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Runnymede
BOROUGH COUNCIL

Corporate Management Committee

Thursday, 19 January 2023 at 7.30 pm

Council Chamber - Civic Centre

Members of the Committee

Councillors: M Cressey, L Gillham, J Gracey, T Gracey (Chairman), M Heath, C Howorth (Vice-Chair), N King, R King, I Mullens, M Nuti, 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) 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.

2) 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 G Lelliott, Democratic Services Section, Law and Governance Business Centre, Runnymede Civic Centre, Station Road, Addlestone (Tel: Direct Line: 01932 425620). (Email: gary.lelliott@runnymede.gov.uk).**

3) Agendas and Minutes are available on a subscription basis. For details, please ring 01932 425620. Agendas and Minutes for all the Council's Committees may also be viewed on www.runnymede.gov.uk.

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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 Page
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 during a competitive tendering exercise.

13. **Laser House Property Management**

To follow.

14. **Prospective Letting in Addlestone One**

To follow.

15. **Change to remuneration for Democratic Services evening attendance**

To follow.

Runnymede Borough Council

Corporate Management Committee

Thursday, 15 December 2022 at 7.30 pm

Members of the Committee present:	Councillors M Cressey, L Gillham, J Gracey, T Gracey (Chairman), R King, I Mullens, M Nuti, N Prescot (in place of N King), D Whyte and M Willingale.

402 **Minutes**

The minutes of the meeting held on 24 November 2022 were agreed and signed as a correct record.

403 **Apologies for Absence**

Apologies for absence were received from Councillor M. Heath.

404 **Declarations of Interest**

There were none.

405 **Business Growth and Innovation Service**

Runnymede had received confirmation of its UK Shared Prosperity Fund allocation which meant that it was now able to proceed with developing its previously agreed indicative projects into investment plan.

Runnymede's local economy was generally competitive, but its growth rate had slowed compared to other local economies. The proposed service was intending to support growth among small businesses in particular. There would be partnership working with local organisations such as Royal Holloway, but also with the neighbouring borough of Spelthorne, in order secure the best possible value and impact from the service.

It was noted that whilst technology companies would be a focus, due to their prominence in Runnymede, they were not to be the only type of business to benefit. It was hoped that an indirect effect of the service, through increased employment opportunities, would help the most deprived areas of the borough.

Resolved that the procurement of the Runnymede Business Growth and Innovation Service, as part of a joint business support service with Spelthorne Borough Council, be approved.

406 **Medium Term Financial Strategy**

The strategy covered the financial period up to 2025/26 and would be used to inform the upcoming budget setting process. The committee was reminded of the current economic context, which had had a significant impact on the figures set out in the report. The government's upcoming Levelling Up Bill was also expected to have an impact on the strategy.

The council's longstanding financial prudence had provided some budgetary resilience, however there was a sizeable deficit predicted by 2025/26, which would require some difficult decisions to be made before then. The council's capital programme was likely to require careful scrutiny, particularly with regard to when capital receipts were received.

The proposed change to the minimum recommendation for the council's working balance was welcomed.

There was discussion about the upcoming pay award and the increasing cost of living. Discussions were ongoing with the local union branch and a report would be considered by the Corporate Management Committee and Council in due course. The proposed offer was aiming to be both fair and affordable.

The proposed additional Assistant Chief Executive role was debated. Some members considered that more information, particularly around targets for growth and savings, was required before a decision could be made on whether to proceed with the creation of the post. It was however asserted that the role was going to manage various key areas with their own savings, growth and performance targets. It was also the belief of the administration that additional strategic capacity was required in order to deliver a demanding workload in the coming years.

Separate named votes were requested on each part of the officer's recommendation.

<u>Proposed motion (i)</u>

That the Medium Term Financial Strategy be recommended to Council for approval.

For the motion (10)

Councillors T. Gracey, Howorth, Cressy, Gillham, J. Gracey, Prescot, Mullens, Nuti, D. Whyte and Willingale.

Against the motion (1)

Councillor R. King.

Abstentions (0)

Motion (i) was passed.

<u>Proposed motion (ii)</u>

That the following be approved:

(a) the creation of an additional Assistant Chief Executive post, with an annual budget of £150,000 including on-costs, be included in the updated Medium Term Financial Strategy.

(b) a supplementary estimate of £20,000 in 2022/23 for associated recruitment costs for the additional Assistant Chief Executive post.

For the motion (7)

Councillors T. Gracey, Howorth, Cressy, J. Gracey, Prescot, Nuti, and Willingale.

Against the motion (4)

Councillors Gillham, R. King, Mullens and D. Whyte.

Abstentions (0)

Motion (ii) was passed.

407 **Council Tax: Determination of Tax Base for 2023/24 and Estimated Collection Fund Surplus or Deficit at 31 March 2023**

The anticipated council tax collection rate had decreased slightly, although the overall rate of collection had remained strong. The committee thanked the team responsible for this work.

The method of calculating the tax base and surplus was summarised for the committee. The figure relating to armed forces accommodation related to the level of occupation at the time of its generation, instead of capacity.

It was noted that there was potential for a delay in the process for agreeing the council tax level to be set by the Police and Crime Commissioner, which may necessitate adjustments to the budget approval process at Council on 9 February 2023.

Resolved that:

1. **That the tax base (showing the estimated number of Band D equivalent dwellings within the Borough for the financial year 2023/24) be approved at 34,864.6.**
2. **The estimated surplus on the Collection Fund for 2022/23 be declared at £2,663,804, to be split amongst precepting authorities as set out in the report, in accordance with the relevant statutory requirements.**

408 **Exclusion of Press and Public**

By resolution of the Committee, for the reasons set out in the agenda, the press and public were excluded from the remainder of the meeting during the consideration of the remaining matters 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.

409 **Procurement of Insurances**

The Council's insurance broker was assisting with a review of the Council's insurance provision and advising on the procurement route, either by open tender or a framework route. The insurance service provided by the London Borough of Sutton was also being considered. The services offered by each would be compared, to ensure that good value and an appropriate level of insurance cover was procured. Some types of insurance cover, such as cyber security, was now largely unaffordable and tended to include impractical conditions of cover.

It was resolved that a procurement exercise for the Council's insurances through either an open tender, a framework further competition or an Inter Authority Agreement with the London Borough of Sutton for the provision of insurance services - whichever is deemed the most suitable – be commenced, in accordance with the estimated contract value and terms set out in the report.

(The meeting ended at 8.56 pm.) Chairman

Referral item to Corporate Management Committee 19 January 2023

Parks and Recreational Spaces – Consultancy and Health and Safety works budget (Community Services, Aadam Ahmed)

At its meeting on 5 January 2023, the Community Services Committee approved that subject to the approval of this Committee, a sum of £215,000 from the ring-fenced budget from 2022/2023, following the cessation of the school transport service, be utilised to commission a consultant to evaluate and deliver a comprehensive inspection of the Council's play areas. This would enable Officers to address the low to medium (as assessed) health and safety concerns regarding existing play equipment.

The Consultant's work would support that already undertaken by Officers. Specifically, they would be asked to:

- conduct thorough health and safety inspections all play and recreation sites
- Conduct a full DDA Assessment
- Carry out a Play Value Assessment
- Carry out an estimated life expectancy assessment
- Provide guidance and insight to support decision-making on the potential rationalisation of play facilities
- Provide guidance and insight to support decision-making on a replacement scheme, including the provision of indicative costs associated with such a scheme

This Committee is advised that the consultant will also be tasked with conducting an enhanced annual health and safety inspection, which will help inform decision making on pieces of play equipment, which is of priority to repair/replace due to the likelihood of it deteriorating further.

The use of a consultant has been deemed necessary to support Officers in understanding the scope, potential scale and ambition of this project, with part of the work being to ensure that spaces are fit for the future and refreshed to reflect current and anticipated trends within the targeted demographic.

The request for approval is aligned with the decision at Full Council regarding the de-continuation of school buses, where it was agreed that the budget should be ring fenced to focus on development and maintenance activity in relation to provision for children and young people. This is one of the key priorities of the Health and Wellbeing Strategy. Therefore, it is felt that the use of the current 2022/2023 budget to undertake some immediate maintenance works to play facilities, as well as provide a direction and plan delivery of play facilities is appropriate use of this funding.

It is proposed that the sum of £215,000 is split £20,000 for the consultancy work and £195,000 for any resulting remedial health and safety works.

It is anticipated that 2022/2023 provision of £215,000 set aside for the development of leisure and recreation opportunities for children and young people across the borough, will be fully utilised by this request. However, given the need to procure contractors to undertake the necessary works resulting from the consultant's report, it is unlikely that the full £215,000 will be spent in the current year. Therefore, it is proposed to request that any unspent sums at the end of the year be carried forward to allow the works to be completed in the next financial year

Members are advised that subject to this Committee's approval, work will begin to appoint a consultant at the earliest opportunity and Officers will engage with colleagues within Procurement, whilst work to address any identified health and safety issues will also commence, utilising existing contractors.

Officers' Recommendation that –

I) the sum of £20,000 be approved for the use of a consultant to conduct the necessary evaluation of existing play equipment and to complete an enhanced annual health and safety inspection;

II) the sum of £195,000 to be used to address immediate health and safety repairs required, as identified in routine site assessments and via the work of the above appointed consultant; and

III) any unspent allocation from recommendation ii) as at 31 March 2023be carried forward to the 2023/24 financial year to progress the works.

(To resolve)

Developer Contributions Governance Arrangements – Ashley Smith CHDMBC

Synopsis of report:

On 1st March 2021, Runnymede Borough Council introduced the Community Infrastructure Levy (CIL). As the CIL charging and collecting authority, the Council must administer CIL in direct accordance with the CIL Regulations.

A draft set of recommended Developer Contributions Governance Arrangements have been prepared and are appended to this report. This document would set the framework relating to the governance of the CIL funding process, as well as the Council's approach to Section 106 (S106) obligations which are also used to fund new infrastructure. The document also encourages strategic and joined up thinking on infrastructure priorities.

It is recommended in the report that these arrangements are agreed and adopted in order to ensure that the Council has appropriate governance in place for when the Council has a more significant quantity of developer contributions in hand.

The arrangements will also maximise the probability that developer contributions are utilised optimally and deliver the maximum benefits to the communities of the Borough.

Recommendations:

1. **To approve and adopt the Runnymede Borough Council Developer Contributions Governance Arrangements set out at appendix 1.**
2. **To agree the setting up of the Developer Contributions Advisory Group as set out in appendix 2**
3. **To authorise the Corporate Head of Law and Governance to refer any required constitutional changes to facilitate the above to the Constitution Working Group and subsequently Full Council.**

1. **Context and background of report**

1.1 On 1st March 2021, Runnymede Borough Council introduced the Community Infrastructure Levy, which allows local authorities in England to raise funds from developers who are undertaking new building projects in their area. The money collected must be used to fund the provision, improvement, replacement, operation or maintenance of infrastructure to support new development. It cannot be used to remedy existing deficiencies unless these are exacerbated by new development.

