of Conduct.

6. Use of position

As a councillor:

6.1 I do not use, or attempt to use, my position improperly to the advantage or disadvantage of myself or anyone else.

Your position as a member of the local authority provides you with certain opportunities, responsibilities, and privileges, and you make choices all the time that will impact others. However, you should not take advantage of these opportunities to further your own or others' private interests or to disadvantage anyone unfairly.

7. Use of local authority resources and facilities

As a councillor:

7.1 I do not misuse council resources.

7.2 I will, when using the resources of the local authority or authorising their use by others:

- **a. act in accordance with the local authority's requirements; and**
- **b. ensure that such resources are not used for political purposes unless that use could reasonably be regarded as likely to facilitate, or be conducive to, the discharge of the functions of the local authority or of the office to which I have been elected or appointed.**

You may be provided with resources and facilities by the local authority to assist you in carrying out your duties as a councillor.

Examples include:

- office support
- stationery
- equipment such as phones, and computers
- transport
- access and use of local authority buildings and rooms.

These are given to you to help you carry out your role as a councillor more effectively and are not to be used for business or personal gain. They should be used in accordance with the purpose for which they have been provided and the local authority's own policies regarding their use.

8. Complying with the Code of Conduct

As a Councillor:

8.1 I undertake Code of Conduct training provided by my local authority.

8.2 I cooperate with any Code of Conduct investigation and/or determination.

8.3 I do not intimidate or attempt to intimidate any person who is likely to be involved with the administration of any investigation or proceedings.

8.4 I comply with any sanction imposed on me following a finding that I have breached the Code of Conduct.

It is extremely important for you as a councillor to demonstrate high standards, for you to have your actions open to scrutiny and for you not to undermine public trust in the local authority or its governance. If you do not understand or are concerned about the local authority's processes in handling a complaint you should raise this with your Monitoring Officer.

Protecting your reputation and the reputation of the local authority

9. Interests

As a councillor:

9.1 I register and disclose my interests.

Section 29 of the Localism Act 2011 requires the Monitoring Officer to establish and maintain a register of interests of members of the authority .

You need to register your interests so that the public, local authority employees and fellow councillors know which of your interests might give rise to a conflict of interest. The register is a public document that can be consulted when (or before) an issue arises. The register also protects you by allowing you to demonstrate openness and a willingness to be held accountable. You are personally responsible for deciding whether or not you should disclose an interest in a meeting, but it can be helpful for you to know early on if others think that a potential conflict might arise. It is also important that the public know about any interest that might have to be disclosed by you or other councillors when making or taking part in decisions, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained.

You should note that failure to register or disclose a disclosable pecuniary interest as set out in **Table 1**, is a criminal offence under the Localism Act 2011.

Appendix B sets out the detailed provisions on registering and disclosing interests. If in doubt, you should always seek advice from your Monitoring Officer.

10. Gifts and hospitality

As a councillor:

10.1 **I do not accept gifts or hospitality, irrespective of estimated value, which could give rise to real or substantive personal gain or a reasonable suspicion of influence on my part to show favour from persons seeking to acquire, develop or do business with the local authority or from persons who may apply to the local authority for any permission, licence or other significant advantage.**

10.2 **I register with the Monitoring Officer any gift or hospitality with an estimated value of at least £50 within 28 days of its receipt.**

10.3 **I register with the Monitoring Officer any significant gift or hospitality that I have been offered but have refused to accept.**

In order to protect your position and the reputation of the local authority, you should exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you because you are a councillor. The presumption should always be not to accept significant gifts or hospitality. However, there may be times when such a refusal may be difficult if it is seen as rudeness in which case you could accept it but must ensure it is publicly registered. However, you do not need to register gifts and hospitality which are not related to your role as a councillor, such as Christmas gifts from your friends and family. It is also important to note that it is appropriate to accept normal expenses and hospitality associated with your duties as a councillor. If you are unsure, do contact your Monitoring Officer for guidance.