1.2 Prior to the implementation of CIL, the Council collected developer contributions by S106 agreement. Historically, S106 obligations have been used by the Council to secure financial contributions for matters such as affordable housing, transport and highways improvements and public open space contributions or on-site affordable housing provision. Since the introduction of the CIL Regulations in 2010, the Government's intent has been that the use of S106 obligations should be scaled back to site specific issues and that the focus for developer contributions should be on an up-front CIL system, to help deliver infrastructure requirements, that provides more certainty to all.

1.3 Since its adoption, CIL has become the Council's primary mechanism for securing developer contributions (however S106 is still used for some matters such as site-specific infrastructure and affordable housing). Like all Boroughs which are experiencing housing and other growth, there will be a need to provide new infrastructure to help mitigate this growth. The Council prepared an Infrastructure Delivery Plan (IDP) to inform the preparation of the Runnymede 2030 Local Plan and further revisions to the IDP will occur in the future. Alongside the IDP, sits an Infrastructure Delivery Schedule (IDS) which lists all the infrastructure schemes identified as being necessary to support the developments proposed through the adopted Local Plan. As identified in the preparation of the Local Plan and examination of the CIL charging schedule, developer contributions will be unable to cover the cost of all infrastructure need generated by new development, as such it is particularly important that high quality decisions on expenditure are made on contributions that are received.

1.4 The Council adopted CIL in March 2021, as CIL only applies to development which receives planning permission after the adoption of the CIL charge, and then is only chargeable on development once it is commenced, there is inevitably a significant lag period between adoption and meaningful CIL receipts being received by the Local Authority. As such the amount of CIL already received by the Council is relatively low (£501k at time of writing), this amount is likely to significantly increase over the next 18-24 months as the Council has granted planning permissions for a number of large chargeable schemes in the last 18 months, these schemes are likely to commence on site in the relative short term. It is therefore considered an optimal time to put robust governance arrangements in place.

1.5 CIL revenue, and decisions relating to its expenditure, must operate within a collection of multiple inter-related documents, plans and frameworks. Clear governance, prioritisation and effective project management are required to ensure that CIL funds, and any existing or future S106 funds, are used most effectively to deliver infrastructure across the Borough and to successfully mitigate the impacts of development. This approach will assist in securing a high quality environment and sustainable economic growth in Runnymede and assist with delivering the objectives of the Council's Corporate Plan.

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

2.1 Nationally, local authorities have been relatively slow to set up clear governance arrangements even those that have been collecting CIL for several years. However, there are now a variety of different governance models that have been established across the country. Officers have reviewed these to consider what model will be the ‘best fit’ for Runnymede and enable it to best meets its needs.

2.2 Informed by best practice from elsewhere, the next section of this report addresses the key principles that are recommended that will help to deliver a simple and transparent process for Runnymede Borough.

2.3 Models in other Councils for infrastructure expenditure range from Cabinet/Corporate Management or lead member type decisions through to near full delegated authority based on previously established priorities by members. Most Local Authorities however have settled on decisions being made ay an appropriate committee, informed by an appropriate advisory or working group which screens matters and makes recommendations as appropriate to the relevant committee. In most cases the final decision however remains with that relevant committee.

2.4 Whilst there are different governance options that could be adopted it should be kept in mind that Runnymede Borough Council members, as politically accountable for CIL’s effective use, will need to have a significant say on the spending of Developer Contributions raised in its Charging Area. As such, elected members must play a central role in decision making and shaping priorities for infrastructure and communities. For this reason, models that involved delegation of all or most of the infrastructure decision making process to officers of the Council, have been discounted.

2.5 Given the significance of infrastructure delivery for the Borough and its residents, it is considered that it is appropriate that most infrastructure spending decisions are appropriately reserved to committee. Given the potential level of spending, nature of the spending and clear alignment with its other functions it is considered that this responsibility best sits with Corporate Management Committee. As such CMC is recommended as the primary and final accountable decision-making body for infrastructure spending decisions relating to developer contributions.

2.6 As previously mentioned, most Local Authorities who have adopted CIL create a group to support the relevant committee. As such it is recommended that a “Development Contributions Advisory Group” is established. The group would be advisory only, and membership of such a group would be drawn from the Chairmen of the committees closely related to infrastructure need or delivery and the most Senior officers of the Council. This should ensure that joined up thinking occurs across the Councils many functions with regards infrastructure. The objectives of the Developer Contributions Advisory Group would be:

- To advise and recommend to the Corporate Management Committee schemes that will have maximum benefits to the community.
- To monitor receipts and expenditure of CIL monies, including the maintenance of reserves in the fund as appropriate.

• To recommend a CIL Funding Program of infrastructure projects to be considered for agreement by Corporate Management Committee.

Effectively the advisory group, would seek to inform the recommendations to CMC, conduct screening of bids, avoid the excessive use of CMC time and ensure sufficient scrutiny and strategic thinking have been applied to infrastructure bids. The final decision to allocate any funding would rest with CMC. A draft terms of reference for the Developer Contributions Advisory Group is appended as appendix 2 of this report

2.7 Having concluded that this model was the most appropriate model available, officers have set about drafting appropriate governance arrangement details for developer contributions. This has led to the production of the governance document set out in appendix 1 of this report.

2.8 The governance document is considered to be detailed and comprehensive and as such this report does not seek to repeat its' contents at great length.

2.9 The initial parts of the document provide background on infrastructure need, identification and historic practice nationally in the Borough. Paragraphs 3.16-3.20 of the document deal with S106 expenditure. Historic S106 funds along with any newly secured funds on a site-by-site basis will continue to be spent in accordance with the requirements of related legal agreements as drafted. Where the contribution must be spent on a specific item (such as improving a specific junction or moving a specific CCTV camera) the matter would remain delegated. Where the spending is non-specific matter, and effectively there is choice on what it is spent on, the matter will be referred to the Developer Contributions Advisory Group and on to Corporate Management Committee for a final decision by members.

2.10 Section 4 of the governance documents explains the definition of infrastructure and the relevant portions of CIL that must be used for various purposes, such as the neighborhood and strategic proportions. Section 5 of the reports deals with the expenditure of the neighborhood proportion, identifies local areas in alignment with the local plan. This section also sets out processes for consulting communities with a view to agreeing how the neighborhood portion should be spent. This includes opportunities for local communities to set their own priorities via neighborhood planning and prioritisation documents or as a result of responding to consultation undertaken by the Borough. It also sets out a process by which community bidding can occur for part of the neighborhood portion. The neighborhood portion will need to be spent in the area that it was collected in (i.e. where the development occurred).

2.11 Section 6 deals with the strategic portion of the receipt. This is the largest portion of the funding. The proposed governance arrangements are designed to encourage strategic thinking with regards spending on key infrastructure. It seeks to tie in with the Infrastructure Delivery Statement and the Infrastructure Prioritisation SPD. The Council's current adopted hierarchy has already set out the Council's preferred current priorities on infrastructure. Whilst consideration of schemes listed higher up the hierarchy are likely to be viewed as more critical, there will be times that the particular circumstances of schemes lower down the hierarchy may be given preference due to the particular merits of a scheme or the perceived benefits that they bring to the Borough.

2.12 It also sets out what work will be done with partners and infrastructure providers to identify current and future need arising from new development. The document then turns to a number of assessment and shortlisting criteria for considering schemes, these are designed to encourage strategic and joined up thinking and that consideration is given to other policies, projects and strategies. The draft criteria are:

A. Are CIL monies needed to deliver the project?
B. Which category does the project sit within in the Council's hierarchy of prioritisation?
C. Does the project meet a local need or demand that has arisen from new development i.e. is the project clearly defined as 'Infrastructure' as per the CIL Regulations?
D. When can the infrastructure be delivered?
E. Are clear project costs and funding known? Are other sources of funding available? Is the delivery of the infrastructure already in the strategy of another agency to fund and deliver?
F. Are there 'Neighbourhood' CIL monies available in the Settlement Area in which the project is located that could be used to wholly or partly fund the project?
G. Does the project help meet at least one of the Council's corporate priorities?
H. Is the project listed in the Council's Infrastructure Delivery Schedule / Infrastructure Funding Statement or is it for infrastructure that supports growth of the area identified within a relevant local strategy, e.g. any of the Council's Corporate Plans or Strategies?
I. Could the scheme help facilitate or accelerate the delivery of other major infrastructure in the Borough, particularly if aligned with other funding sources.

2.13 The remainder of the document deals with other payment types, monitoring and reporting. The document is considered detailed and comprehensive, however if it proves necessary it can be reviewed at a future date or as legislation or processes evolve.

2.14 It is considered that the proposals included in the document provide robust governance arrangements for the expenditure of Developer Contributions that will provide appropriate oversight on infrastructure expenditure and also appropriate transparency. The arrangements will also maximise the probability that developer contributions are used effectively and deliver the maximum benefits to the communities of the Borough. For these reasons it is considered important to adopt effective governance arrangements at the earliest opportunity and the attached constitutes the recommended model.

3. **Policy framework implications**

3.1 The relevant policies and legislation relating to developer contributions are set out in the Developer Contributions Governance Arrangements document.

3.2 The document, in particular shortlist and assessment criteria, acknowledge the interdependencies with the Council's Corporate Plan, other strategies and the work of other service areas. The document seeks to ensure strategic thinking and alignment with other work and funding streams that may be available.

4. **Resource implications/Value for Money**

4.1 The Community Infrastructure Levy (CIL) together with Planning Obligations (s106) represent sources of funding to provide additional infrastructure and services necessary to enable and support new development. Such funding normally only represents a proportion of the total cost of the infrastructure. Therefore, additional funding from other sources may be required to deliver the infrastructure necessary. Developer Contributions help to reduce this deficit. This report deals with the Council's approach to spending contributions (the mechanism for collecting them is already established). Having a sensible and effective set of Governance arrangements ensures that money is spent effectively and reduces the risk of an infrastructure funding gap increasing.

4.3 At this time no growth is required for administration of CIL and developer contributions. The Council has previously procured the relevant Exacom software to administer CIL and has a member of staff working on developer contributions. As CIL provides for an administration proportion, the administration of CIL is currently self-financing. The governance arrangements will create more work for the Planning Services in preparing associated documentation, undertaking work for the Advisory group and CMC in relation to information of infrastructure needs and bid consideration, the work however is unavoidable if effective arrangements are to be put in place and infrastructure delivered. This could lead to a growth need in future years, however at this time the work can be undertaken using existing resource.

5. **Legal implications**

5.1 Legislation governing the administration and governance of CIL is contained in the Planning Act 2008. This came into effect with the CIL Regulations 2010 (as amended). MHCLG has produced statutory guidance that the authority must have regard to. The proposed governance arrangements are consistent with the legislation and guidance.

5.2 Corporate Management Committee has the required authority to agree and adopt the proposed governance arrangements.

5.3 The Constitution will require amending, to make it clear that CMC is the responsible committee for making spending decisions with regards developer contributions (recommendation part 3).

6. **Equality implications**

6.1 An EqIA screening has been carried out which has indicated that the Developer Contributions governance arrangements do not require a full EqIA at this stage. At this stage the Council is predominantly making decisions on its internal processes for how to agree and authorise the spending of developer contributions.

6.2 Issues relating to protected characteristics and equality have been considered and it is not considered that the CIL Governance arrangements will have an adverse impact on any protected group or individual. In reality, by making transparent and good decisions about making communities more sustainable, CIL will facilitate economic growth and help to deliver improved services and good places. The infrastructure and services that CIL can provide (such as community facilities and transport networks) could enhance liveability for all sectors of society and could help to deliver new infrastructure that serves different needs within the community.

6.2 Any processes for inviting or assessing bids for funding will processes will have due regards to equality implications in order to make fair and reasonable decisions and ensure that the process is equally accessible to all groups including those with protected characteristics.

7. **Other Implications**

<u>Climate Change and sustainability</u>

7.1 The use of CIL to help provide supporting infrastructure, commensurate with development is a key component in ensuring there are sustainable integrated spatial plans for housing and other development.

7.2 This will also contribute to developing plans which bring together different sectors or local government departments to achieve shared objectives. Examples could include strategies which exploit the connections between active travel and public health.

7.3 Without the necessary supporting infrastructure, development would be less sustainable thereby this is likely to have a risk of a corresponding effect on Climate change (for example congestion, or failure to provide sustainable transport options or green space). It is therefore very important that the right decisions are made with regards spending finite resource.

<u>Economy</u>

7.1 The efficient collection and distribution of money collected through CIL will help to ensure that infrastructure is delivered alongside development to meet the identified needs of new and existing residents and businesses.

<u>Social Value</u>

7.2 The efficient governance of CIL will ensure that money collected is spent on projects that provide the greatest benefit to the community. Furthermore, ensuring that a robust process is put in place for the spending of the neighbourhood proportion will ensure that communities in close proximity to development are in a position to benefit from the provision of new or enhanced infrastructure.

7.3 Without the necessary supporting infrastructure development would be less sustainable thereby is more likely to have a corresponding effect on Climate change. It is therefore important that the right decisions are made with regards spending finite resource.

9. Timetable for Implementation

9.1 It is proposed that the document is adopted with affect from the start of the 2023/2024 municipal year. This will provide appropriate time for the constitutional amendment relating to authority to Corporate Management Committee and allow officers time to work on processes and perform background work.

10. Conclusions

10.1 It is considered that the proposals included in the document provide robust governance arrangements for Developer Contributions that will provide appropriate oversight on infrastructure expenditure and provide appropriate transparency. The arrangements will maximise the probability that developer contributions are used effectively and deliver the maximum benefits to the communities of the Borough. For these reasons it is considered important to adopt effective governance arrangements and these constitute the recommended model.

Background papers

Appendix 1 – Runnymede Borough Council, Developer Contributions Governance Arrangements (May 2023)

Appendix 2 - Terms of Reference: Developer Contributions Advisory Group

Runnymede Borough Council

Developer Contributions Governance Arrangements

May 2023

Contents

1.0 **INTRODUCTION**

1.1 On 1st March 2021, Runnymede Borough Council introduced the Community Infrastructure Levy, which allows local authorities in England to raise funds from developers who are undertaking new building projects in their area. The money collected must be used to fund the provision, improvement, replacement, operation or maintenance of infrastructure to support new development. It cannot be used to remedy existing deficiencies unless these are exacerbated by new development.

1.2 The Council's adopted CIL charging schedule sets out the levy rates that apply to new developments across the Borough. The schedule was informed by local economic viability evidence and was subject to consultation and independent examination before it was approved for adoption and brought into effect.

1.3 As the CIL charging and collecting authority, the Council must administer CIL in direct accordance with the CIL Regulations 2010 (as amended). Those regulations state that the majority of CIL monies must be applied to fund the provision, improvement, replacement, operation or maintenance of infrastructure to support the development of the Council's area. A smaller proportion of monies, collected in an area, are passed to parish or town councils to be spent on projects in their area, with the intent that they can directly benefit the area in which a development occurred. If there are no such parish or town councils, the charging authority retains levy receipts but engages with local communities to agree with them how best to spend the neighbourhood funding. A much smaller proportion of monies are retained by the Borough Council for administration costs. To ensure that the whole process is transparent, the CIL Regulations stipulate that Councils must report all CIL receipts and expenditure on an annual basis.

1.4 This document will set the framework relating to the governance of the CIL funding process, as well as the Council's approach to Section 106 (S106) obligations which are also used to fund new infrastructure.

1.5 Whilst CIL relates to the overall cumulative impact of development in general, legislation governing the use of S106 obligations means that they must be used to offset the implications of an individual development (necessary to make a development acceptable in planning terms, directly related to the development and fairly and reasonably related in scale and kind to the development). Therefore, whilst CIL funds are held within a centralised pot, with flexibility on how to spend those receipts, S106 agreements specify a particular use for the sums received. The expenditure process for CIL and S106 therefore must differ. Nevertheless, the 2019 CIL regulations amendments have made reporting of both CIL and S106 receipts and expenditure mandatory from December 2020, within a new 'Infrastructure Funding Statement'. The Government is keen to improve public accessibility to transparently reported data relating to developer contributions.

1.6 CIL revenue, and decisions relating to its expenditure, must operate within a collection of multiple inter-related documents, plans and frameworks (Figure 1). Clear governance, prioritisation and effective project management are required to ensure that CIL funds, and any existing or future S106 funds, are used most effectively to deliver infrastructure across the Borough and to successfully mitigate the impacts of development. This approach will assist in securing a high quality environment and sustainable economic growth in Runnymede.

1.7 This document will set out:

- The identification of infrastructure needs
- Overview of S106 and CIL
- Expenditure process for S106 commuted sums
- Expenditure process for CIL monies
- Monitoring and Reporting

Figure 1: Documents feeding into the CIL Funding Process

2.0 IDENTIFYING INFRASTRUCTURE NEEDS IN RUNNYMEDE

Infrastructure Delivery Plan

2.1 The Infrastructure Delivery Plan (IDP) provides important evidence regarding the infrastructure required to support development in the Borough, advising on both current provision and delivery, and anticipated future requirements. Infrastructure is essential to support additional (as well as existing) housing provision and economic growth, to mitigate the current and anticipated effects of climate change, and to create thriving and sustainable communities.

2.2 The IDP is prepared in close liaison with a range of infrastructure and service providers and is an iterative process, designed to continue to identify and respond to infrastructure opportunities and needs in close partnership with providers.

2.3 The Council's 2017 IDP was produced to inform the preparation of the Runnymede 2030 Local Plan which was adopted in July 2020, and further revisions will be published periodically. In particular, as the Council starts to prepare a new Local Plan, an updated IDP will form an important part of the background evidence.

Infrastructure Delivery Schedule

2.4 Alongside the IDP, sits an Infrastructure Delivery Schedule (IDS) which lists all the infrastructure schemes identified as being necessary to support the developments proposed through the adopted Local Plan. It is a live document, which can be updated at any time.

2.5 The IDS records the details for each of the individual schemes listed within it, including, where known, delivery timescales, anticipated costs and any identified funding streams which can assist delivery. This information helps to identify and evidence a funding gap i.e. those schemes where a funding deficit remains and where CIL may be considered in order to plug this gap. Not all schemes within the IDS will require CIL funding, as they may be deliverable through other sources including Government or private/developer funding. The inclusion of a project in the IDS does not guarantee that it will receive CIL funding in the future; indeed, CIL is not capable of funding all infrastructure. CIL can, however, be used as a mechanism to lever in additional funding and projects, particularly where match funding is sought.

2.6 The purpose of the IDS is therefore, in the first instance, to record infrastructure schemes to support new development. Yet the IDS also comprises an important part of the CIL Expenditure Process, which will be explained below in Section 5.0.

3.0 PLANNING CONTRIBUTIONS (SECTION 106 AGREEMENTS)

3.1 S106 obligations must be used to deliver benefits to local communities that can offset the negative impacts caused as result of a specific development. The CIL Regulations 2010 (as amended) state that obligations may only be used where it is:

i) necessary to make a development acceptable in planning terms;

ii) directly related to the development; and

iii) fairly and reasonably related in scale and kind to the development.

3.2 Historically, S106 obligations have been used by the Council to secure financial contributions for affordable housing, transport and highways improvements and public open space contributions or on-site affordable housing provision. Although S106 obligations can be used to secure other infrastructure requirements such as health and education provision, there has been limited usage of such obligations within the borough for these types of infrastructure.

3.3 Since the introduction of the CIL Regulations in 2010, the Government's intent has been that the use of S106 obligations should be scaled back to site specific issues and that the focus for developer contributions should be on an up-front CIL system to help deliver infrastructure requirements that provides more certainty to all.

3.4 To ensure that developers were not 'double-charged' for developer contributions, through both CIL and S106, CIL Regulation 123 required that Councils published a list of infrastructure projects or types which it intended to fund wholly or partly through CIL. Any items not included within the Regulation 123 list were to then be secured through a S106 obligation where this requirement met the above statutory tests. It also prevented a Council from pooling contributions from more than five S106 obligations, entered into after 6 April 2010, to deliver an infrastructure project or type. These measures were designed to encourage local authorities to move away from S106 obligations to CIL.

3.5 The 2019 CIL amendments, introduced on 1st September 2019, abolished Regulation 123 and in doing so removed pooling restrictions and the requirement for a Regulation 123 list. Instead, Councils have been required, from December 2020, to annually produce an Infrastructure Funding Statement which includes a requirement to set out those infrastructure types or projects it intends to fund through CIL, along with estimates of anticipated future receipts, as well as revenue and expenditure to date. The Infrastructure Funding Statement will be discussed in more detail later in this document. The changes also mean that Councils are no longer restricted in terms of how many obligations they can pool together to fund a single infrastructure project.

Use of S106 contributions

3.6 In accordance with the statutory tests governing the use of planning obligations, S106s continue to be used to address site specific issues and to secure affordable housing and SANG, where these matters cannot be addressed through planning conditions. Whether the use of a S106 contribution(s) is appropriate is considered on a site by site basis and taking into account infrastructure requirements contained in the adopted Local Plan, and any other requirements contained in relevant Supplementary Planning Documents (SPDs) in effect at the time of decision-making.

3.7 To support the implementation of a Community Infrastructure Levy (CIL) in the Borough, the Council has prepared and adopted an Infrastructure Delivery & Prioritisation Supplementary Planning Document (SPD). The SPD sets out a hierarchy of infrastructure and how the Council will prioritise its infrastructure spending. The SPD also clarifies the Council's approach to Section 106 contributions on adoption of CIL and sets out the basis for calculating developer contributions through Section 106 agreements. The SPD was adopted on 4th November 2020.

3.8 The SPD confirms that once CIL is implemented, the Borough Council will secure the physical provision of infrastructure from development through Section 106 or Section 278 agreements as appropriate, where this is indicated in specific policies of the Runnymede 2030 Local Plan and/or where this is preferable to financial contributions in lieu of physical provision.