Appendices

Appendix A – The Seven Principles of Public Life

The principles are:

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must disclose and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty

Holders of public office should be truthful.

Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Appendix B Registering interests

Within 28 days of becoming a member or your re-election or re-appointment to office you must register with the Monitoring Officer the interests which fall within the categories set out in **Table 1** (**Disclosable Pecuniary Interests**) which are as described in "The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012". You should also register details of your other personal interests which fall within the categories set out in **Table 2** (**Other Registerable Interests**).

"**Disclosable Pecuniary Interest"** means an interest of yourself, or of your partner if you are aware of your partner's interest, within the descriptions set out in Table 1 below.

"Partner" means a spouse or civil partner, or a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners.

1. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest, or of any change to a registered interest, notify the Monitoring Officer.

2. A 'sensitive interest' is as an interest which, if disclosed, could lead to the councillor, or a person connected with the councillor, being subject to violence or intimidation.

3. Where you have a 'sensitive interest' you must notify the Monitoring Officer with the reasons why you believe it is a sensitive interest. If the Monitoring Officer agrees they will withhold the interest from the public register.

Non participation in case of disclosable pecuniary interest

4. Where a matter arises at a meeting which directly relates to one of your Disclosable Pecuniary Interests as set out in **Table 1**, you must disclose the interest, not participate in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest, just that you have an interest. Dispensation may be granted in limited circumstances, to enable you to participate and vote on a matter in which you have a disclosable pecuniary interest.

5. [Where you have a disclosable pecuniary interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it]

Disclosure of Other Registerable Interests

6. Where a matter arises at a meeting which ***directly relates*** to the financial interest or wellbeing of one of your Other Registerable Interests (as set out in **Table 2**), you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

Disclosure of Non-Registerable Interests

7. Where a matter arises at a meeting which ***directly relates*** to your financial interest or well-being (and is not a Disclosable Pecuniary Interest set out in Table 1) or a financial interest or well-being of a relative or close associate, you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

8. Where a matter arises at a meeting which ***affects*** –
   a. your own financial interest or well-being;
   b. a financial interest or well-being of a relative or close associate; or
   c. ~~a body included in those you need to disclose under Other Registrable Interests as set out in **Table 2**~~ a financial interest or wellbeing of a body included under Other Registrable Interests as set out in **Table 2**

   you must disclose the interest. In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied

9. Where a matter (referred to in paragraph 8 above) ***affects*** ~~your~~ the financial interest or well-being:
   a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
   b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest

   You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

   If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

10. ~~Where you have a personal interest in any business of your authority and you have made an executive decision in relation to that business, you must make sure that any written statement of that decision records the existence and nature of your interest~~ [Where you have an Other Registerable Interest or Non-Registerable Interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it]

Table 1: Disclosable Pecuniary Interests

This table sets out the explanation of Disclosable Pecuniary Interests as set out in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012.

Subject	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain. ~~Any unpaid directorship~~
Sponsorship	Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the
	councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council — (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land and Property	Any beneficial interest in land which is within the area of the council. 'Land' excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners (alone or jointly with another) a right to occupy or to receive income.
Licenses	Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer

Corporate tenancies	Any tenancy where (to the councillor's knowledge)— (a) the landlord is the council; and (b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.
Securities	Any beneficial interest in securities* of a body where— (a) that body (to the councillor's knowledge) has a place of business or land in the area of the council; and (b) either— (i)) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/ her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners have a beneficial interest exceeds one hundredth of the total issued share capital of that class.

* 'director' includes a member of the committee of management of an industrial and provident society.