3.9 For ‘critical’ infrastructure which is not physically provided by a developer (including repayment of the HIF grant for A320 & M25 J11 improvements), the Borough Council will seek contributions in lieu of provision through Section 106 or Section 278 agreements as appropriate.

3.10 For other infrastructure priorities or where Runnymede 2030 Local Plan policies indicate a financial contribution in lieu of physical provision, the Borough Council will secure these contributions through the application of the CIL charge.

3.11 The Council may apply CIL receipts to infrastructure projects or types which have already been part funded by Section 106 obligations, Section 278 agreements or other funding sources.

3.12 Part of table 2-3 of the SPD sets out how securing each type of infrastructure will be approached by the Council following the adoption of CIL in Runnymede, i.e. whether S106/S278 agreements will be sought or whether CIL would cover any requirements. The relevant sections are reproduced below for ease.

Table 2-3: Section 106 & Application of CIL from the Infrastructure Delivery and Prioritisation SPD.

Infrastructure	Infrastructure Delivery Mechanism
A320 & M25 Junction 11	Physical provision of required improvements to the A320 & M25 Junction 11 by a developer secured through Section 106 & Section 278 agreement from

	sites contingent on A320 and M25 Junction 11 improvement works as identified in Local Plan Policy SD2 where this is preferable and equivalent to a financial contribution; or Financial contributions in lieu of A320 and M25 Junction 11 improvement works secured through Section 106 & Section 278 agreements from sites contingent on A320 and M25 Junction 11 improvement works as identified in Local Plan Policy SD2;
Thames Basin Heaths SPA avoidance measures	Provision of SANG as avoidance for the Thames Basin Heaths SPA and its management & maintenance in perpetuity secured physically or through financial contributions in lieu of provision through Section 106 agreements[1]; and Financial contributions towards Strategic Access Management & Monitoring (SAMM) secured through Section 106 agreements (Includes Unilateral Undertakings for sites less than 10 units and/or less than 0.5ha in area).
Other Highway Mitigation and/or Improvements (beyond A320 and Junction 11 M25 improvements)	Physical provision or financial contributions in lieu of site-specific mitigation or improvements to the local road network as identified through individual Travel Plans/ Transport Assessments secured through Section 106 and Section 278 agreements; and/or Financial contributions from CIL to the local or strategic road network as identified in the IDP Schedules or Runnymede Local Transport Strategy.
Active & Sustainable Travel	Physical provision or financial contributions in lieu of site-specific mitigation or improvements for active & sustainable travel projects as identified through Travel Plans/Transport Assessments secured through Section 106 & Section 278; and/or Financial contributions from CIL for active & sustainable travel projects as identified in the IDP Schedules or Runnymede Local Transport Strategy.
Education	Physical provision of on-site early years and primary education facilities at Longcross Garden Village secured through Section 106. Financial contributions in lieu of secondary education facilities secured through Section 106 from Longcross Garden Village; or

[1] Includes Unilateral Undertakings for sites less than 10 units and/or less than 0.5ha in area.

	From sites other than Longcross Garden Village, financial contributions from CIL in lieu of early years, primary and secondary education facilities.
Health	Physical provision of on-site land and/or facilities for health-related infrastructure required by Local Plan Policy IE8 and physical provision of on-site land for health related infrastructure required by Local Plan Policy SL12 secured through Section 106; and From sites other than Local Plan allocationIE8, financial contributions from CIL in lieu of health related infrastructure facilities;
Flood defence and drainage	Physical provision of flood defence/mitigation and/or drainage infrastructure and their management & maintenance secured through Section 106; and/or Financial contributions from CIL in lieu of flood defence/mitigation and drainage infrastructure and their management & maintenance;
Green Infrastructure (Children & Teenager Playspace)	Physical provision of on-site equipped and unequipped playing space for children and teenagers and its management & maintenance as required by Local Plan Policies SD10, SL3, SL5 to SL18 and SL26 secured through Section 106; or From sites other than Local Plan allocations SD10, SL3, SL5 to SL18 and SL26 financial contributions from CIL in lieu of equipped and unequipped playing space for children & teenagers and their management & maintenance.
Green Infrastructure (Outdoor Sports)	Physical provision of outdoor sports facilities and/or playing pitches and their management & maintenance as required by Local Plan Policies SD10, SL6, SL11, SL12 & SL26 secured through Section 106; or From sites other than SD10, SL6, SL11, SL12 & SL26, financial contributions from CIL toward outdoor sports/ playing pitches and their management and maintenance.
Green Infrastructure (Parks & Gardens)	Physical provision of a Park & Garden and its management & maintenance as required by Local Plan Policy SL9 secured through Section 106; or For sites other than Local Plan allocation SL9 financial contributions from CIL toward parks & gardens and their management & maintenance.

Green Infrastructure (Allotments)	Physical provision of allotment plots and their management & maintenance as required by Local Plan Policies SD10, SL6, SL11, SL12 & SL26 secured through Section 106; or For sites other than SD10, SL6, SL11, SL12 & SL26 a financial contribution from CIL toward allotment plots and their management & maintenance.
Blue Infrastructure	Physical provision of blue infrastructure projects and their management & maintenance secured through Section 106; or A financial contribution from CIL toward blue infrastructure projects and their management & maintenance.
Built Community Facilities	Physical provision of land for a Community Hub Building required by Local Plan Policy SL14 secured through Section 106; or For sites other than SL14 a financial contribution from CIL toward provision or enhancement of built community facilities.
Biodiversity	Physical provision of biodiversity improvements and priority habitat restoration and their management & Maintenance secured through Section 106 (not SANG); or Financial contributions from CIL toward Green and Blue Infrastructure projects not already set out in this table including biodiversity improvements and priority habitat restoration (not SANG);
Emergency Services	Financial contributions from CIL toward emergency services facilities.

<u>Expenditure Process for S106 Obligations</u>

3.16 Whilst the Council will use CIL as the primary method of collecting planning contributions, historic S106 funds along with any newly secured funds on a site by site basis will continue to be spent in accordance with the related legal agreements as drafted. Therefore, a protocol to manage this process must be in place.

Non-specific schemes

3.17 Historically, S106 agreements have been used to secure funding through the broadest definition of provision, for example ‘alternative transport’ or ‘new or improved public open space’. The expenditure of S106 contributions must be done in line with the specific wording of the relevant S106 agreement to ensure that it is a legitimate use of the monies. The Council must ensure that proposed projects meet the stipulations of the agreements that the monies stem from.

3.18 Where the spending is non-specific matter, the matter will be referred to the Developer Contributions Advisory Group or directly to Corporate Management Committee.

Specific schemes

3.19 In some cases, particularly since the introduction of CIL, the Council has stipulated that certain projects or types of infrastructure must be provided using S106 obligations. The ultimate use of the monies is clearly stated and so there is less of a requirement to check that the project accords with the definitions of the agreement. In these cases, the relevant departments at Borough or County Council, or other relevant infrastructure providers, are notified of the availability of monies with which to develop that project's design. Detailed information on the project, including costs and delivery, must be submitted to officers, who will check the appropriateness of the scheme. Subject to the details being acceptable, specific schemes may be authorised by the Chief Executive or Assistant Chief Executive for authorisation to proceed with the project.

3.20 Once projects are approved, through either route, officers with responsibility for the area where the contribution will be spent will liaise to ensure project delivery within the timeframes of the agreement and project.

4.0 COMMUNITY INFRASTRUCTURE LEVY

CIL funding splits and apportionment

4.1 The CIL regulations specify how CIL funds should be apportioned for expenditure.

Administration Fee – 5%

4.2 Of the 100% of CIL revenue collected, the regulations permit the Council to retain 5% for the purpose of administering the CIL. This money is used by the Council's Development Management service to allow for the cost of preparing the CIL charging schedule, the additional Council resources to administer the collection, spending and monitoring of CIL funds and for the cost of IT software to help administrate the CIL process.

Neighbourhood Portion - 15 or 25%

4.3 There are no parish or town councils in any part of Runnymede Borough. The Planning Practice Guidance (PPG) confirms how charging authorities should manage the neighbourhood portion of CIL receipts it receives where there is no parish or town council, but where there may be a neighbourhood plan in place – summarised in the following table.

Neighbourhood Plan in Place?	Levy
Yes	25% uncapped local authority consults with community about how funds can be used, including to support priorities set out in neighbourhood plans
No	15% capped at £100/dwelling (indexed for inflation), local authority consults with community to agree how best to spend the neighbourhood funding

Adapted from PPG Paragraph: 145 Reference ID: 25-145-20190901, Revision date: 01 09 2019

4.4 The PPG confirms that a 25% neighbourhood portion will be retained by the Borough Council in areas of Runnymede which have an adopted neighbourhood plan and a 15% neighbourhood portion (capped in line with the terms set out) will be retained in areas without an adopted neighbourhood plan.

4.5 In line with regulation 59F of the CIL Regulations 2010 (as amended), the Council must spend the funds within the "relevant area", i.e. this is ring fenced for expenditure in the settlement where the development took place (see chapter 5 for further details). CIL Planning Practice Guidance requires that the Council engages with the local community in an open and transparent way in order to prioritise how these funds should be spent.

4.6 Where a neighbourhood plan is adopted, the 25% is applied to those liabilities created after the date of adoption (i.e. planning permissions granted after the date of the neighbourhood plan's adoption). It is not applied retrospectively to existing liabilities or receipts.

Strategic Portion – 70% or 80%

4.7 The Borough Council is able to retain the majority of the CIL revenue collected in order to deliver strategic infrastructure priorities. Once the administration fee and the neighbourhood portion have been deducted, this will leave either 70% or 80% of the funds depending on whether there is a neighbourhood plan or not. This can be spent on strategic priorities for infrastructure identified by the Borough Council, in consultation with infrastructure providers, the public and other stakeholders. This strategic portion does not have to be spent within the settlement area in which development occurs but can be pooled and spent anywhere in the Borough, as long as it is on infrastructure that supports new development.

Definition of Infrastructure

In terms of what the strategic portion can be spent on, the CIL Regulations 2010 (as amended), Regulation 59(1) reads as follows:

A charging authority must apply CIL to funding the provision, improvement, replacement, operation or maintenance of infrastructure to support the development of its area.

4.8 In terms of how infrastructure is defined in the context of this regulation, Section 216(2) of the Planning Act 2008 provides an inclusive list of infrastructure types that can fall within the definition of infrastructure for the purposes of CIL. Section 216 goes on to allow the CIL regulations to vary this list, which it does through CIL Regulation 63 (by excluding affordable housing from the definition of infrastructure). Infrastructure therefore includes:

(a) roads and other transport facilities,

(b) flood defences,

(c) schools and other educational facilities,

(d) medical facilities,

(e) sporting and recreational facilities, and

(f) open spaces.

4.9 The list, however, is not exhaustive and so, in line with the guidance, CIL can be used to fund a wider range of items. CIL Planning Practice Guidance[2] states that "the levy can be used to fund a very broad range of facilities such as play areas, open spaces, parks and green spaces, cultural and sports facilities, healthcare facilities, district heating schemes and police stations and other community safety

[2] Paragraph: 144 Reference ID: 25-144-20190901, Revision date: 01 09 2019

facilities." but emphasises, in accordance with CIL Regulation 63, the levy cannot be used to fund affordable housing.

4.10 The levy can be used to increase the capacity of existing infrastructure or to repair failing existing infrastructure, if that is necessary to support development.

5.0 THE NEIGHBOURHOOD PORTION: APPORTIONMENT AND APPLICATION OF 'LOCAL' CIL MONIES

Expenditure of the Neighbourhood Portion in Runnymede

5.9 As set out in chapter 4, in Runnymede, there are no areas covered by a parish or town council. This means that regulation 59F of the CIL Regulations 2010 (as amended), which addresses the use of CIL in an area without a 'local council' is applicable across the whole of Runnymede.

5.10 For clarity, where funds are collected in an area without a parish council in place, the neighbourhood portion is not ring fenced to the ward in which development has taken place but the neighbourhood portion may be spent in the entire 'relevant area' without a local council.

The definition of relevant areas in Runnymede

5.11 The Council, as part of its review of the Runnymede 2030 Local Plan has defined the different settlement areas of the Borough as the basis for a 'place based' approach which is to be taken in developing the next Local Plan. What this means is that whilst considering development needs across the Borough, the next iteration of the Plan will do so by focussing on each settlement area so it can tailor the approach and choices available for individual places and set the basis for Neighbourhood Planning. Identifying the extent of each settlement area also ensures development distribution is monitored accurately.

5.12 To define the extent of the Borough's settlement areas, the settlement areas relied upon in the Runnymede 2030 Local Plan have been taken as the starting point, with account also being taken of other place boundaries such as electoral wards and neighbourhood plan areas whose boundaries may give a closer correlation or be more functionally related to other areas. The full methodology and conclusions drawn can be viewed in the Council's Sustainable Places Stage 1 work which can be accessed on the Council's website[3]. The figure below shows the breakdown of the Settlement Areas in Runnymede.

[3] Runnymede Local plan review - Sustainable Places Stage 1

Figure 2: Settlement Areas in Runnymede

5.13 The Council will retain the neighbourhood portion of the CIL receipts but must engage with the local community where development has taken place and agree with them how best to spend the neighbourhood portion.

5.14 Regulation 59F(3) of the CIL regulations (as amended) states that the charging authority may use the CIL to which this regulation applies, or cause it to be used, to support the development of the relevant area by funding—

(a) the provision, improvement, replacement, operation or maintenance of infrastructure; or

(b) anything else that is concerned with addressing the demands that development places on an area.

Approach to consulting communities with a view to agreeing how the neighbourhood portion should be spent.

5.15 The Council will retain the neighbourhood portion of the CIL receipts and will engage with the local community as to how the neighbourhood funding should be spent. The Borough Council will then be responsible for reporting CIL receipts and expenditure on an annual basis through its Infrastructure Funding Statement.

5.16 Periodically, the Council will consult on the use of the Neighbourhood Portion available to each relevant Settlement Area. The Council will publish, on its website, details of consultation processes. Neighbourhood Fora are encouraged to set out priorities within their neighbourhood plans.

5.17 On an annual basis an opportunity will also be provided for community bidding within the relevant area Details of any bidding process available for local community groups, infrastructure providers and Council service areas (for example Parks and Open Spaces) will be able to bid for the neighbourhood element of CIL using a simple application form. Time frames and assessment criteria will be published by the Council. Only infrastructure projects relating to the relevant area will be considered.

5.18 Infrastructure identified through consultation exercises, neighbourhood plan priorities and infrastructure contained in any bids received will be considered by the Council's Developer Contribution Advisory Group who will make recommendations to the Council's Corporate Management Committee to make a final decision on successful bids.

5.19 In cases where settlement areas/neighbourhood plans have identified a priority for particularly expensive local infrastructure, it is possible that none or only a proportion of the available monies will be released in a particular year, as this would allow the local CIL pot to grow and therefore fund more expensive local priorities when sufficient funding is in place.

5.20 Once the project is decided, the delivery body will be asked to submit a plan for delivery of the agreed project including key milestones with a timetable, detailing any other funding to be provided, when this is to be available and also advising when the funding will be drawn down for each milestone. In accordance with Regulation 59E, funds must be spent within a 5-year period from receipt.

6.0 THE STRATEGIC PORTION – PROCESS FOR PRIORITISATION AND EXPENDITURE

6.1 Once CIL funds are received and the Council has deducted the allocations to the administration fee and the neighbourhood portion, it is vital that there is a robust and transparent mechanism in place for prioritising how the strategic portion is spent.

The Infrastructure Delivery Plan and Schedules

6.2 The Infrastructure Delivery Plan (IDP) and Infrastructure Delivery Schedules (IDS) helped to support and underpin the Runnymede 2030 Local Plan and demonstrate the funding gap with which to justify the introduction of the CIL Charge. It records those infrastructure projects that have been identified as needed to support the growth and development across the Borough. The IDS records details of infrastructure schemes including information (where known) about their costs, funding gaps, other funding sources, and delivery timescales. The IDS is a “live” document, regularly updated with the latest information on infrastructure projects and improvements. The IDS, therefore, forms an appropriate base for considering how the spending of strategic CIL funds may be prioritised.

6.3 In order to allow elected members and officers to think more broadly and strategically about infrastructure delivery, the IDS will continue to include schemes and projects expected to be delivered within the short term and medium term (between to 0-5 years) and long term (5 years plus). The IDS is a live document and will be updated as new information and data becomes available and published, as considered appropriate by the LPA, in conjunction with the CIL Infrastructure Funding Statement to inform decision- making on how CIL monies should be spent.

Updating the IDS via engagement with Infrastructure Providers

6.4 The Council will continue to liaise as appropriate with a range of infrastructure and service providers to update information on existing projects and to identify any new projects for inclusion on the IDS. These providers include, but are not limited to:

- *Surrey County Council*
- *Individual departments within Runnymede Borough Council*
- *Surrey Heartlands Integrated Care Board (ICB) and Integrated Care Partnership (ICP)*
- *Surrey Wildlife Trust*
- *Environment Agency*
- *Network Rail*
- *National Highways*
- *South East Coast Ambulance Service*

- *Surrey Police*
- *Surrey Fire and Rescue*
- *Affinity Water*
- *Thames Water*

6.5 Through discussions, providers are required to identify where infrastructure issues will be made more severe or will become apparent as a result of new development and growth. Where possible, they are then required to suggest schemes or projects to assist in meeting the deficiency and, if appropriate, these would then be included in the IDS. Providers are encouraged to provide as much information as possible on delivery timescales and other sources of funding in order to enable the Council to make informed decisions.

6.6 Periodically the Council will contact infrastructure and service providers, Members, Neighbourhood Fora and Residents Associations to invite them to submit updated information relating to existing strategic schemes on the IDS, or to submit new schemes for consideration for inclusion in the Council's Infrastructure plans. This will be undertaken in the run up to any update to the IDS.

6.7 Schemes to be included in the IDS should meet an infrastructure need generated by new development in the current Local Plan period (which covers the period up to 31^{st} March 2030).

Prioritisation of infrastructure spending in Runnymede

6.8 The Council's Infrastructure Delivery and Prioritisation SPD sets out how the Council's IDP ranks infrastructure projects and types which are required to support the level of development expected to be delivered over the period of the Local Plan into those which are critical, essential, a policy high priority or desirable. A description of each of these categories is set out in Table 2-1 of the SPD based on the descriptions in the IDP, and table 2-2 sets out the types of infrastructure within each Priority category. For ease, a combined version of tables 2-1 and 2-2 is reproduced below:

Prioritisation level	Description	Infrastructure project/type
Critical	Infrastructure which must happen to enable growth. Without critical infrastructure development cannot proceed and the Plan cannot be delivered.	Suitable Accessible Natural Greenspace (SANG); Improvements to junctions and links on the A320 Corridor and M25 Junction 11 as identified in the A320 North of Woking bid as awarded and at the St Peter's Hospital Roundabout (junction 8).

Essential	Infrastructure required to mitigate impacts arising from the operation of development. Lack of delivery is unlikely to prevent development in the short-term but failure to invest could result in delays to development in medium-long term as infrastructure capacity becomes constrained.	Improvements to the Local or Strategic Road Network not identified as A320 Corridor improvements as specified above; Active and sustainable transport improvements and facilities; Early years, primary and secondary education facilities including SEN; . Primary, secondary and mental healthcare facilities; Flood defence and drainage projects.
Policy High Priority	Infrastructure supporting wider strategic or site-specific objectives as set out in Plan Policies but lack of delivery would not prevent development.	Green and Blue Infrastructure (GI & BI) including outdoor sports, playspace for children & teenagers, parks & gardens, amenity greenspace, main rivers, water courses, floodplains, river corridors and wetlands; Built community space and facilities;
Desirable	Infrastructure required for sustainable growth but unlikely to prevent development in short to medium term.	Allotments; Natural and semi-natural greenspace not designated as SANG; Biodiversity Opportunity Area (BOA) projects and Priority Habitat restoration/ enhancement projects; Emergency service infrastructure

6.9 The SPD confirms that Borough Council will coordinate and prioritise contributions or physical delivery of infrastructure secured from development through Section 106/Section 278 and/or CIL in accordance with the hierarchy of prioritisation it contains. This includes Local Plan allocation sites unless the allocation Policy specifically indicates otherwise.

6.10 The SPD sets out that the hierarchy is used to ensure the Council determines which infrastructure projects or types should be prioritised for funding. The hierarchy is broadly established by the IDP but also reflects the infrastructure priorities of the Local Plan. As such, there are some infrastructure projects/types which the Borough Council give a higher priority than the IDP, specifically on highway impacts and need for additional built community space.

6.8 The hierarchy sets out the Council's preferred priorities on infrastructure. Whilst consideration of schemes higher up the hierarchy are likely to be viewed as more critical, there will be times that the particular circumstances of schemes lower down the hierarchy are given preference due to the particular merits of a scheme or the perceived benefits that they bring.

Shortlisting Projects and bidding for CIL funding

6.9 The Council's IDS and Infrastructure Funding Statement constitute the key evidence base setting out the infrastructure projects that are eligible for strategic CIL funding. Only infrastructure that supports the growth outlined in the Council's adopted Development Plan is included, or other infrastructure projects that have come forward that support growth. Schemes will be considered for funding based on their level of priority using the hierarchy contained in the table above and also based on their suitability for delivery using CIL funding.

6.10 On an annual basis, stakeholders involved in development and in delivery of infrastructure will also be invited to put forward projects for consideration for funding through CIL. While it is expected that Runnymede Borough Council Services and Surrey County Council will be the main bidders and beneficiaries, external organisations are also key deliverers of infrastructure to support development, and bidding rounds are open to these organisations. Details of timelines and other relevant information will be published on the Council's website and published as appropriate.