* 'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

Table 2: Other Registrable Interests

You must register as an Other Registerable Interest :

~~You have a personal interest in any business of your authority where it relates to or is likely to affect:~~

~~a) any body of which you are in general control or management and to which you are nominated or appointed by your authority~~

~~b) any body~~
~~(i) exercising functions of a public nature~~
~~(ii) any body directed to charitable purposes or~~
~~(iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)~~

a) any unpaid directorships

b) any body of which you are a member or are in a position of general control or management and to which you are nominated or appointed by your authority

c) any body
- (i) exercising functions of a public nature
- (ii) directed to charitable purposes or
- (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)

of which you are a member or in a position of general control or management

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Appendix C – the Committee on Standards in Public Life

The LGA has undertaken this review whilst the Government continues to consider the recommendations made by the Committee on Standards in Public Life in their report on Local Government Ethical Standards. If the Government chooses to implement any of the recommendations, this could require a change to this Code.

The recommendations cover:

- Recommendations for changes to the Localism Act 2011 to clarify in law when the Code of Conduct applies
- The introduction of sanctions
- An appeals process through the Local Government Ombudsman
- Changes to the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012
- Updates to the Local Government Transparency Code
- Changes to the role and responsibilities of the Independent Person
- That the criminal offences in the Localism Act 2011 relating to Disclosable Pecuniary Interests should be abolished

The Local Government Ethical Standards report also includes Best Practice recommendations. These are:

Best practice 1: Local authorities should include prohibitions on bullying and harassment in codes of conduct. These should include a definition of bullying and harassment, supplemented with a list of examples of the sort of behaviour covered by such a definition.

Best practice 2: Councils should include provisions in their code of conduct requiring councillors to comply with any formal standards investigation and prohibiting trivial or malicious allegations by councillors.

Best practice 3: Principal authorities should review their code of conduct each year and regularly seek, where possible, the views of the public, community organisations and neighbouring authorities.

Best practice 4: An authority's code should be readily accessible to both councillors and the public, in a prominent position on a council's website and available in council premises.

Best practice 5: Local authorities should update their gifts and hospitality register at least once per quarter, and publish it in an accessible format, such as CSV.

Best practice 6: Councils should publish a clear and straightforward public interest test against which allegations are filtered.

Best practice 7: Local authorities should have access to at least two Independent Persons.

Best practice 8: An Independent Person should be consulted as to whether to undertake a formal investigation on an allegation, and should be given the option to review and comment on allegations which the responsible officer is minded to dismiss as being without merit, vexatious, or trivial.

Best practice 9: Where a local authority makes a decision on an allegation of misconduct following a formal investigation, a decision notice should be published as soon as possible on its website, including a brief statement of facts, the provisions of the code engaged by the allegations, the view of the Independent Person, the reasoning of the decision-maker, and any sanction applied.

Best practice 10: A local authority should have straightforward and accessible guidance on its website on how to make a complaint under the code of conduct, the process for handling complaints, and estimated timescales for investigations and outcomes.

Best practice 11: Formal standards complaints about the conduct of a parish councillor towards a clerk should be made by the chair or by the parish council, rather than the clerk in all but exceptional circumstances.

Best practice 12: Monitoring Officers' roles should include providing advice, support and management of investigations and adjudications on alleged breaches to parish councils within the remit of the principal authority. They should be provided with adequate training, corporate support and resources to undertake this work.

Best practice 13: A local authority should have procedures in place to address any conflicts of interest when undertaking a standards investigation. Possible steps should include asking the Monitoring Officer from a different authority to undertake the investigation.

Best practice 14: Councils should report on separate bodies they have set up or which they own as part of their annual governance statement and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness and publish their board agendas and minutes and annual reports in an accessible place.

Best practice 15: Senior officers should meet regularly with political group leaders or group whips to discuss standards issues.

The LGA has committed to reviewing the Code on an annual basis to ensure it is still fit for purpose.