6.11 These, together with the level of CIL funding available, will inform and justify which schemes can be funded. Annually, the Council will publicise the amount of CIL funding collected in accordance with statutory requirements in the form of the Infrastructure Funding Statement (IFS).

6.12 In addition to being identified in the IDS/IFS, schemes should be shown to deliver enduring benefits and preferably be identified within a relevant strategy(s) document including the Council's Corporate Plan. Schemes may be favoured where they offer multiple and/or wider as well as local benefits and lever in other funds that wouldn't otherwise be available (match funding). The deliverability of the project will also be assessed.

Assessment

6.13 To assess projects for CIL funding, and to assist in prioritising those projects which are suitable, the Council uses the information submitted on each project to assess schemes against a number of key criteria.

1. Are CIL monies needed to deliver the project?

2. Which category does the project sit within in the Council's hierarchy of prioritisation?

3. Does the project meet a local need or demand that has arisen from new development i.e. is the project clearly defined as 'Infrastructure' as per the CIL Regulations?

4. When can the infrastructure be delivered?

5. Are clear project costs and funding known? Are other sources of funding available? Is the delivery of the infrastructure already in the strategy of another agency to fund and deliver?

6. Are there 'Neighbourhood' CIL monies available in the Settlement Area in which the project is located that could be used to wholly or partly fund the project?

7. Does the project help meet at least one of the Council's corporate priorities?

8. Is the project listed in the Council's Infrastructure Delivery Schedule / Infrastructure Funding Statement or is it for infrastructure that supports growth of the area identified within a relevant local strategy, e.g. any of the Council's Corporate Plans or Strategies?

9. Could the scheme help facilitate or accelerate the delivery of other major infrastructure in the Borough, particularly if aligned with other funding sources.

6.14 The first criterion ensures that all infrastructure projects which do not require CIL monies are separated off at the outset, reducing unnecessary assessment of projects. Schemes from third parties or other infrastructure providers which have other sources of funding or delivery strategies potentially available to them available to them should utilise those funding sources first and are not likely to be given high priority for CIL monies. The second criterion helps ensure that the level of priority for each project is clearly understood. The third is essential as CIL monies can only be spent on infrastructure that meets a local need or demand that has arisen from new development, as per the definition of 'Infrastructure' in the CIL Regulations. Use of these criteria enable officers to rule out all infrastructure projects which are ineligible to receive CIL monies from further assessment, based on information existing at that time.

6.15 The fourth criterion is necessary to understand whether the project is technically deliverable within a reasonable time period of receiving the funding and so might benefit from having CIL monies allocated to it for spending in the following financial years. The fifth criterion allows the Council to consider whether there are clear and realistic costs and firm funding proposals (other than a request for CIL monies) in place that would confirm that the project is not only technically deliverable but financially deliverable as well. Where costs are unknown, the assessment assumes the project is not financially deliverable within the next two years as the Council needs to see more robust proposals before allocating CIL monies to a project. Where a project proposes match- funding from another source, if that match-funding has not been secured, there must also be questions over the deliverability of that project, albeit those questions may not ultimately rule out a project entirely in this assessment, depending on the precise circumstances of the match-funding.

6.16 A further consideration within this fifth criterion, but not a definitive one in decision-making, is also whether the project will provide greater value for money by using CIL monies to lever in other funding. While levering in match-funding would clearly be a positive, it would not be appropriate to disadvantage a project simply because it does not have access to other funding and would rely solely on CIL monies, hence this factor is not a key criterion.

6.17 The sixth criterion allows the Council to consider whether a project might be more suitably funded by “Neighbourhood” CIL monies that are available in an area (the 15% or 25% of CIL income under the Neighbourhood Portion, set aside by the Council to spend specifically in that area) in order to save "strategic" CIL monies for the larger projects that serve a wider area.

6.18 The seventh and eighth criteria are necessary to help differentiate and prioritise between projects that meet all of the first other criteria (i.e. when the assessment produces a fairly long shortlist) by considering whether the projects help meet at least one of the Council’s Corporate Priorities and/or are identified within a relevant infrastructure list and/or local strategy as being of strategic importance. The ninth criteria ensures the Council makes the most of match funding opportunities and early delivery opportunities.

Match Funding

6.19 CIL alone will be unable to fund all required infrastructure in the Borough and is instead designed to lever-in match funding opportunities. As set out above, projects which cannot secure additional match funding will not be discounted from consideration, however, the Council will look favourably to those projects who identify and secure other funding sources.

Draft CIL Funding Programme (CFP)

6.20 Identified schemes and applications for funding which meet the eligibility criteria will go through an initial assessment and validation process by Officers of the Council, and will then be considered by the Developer Contributions Advisory Group made up of Elected members and the Corporate Leadership Team of the Council. The Developer Contributions Advisory Group shall review monies available and preferred potential projects and this shall result in the production of a draft CIL Funding Programme (CFP) report. The Developer Contributions Advisory Group shall then make recommendations to Corporate Management Committee, who will make the ultimate decision on the contents of the authorisation of the CFP.

Timescales for the CIL Funding Programme

6.21 The timescales for producing the CFP should sit alongside the Council's process for the Capital Spending Programme to ensure that the IDS reflects the Council's corporate priorities and explores all opportunities for match funding. Below is an indicative timescale for the CFP preparation:

Decisions on spending CIL outside of the normal process/timetable

6.18 It is possible that on occasion other urgent or unforeseen infrastructure projects may come forward during the year which require CIL funding. By resolution of Corporate Management Committee in relation to a specific report, CIL funds may be released by Corporate Management Committee outside of the normal bidding or identification processes. This is not expected to occur frequently, however it is important to indicate that this is within the authority of the Corporate Management Committee as the responsible Committee for the expenditure of CIL funds.

Following approval of monies

6.19 Where projects are being delivered by external parties, that provider will be required to sign an agreement with the Council, confirming how the CIL monies must be used, any timeframes, and agree that any unspent or unused funds will be returned to the Council.

6.20 Where projects are being delivered by the Borough or County Council, that provider will be required to provide full details of costs and delivery timescales, and seek any relevant approvals required by the Council Constitution before commencing the project.

Publicity

6.21 The Government is keen to ensure that the CIL process is transparent and that communities understand the benefits that are being delivered as a result of CIL monies. Subsequently, recipients of CIL monies will be encouraged to ensure that any project materials, for example promotional boardings erected on site as the project is delivered, make clear that the project is, at least in part, being funded by Borough Council CIL monies.

7.0 PAYMENTS IN KIND

7.1 The CIL regulations allow, in certain circumstances, for the Council to accept land and/or infrastructure to be provided, instead of money, in order to satisfy all or part of the charge arising from the levy. This may be appropriate where the Council has already planned to invest CIL receipts in a project as there may be time, cost and efficiency benefits in accepting completed infrastructure from the party liable for payment of the levy.

7.2 Although payment in kind is subject to a number of conditions and is at the discretion of the Council, where these are accepted, for the purposes of the neighbourhood portion, the equivalent value must still be provided for spending in the relevant settlement area in cash. Therefore, accepting payments in kind has a number of financial implications which must be considered.

7.3 Any Payments in Kind policy will need to consider how land and / or infrastructure which is transferred into the ownership of the Council is included on the Council's Asset Register, any land searches necessary before the Council take ownership, any necessary legal agreements relating to how the Council can dispose of it in the future and any issues over the liability for maintaining the land and / or infrastructure.

7.4 Ultimately, there are two types of payment in kind: a land payment or an infrastructure payment.

Land Payments

7.5 The Council may choose to accept a land payment by entering into an agreement to accept a piece of land equivalent to the value of part or all of a party's CIL liability. The Council would also need to be satisfied that the land in question is suitable and necessary to help deliver all or part of a piece of infrastructure that is consistent with the infrastructure types and projects on the Infrastructure Funding Statement.

7.6 Regulations 73 and 74 govern the process of land payments and a land agreement must be entered into before development commences. Payment in kind and land payments can only be accepted where:

- the chargeable amount in respect of the chargeable development exceeds £50,000;
- where the land is acquired by the Council or a nominee of the Council; and
- the person from whom the land is acquired has assumed liability for the CIL payment.

7.7 The agreement cannot form part of a S106 planning obligation and must comply with all the relevant conditions set out in regulation 73 of the CIL Regulations 2010 (as amended) relating to the purpose of acquisition and the valuation process.

Infrastructure Payments

7.8 Charging authorities may also enter into agreements to receive a piece of newly developed infrastructure as payment. Where a charging authority chooses to adopt a policy of accepting these infrastructure payments, they must publish a policy document which sets out the conditions attached to such payments in detail.

7.9 This policy document will confirm that the authority will accept infrastructure payments and set out the infrastructure projects, or types of infrastructure, they will consider accepting as payment. The infrastructure types have been set out through an Infrastructure Funding Statement. The infrastructure provided must be identified to support development within the Borough.

7.10 As with land payments, infrastructure payments are subject to a number of conditions set out in regulations 73, 73A, 73B and 74 and the infrastructure provided must not be infrastructure that would be necessary to make the development acceptable in planning terms, i.e. the type of measures that may be site specific and would usually form part of a Section 106 obligation under the CIL regulations.

8.0 MONITORING & REPORTING

Infrastructure Funding Statement (Borough Council)

8.1 The CIL Regulations require the Council to publish annual reports (for the previous financial year) detailing received and anticipated receipts and expenditure. In accordance with the CIL Regulation amendments in September 2019, this must be reported through an Infrastructure Funding Statement (IFS), which replaces both the former Regulation 123 list and Annual Reports. The IFS must detail monies relating to both the Council's Community Infrastructure Levy and Section 106 obligations.

8.2 Following the removal of CIL Regulation 123, which had required Councils to set out a list of those infrastructure types or projects which they intended to fund through CIL and had imposed pooling restrictions on S106 obligations, Councils must now use the IFS to identify infrastructure needs, the total cost of the infrastructure, anticipate funding from developer contributions, and the choices the authority has made about how these contributions will be used. When preparing an IFS, the Council should consider known and expected infrastructure costs taking into account other possible sources of funding to meet those costs, which will help identify and evidence the infrastructure funding gap in anticipation of future reviews of both the Local Plan and the CIL Charging Schedule.

8.3 Authorities can also pool funding from different sources to fund the same infrastructure, providing that they set out in their IFS which infrastructure they expect to fund through the levy and which infrastructure they expect to fund through planning obligations. This enables CIL and S106 receipts to be used on the same items of infrastructure, for example a planning obligation to deliver a new school on a strategic site can be supported with additional CIL funds.

8.4 The Council's Infrastructure Funding Statements for each financial year can be viewed on the Council's website[4]. The IFS provides a summary of all financial and non-financial developer contributions relating to S106s and CIL within Runnymede for each annual period. It includes a statement of infrastructure projects that Runnymede Borough Council intends to be, or may be, wholly or partly funded by CIL.

County Councils

8.5 County Councils must also publish an IFS for their receipts and expenditure. The Borough Council will need to ensure the reports align.