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RUNNYMEDE BOROUGH COUNCIL

CONSULTATION WITH APPROPRIATE CHAIRMAN AND VICE- CHAIRMAN FOR URGENT ACTION TO BE TAKEN UNDER STANDING ORDER 42

TO: Chairman and Vice- Chairman of the Corporate Management Committee

FROM: Rachel Raynaud Corporate Head of Planning Policy and Economic Development

OFFICER REFERENCE: Rachel Raynaud **DATE: 17/12/2021**

1. **Synopsis of report:**
There is currently a vacant post within the economic development team - policy officer post A0011 (Grade MMA) which replaced post F0003 (Grade MMB). Given the demanding timetable for the Local Plan review and the additional work that planning policy is covering on infrastructure projects and neighbourhood planning, it is proposed to transfer this post into the planning policy team establishment to create a new career grade post (7-MMA).

This change would not require any growth in salary budget but will require an alteration to the establishment list.

2. **Reasons why this matter cannot wait for a Committee Decision.**
A senior planning policy officer has handed in their notice to the Local Plans Manager. This will necessitate the commencement of a recruitment process to replace them once the appropriate authority to recruit form has been completed and agreed. Given the need to ensure continuity of staff resources at this key period in the Local Plan review timetable it is hoped to commence recruitment as soon as possible. If authorisation for this proposed change to the establishment list is given quickly, it will be possible to undertake a joint recruitment process for the two planning policy posts early in the new year which will save officer time and may also generate a greater response from candidates.

3. **Recommendation(s)**
Approval is given to authorise this change to the establishment list to:
   - Transfer post A0011 (Grade MMA) from the economic development team to the planning policy team to provide a career grade planning policy officer post (Grade 7-MMA) and renumber this post F0006.

4. **Context of report**

This issue has not been considered at any Committee.

5. **Report and, where applicable, options considered**
The vacant post in the Economic Development establishment list has resulted from the restructuring of the Council earlier this year and the departure of Marcel Steward from the business unit. Given the demands of the Local Plan review, but also the need for planning policy staff to input to the strategic planning work of Heathrow Strategic Planning Group, Surrey Place Ambition, and major infrastructure projects such as the A320 project and River Thames Scheme there will be considerable demands on planning policy staff time which will require additional resource. It is therefore considered best use of existing resources within the business unit to transfer this vacant post to create a new planning policy officer post in the planning policy team. Although this would be a career grade post Grade 7-MMA it is proposed to appoint at a more junior level (Grade 7 – 9), in order to provide balance in the team and allow for career progression.

6. **Policy framework implications**

The Local Plan review and support for infrastructure projects and strategic planning initiatives are central to the successful implementation of the emerging Corporate Business Plan.

7.	**Financial and Resource implications (where practicable)** Resource implications of suggested course of action:- The proposed change to the establishment list will not require any growth in the business unit salary budget.
8.	**Legal implications** None
9.	**Equality implications** None
10.	**Other implications** (Environmental/biodiversity/ sustainability must be addressed) None
11.	**Background papers** None
12.	***Chief Officer(s) Decision*** Signature of authorised officer: submitted by Corporate Head Planning Policy and Economic Development I have been consulted and am in agreement with the above Signature(s) and position(s) of other relevant Chief Officer, Corporate Heads or authorised representatives .....[redacted]... **NB**: this must include the Assistant Chief Executive or his authorised representative where the decision involves expenditure, loss of income, or future implications for budget or financial forecast.
13.	***Chief Executive's Decision*** Signature of Chief Executive .....[redacted]... I have been consulted and am in agreement with the above
14.	***Chairman and Vice-Chairman Comments*** I concur in the Chief Officer's decision Signed [redacted] Date [redacted] Signed [redacted] Date [redacted] I have the following further comments:

Further information may be obtained from Rachel Raynaud on Ext. 5501 .

The completed copy is to be returned by the Councillors to the Corporate Head of Law and Governance (John Gurmin) who will send a copy to the Chief Officer and report to the relevant Committee for information.

14. **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

	Exempt Information	**Paras**
15.	Law and Governance Service Review 2021-22	1 & 3
16.	Future Management of Property (to follow)	3

Confidential Information

(No reports to be considered under this heading)