[4] How we spend CIL payments – Runnymede Borough Council

Reporting spend of the Neighbourhood Portion

8.7 As Runnymede is an unparished Borough, the Council is required to determine how the local monies should be spent. The Council will prepare a section in the IFSand publish it on the Council website. This report will set out within each Settlement Area:

- How much CIL has been collected;
- How much of that money has been spent;
- The items of infrastructure on which it has been spent;
- The amount of expenditure on each item of infrastructure;
- The details of any CIL funds recovered by the Council; and
- The amount of CIL retained at the end of the reported year

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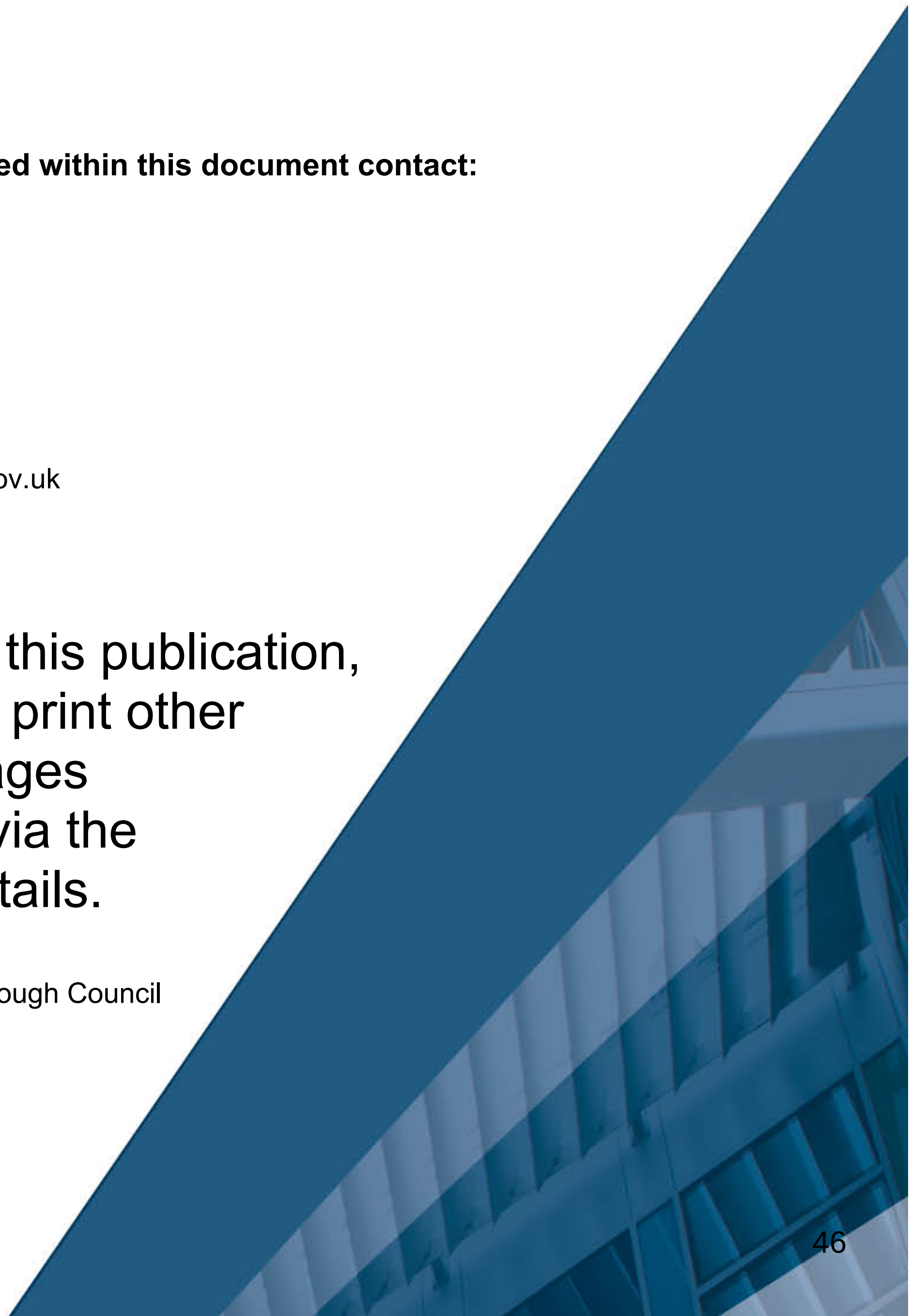


Terms of Reference: Developer Contributions Advisory Group

1. Remit

The Advisory Group is a Councillor/Officer group set up to work jointly and collaboratively to advise Corporate Management Committee on CIL and other contributions generally and make recommendations on bids for CIL monies allocated to it by the Borough Council.

2. Membership of Advisory Group

The Group is advisory in nature only. Final spending decisions will be made by Corporate Management Committee informed by the recommendation of the group.

The Community Infrastructure Levy (CIL) Advisory Group will contain:

- *The Leader of Runnymede Borough (or their nominated Representative)* ***[Advisory Group Chairperson]***
- *The Chairman of the Planning Committee*
- *The Chairman of the Environment and Sustainability Committee*
- *The Chairman of the Community Services Committee*
- *The Chairman of the Housing Committee*
- *The Council's Corporate Leadership Team (Chief Executive, Assistant Chief Executive(s), The Corporate Head of Law & Governance)*

Officers of the Planning Services of the Council will attend to support the group and provide advice to the advisory group. Officers of other services will attend to provide advice on their areas of responsibility.

External parties may be invited on occasion to assist with information, expertise or bid assessment.

If the elected members set out above are unable to attend a meeting, they may nominate a substitute. This should generally be their deputy chairman on the respective committee.

3. Meetings

As required, in order to advise the Corporate Management Committee and ensure effective and timely allocation of CIL monies.

4. Objectives

<u>The Advisory Group objectives are:</u>

• To advise and recommend to the Corporate Management Committee schemes that will have maximum benefits to the community.

• To monitor receipts and expenditure of CIL monies, including the maintenance of reserves in the fund as appropriate.

• To recommend a CIL Funding Programme of infrastructure projects to be considered for agreement by Corporate Management Committee.

<u>The Advisory Group will be responsible for:</u>

• Recommending projects to Corporate Management Committee which require CIL funding from resources allocated to it, following assessment in accordance with the agreed criteria.

• Identification and monitoring of other current and future infrastructure requirements and funding streams.

5. Output

Updates and advice to Corporate Management Committee on advised CIL priorities and funding of projects

2023/24 TREASURY MANAGEMENT STRATEGY, ANNUAL INVESTMENT STRATEGY, PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS AND MINIMUM REVENUE PROVISION (Paul French – Corporate Head of Finance)

Synopsis of report:

The report sets out the Treasury Management Strategy, Prudential and Treasury Management Indicators, and Minimum Revenue Provision Statement for 2023/24.

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

Recommendations to Full Council on 9 February 2023:

i) The proposed 2023/24 Treasury Management Strategy encompassing the Annual Investment Strategy as set out in this report be approved

ii) The Prudential and Treasury Management Indicators for 2023/24 set out in this report be approved

iii) The revised Treasury Management Policy Statement and Treasury Management Practices set out in the Appendices be approved

iv) The authorised limit for external borrowing by the Council in 2023/24, be set at £700,613,000 (this being the statutory limit determined under Section 3 (1) of the Local Government Act 2003.

v) The Council's MRP statement for 2023/24 remain 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".

I. GENERAL

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

2. Treasury reporting requirements

2.1 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:

a) Prudential and treasury indicators and treasury strategy (this report) - The first, and most important report is forward looking and covers:
   - the capital plans, (including prudential indicators)

- a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time)
- the Treasury Management Strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
- an Annual Investment Strategy, (the parameters on how investments are to be managed)

b) Mid-year treasury management report – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, for next year, the Corporate Management and Overview & Scrutiny Committees will receive quarterly update reports.

c) Annual treasury report – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

2.2 In addition to the three major reports detailed above, from 2023/24 quarterly reporting (end of June/end of December) is also required. Although these additional reports do not have to be reported to Full Council, they must be adequately scrutinised.

2.3 The Council has delegated responsibility for the implementation and regular monitoring of its treasury management 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).

2.4 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 2 February 2023.

2.5 A glossary of treasury terms has been included at Appendix "A" to assist Members with understanding some of the terms used in this report.

3. Treasury management strategy for 2023/24

3.1. The strategy for 2023/24 covers the requirements of the Local Government Act 2003, DLUHC Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

3.2. 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

3.3. The aim of the 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.

3.4. The Council's Capital & Investment 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.

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

4. Training

4.1. The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

4.2. Furthermore, the Code states that they expect “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance, and decision making”.

4.3. The scale and nature of this depends on the size and complexity of the organisation’s treasury management needs. It is up to councils to consider how to assess whether treasury management staff and members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

4.4. As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and council members.
- Require treasury management officers and council members to undertake self-assessment against the required competencies.
- Have regular communication with officers and members, encouraging them to highlight training needs on an ongoing basis.”

4.5. In further support of the revised training requirements a self-assessment by members responsible for the scrutiny of treasury management has been created and is set out in Appendix B. This was sent to Members of the Overview and Scrutiny Committee in December for their comments in order to create an Action Plan to improve/develop their understanding.

4.6. Two training courses on Treasury Management have been carried out for the Council members in October 2022 (one arranged by the Council's Finance officers and another one run by the Link Group). 15 Members attended one or both of the sessions. Further training will be arranged as required.

4.7. 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.

4.8. A formal record of the training received by officers central to the Treasury function is maintained by the Corporate Head of Finance. Similarly, a formal record of the treasury management/capital finance training received by Council members is maintained by Democratic Services.

5. Treasury management consultants

5.1. The Council Link Treasury Services Limited (part of the Link Group) as its external treasury management advisor.

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

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

5.4. 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 times a year) where, in addition to discussing treasury strategy, the performance of the consultants is reviewed

6. Capital Prudential Indicators 2023/24 – 2025/26

6.1. The Authority's capital expenditure plans are the key driver of treasury management activity and are set out in the Capital & Investment Strategy report presented to the Corporate Management Committee each January. 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. These are set out in Appendix C

6.2. 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.

6.3. 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 & Investment Strategy, Asset Management Strategy and Treasury Management Strategy.

7. Minimum Revenue Provision (MRP) Policy Statement

7.1. When a Council funds capital expenditure by borrowing, the costs are charged to the Council Taxpayers 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.

7.2. 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 principle on any borrowing undertaken. There isn't an earmarked reserve for MRP, it is represented in the accounts as increased cash.

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

7.4. Revised statutory guidance from the DLUHC requires local authorities to have Full Council approval of MRP Policy 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 four 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)
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.

7.5. 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".

7.6. 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.

7.7.

8. Economic data

Interest Rates

8.1. Part of Link Group's service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 08.11.22. These are forecasts for certainty rates, gilt yields plus 80 basis points.

Link Group Interest Rate View	08.11.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB	4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

Additional notes by Link on this forecast table:

8.2 Our central forecast reflects a view that the MPC will be keen to demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened throughout 2022, but the new Government's policy of emphasising fiscal rectitude will probably mean Bank Rate does not now need to increase to further than 4.5%.

8.3 Further down the road, we anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures have lessened – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

8.4 The CPI measure of inflation will peak at close to 11% in Q4 2022. Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market. Wage increases, excluding bonuses, are currently running at 5.7%.

8.5 Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started but will focus on the short to medium end of the curve for the present. This approach will prevent any further disruption to the longer end of the curve following on from the short-lived effects of the Truss/Kwarteng unfunded dash for growth policy.

8.6 In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)

8.7 On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

PWLB rates

8.8 Yield curve movements have become less volatile under the Sunak/Hunt government. PWLB 5 to 50 years Certainty Rates are, generally, in the range of 3.75% to 4.50%. The medium to longer part of the yield curve is currently inverted (yields are lower at the longer end of the yield curve compared to the short to medium end).

8.9 Link view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the poor inflation outlook but markets are volatile and further whipsawing of gilt yields across the whole spectrum of the curve is possible.

The balance of risks to the UK economy:

- The overall balance of risks to economic growth in the UK is to the downside. Indeed, the Bank of England projected two years of negative growth in their November Quarterly Monetary Policy Report.

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

- Labour and supply shortages prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).
- Bank of England acts too quickly, or too far, over the next two years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- UK / EU trade arrangements – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- Geopolitical risks, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

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

- Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly and for a longer period within the UK economy, which then necessitates an even more rapid series of increases in Bank Rate faster than we currently expect.
- UK Government acts too slowly to increase taxes and/or cut expenditure to balance the public finances, in the light of the cost-of-living squeeze.
- The pound weakens because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer term US treasury yields rise strongly, if inflation numbers disappoint on the upside, and pull gilt yields up higher than currently forecast.

8.10 Further economic background data can be found in Appendix D

9. Borrowing Strategy

9.1. The Prudential Code considers that legitimate examples of prudent borrowing include:

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

9.2. 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.

9.3. Access to the PWLB is essential for the Council to ensure liquidity 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.

9.4. 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.

9.5. 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. This reduces the impact on the revenue budget of interest payments.

9.6. 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 2023/24 treasury operations. The Assistant Chief Executive will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

9.7. 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).

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

<u>Sources of borrowing</u>
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).

<u>Debt instruments</u>
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

9.9. 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

9.10. 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.

9.11. 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.

9.12. 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

9.13. 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).

9.14. 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).

9.15. All rescheduling will be reported to the Council, at the earliest meeting following its action.

10. Annual Investment Strategy

10.1. DLUHC and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments (see section 12 below). This report deals solely with financial investments. 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 & Investment Strategy.

10.2. 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.

10.3. 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.

10.4. 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 2022/23 in February 2022 and an updated Strategy for 2023/24 (taking account of the suggested changes set out below) is set out at Appendix E.

10.5. The Council's cash balances will increase over time as money is set aside in MRP. The knock-on effects of this is that there is more money to invest until the principal sums borrowed are due for repayment which means the Council needs 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
2023	20,922
2024	25,534
2025	30,396

10.6. As previously reported to Members, with the increased MRP balances, the existing counterparty list is proving to be inadequate, and the Council has struggled to find homes for its investments in the last year. Officers have been in discussions with Link as to the best way to overcome this. Extending the number of counterparties by adding a lower credit rating band to the Investment Strategy, thereby increasing the potential risk of default, is not recommended. Officers are therefore requesting that the £Limits placed with the existing bands for Specified Investments" be increased as follows:

Fitch Long term Rating (or equivalent)	Current £ Limit	Current Duration	Proposed £ Limit	Proposed Duration

AA- or higher A+ A A-	- £5.0m £4.0m £3.0m	- 365 days 189 days 98 days	**£7.5m** **£6.0m** **£5.0m** **£4.0m**	**365 days** 365 days 189 days **100 days**

10.7. Having discussed this proposal with our Treasury advisors, Link stated that "the Council has c£80m of investments so using a maximum cap of c£8m for any one high credit quality counterparty does not seem unreasonable".

10.8. In addition to this, the Council is currently limited to placing a maximum of £1 million to be placed with any non-UK country (which has a minimum sovereign long term rating of AAA or AA+) at any one time. Again, this is proving too restrictive and the Council is missing out several counterparties that have high quality credit ratings because of it. Officers are therefore proposing that the current limit to place a maximum of £1 million to be placed with a non-UK countertparty (with the country sovereign rating of AA- or higher) be increased to £3million but that the £Limits for each rated bank be as follows:

Fitch Long term Rating (or equivalent)	Current £ Limit	Current Duration	Proposed £ Limit	Proposed Duration
AA- or higher A+ A A-	- £1.0m £1.0m £1.0m	- 365 days 189 days 98 days	**£3.0m** **£2.0m** £1.0m £1.0m	**365 days** 365 days 189 days **100 days**

<u>2023/24 Treasury Activity</u>

10.9. Link's suggested budgeted earnings rates for investments up to about three months' duration in each financial year are as follows:

Average earnings in each year	
2023/24	4.40%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%
Years 6 to 10	2.80%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

10.10. The Council's treasury portfolio position as at 31 December 2022 comprised of:

	31 Mar 22 £'000	**31 Dec 22 £'000**
Borrowing		
Fixed Rate - PWLB	599,000	599,000
Fixed Rate - Money Market	54,731	44,181
TOTAL BORROWING	**653,731**	**643,181**
Specified Investments		
Banking sector	23,000	33,000

Building societies	16,000	13,000
Local Authorities	24,500	12,000
Money Market Funds	9,820	25,700
Unspecified Investments		
Pooled Funds & Collective Investment Schemes	4,000	4,000
Funding Circle	104	58
TOTAL INVESTMENTS	**77,424**	**87,758**
NET BORROWING	**576,307**	**555,423**

10.11. 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 & Investment 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.

10.12. 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 2023/24 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	3,517	1,239	4,756
Interest on loans to RBC companies	2,036	0	2,036
Dividend income	120	0	120
Interest paid on deposits and other balances	(11)	0	(11)
Net Investment Income	**5,662**	**1,239**	**6,901**
Debt Interest	(13,351)	(3,379)	(16,730)
Management Expenses	(26)	0	(26)
Net Investment Income / (Debt interest)	**(7,715)**	**(2,140)**	**(9,855)**

10.13. The estimate is based on achieving the assumed interest rates set out in paragraph 10.9 above and using the level of revenue and capital reserves for 2023/24 as set out in the latest capital and revenue budgets contained in the Medium Term Financial Strategy and HRA Business Plan.

Interest charge to the Housing Revenue Account (HRA)

10.14 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.

10.15 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.

11 Treasury Management Risks

11.1 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, 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.

11.2 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.

11.3 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 (2021 Edition) (TM Code).

11.4 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.

11.5 In accordance with the TM Code, the key treasury risks are discussed in detail in the Council's Treasury Management Practices (TMPs) and an updated version of both the Council's Treasury Management Policy Statement and the Council's TMPs, taking in the required changes from the latest TM Code is set out in Appendix F with the changes highlighted.

12 Non-Treasury Management Investment

12.1 The 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

Treasury Management

12.2 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

12.3 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. The rules and risks surrounding these are set out in the Council's Capital & Investment Strategy.

Commercial Investments

12.4 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".

12.5 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. The rules and risks surrounding these are set out in the Council's Capital & Investment Strategy and Asset management Strategy.

13 Legal Implications

13.1 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.

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

13.3 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.

13.4 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.

13.5 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.

13.6 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."*

14 Environmental/Sustainability/Biodiversity implications

14.6 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.

14.7 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.

14.8 As well as establishing what funds 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 and in using these, the Council is by default already using ESG metrics in its ordinary course of business.

14.9 The Council's Treasury Policy Statement and Treasury Management Practices (TMPs) have been amended to make reference to ESG principles in investing and these are set out in Appendix F.

15 Conclusions

15.1 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 Corporate Business Plan, Medium Term Financial Strategy, Capital & Investment Strategy and Treasury Management Strategy.

15.2 We remain in a very difficult investment environment with several unknowns. Interest rates and market sentiment has still been subject to bouts of volatility and economic forecasts abound with uncertainty. You only need to look to 2022 to show just how quickly circumstances can change.

15.3 With rising interest rates, increasing global political risks and expected recessions in 2023, the investment policy and borrowing shall remain prudent in combinaiton with rigorous risk management practices.

(To recommend to Full Council on 9 February 2023)

Background Papers

- Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes – 2021 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

Glossary

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.

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 has been 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 replaced 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).

Treasury Management Training Self-Assessment Questionnaire

Aspects of delivering effective Scrutiny	Yes	No	Partly	Comments / Examples	Action Plan to Improve / Develop
Clearly Defined Responsibility					
Has the Council nominated a committee to be responsible for scrutiny in compliance with the CIPFA Code of Practice?	✓			Overview and Scrutiny Select Committee	
Has the committee responsible for scrutiny appropriate and up to date terms of reference outlining its role in relation to treasury management?	✓			Embedded in the Constitution	
Knowledge & Training					
Do those responsible for scrutiny have an appropriate level of knowledge of the following areas:				Note: Training to be undertaken every two years as agreed at Overview & Scrutiny Committee in February 2022	
- Regulatory requirements	✓			Covered in Members Training in Oct 2022	
- Treasury risks	✓			Covered in Members Training in Oct 2022	
- Council's Treasury management strategy	✓			Covered in Members Training in Oct 2022	
- Council's policies and procedures in relation to treasury management	✓			Covered in Members Training in Oct 2022	
Have committee members been provided with training on their role?	✓			Covered in Members Training in Oct 2022	
Support for Effective Scrutiny					
Has adequate time been made on the committee agenda to allow sufficient scrutiny to take place?	✓			Committee papers sent out at least 5 working days prior to meeting	
Have reports and briefings been provided in good time to committee members?	✓			Committee papers sent out at least 5 working days prior to meeting	
Have reports and briefings been presented to the committee with adequate explanations and minimal jargon.	✓			Presented at Committee where Members have the chance to ask questions. Jargon kept to a minimum and Glossary of terms included in agenda pack. Training provided to Members in Oct 2022.	

Treasury Management Training Self-Assessment Questionnaire

Aspects of delivering effective Scrutiny	Yes	No	Partly	Comments / Examples	Action Plan to Improve / Develop
Coverage of the Required Areas					
During the past year has the committee undertaken scrutiny in the following areas:					
· Reviewed adequacy of policy and procedures	✓			Treasury Strategy, Mid-year Treasury Report, Annual Treasury Report	
· Received regular briefings on performance, issues and trends affecting treasury management	✓			Performance reported in Mid-year Report and in Annual Treasury report	Quarterly reports from 2023/24
· Reviewed the LA's risk profile and treasury risks	✓			Treasury risks covered in training and reported in Treasury Strategy.	
· Reviewed the role of external advisors	✓			Role of external advisors reported in Treasury Strategy. Performance reviewed by the CFO.	
· Reviewed assurances on treasury management, including internal audit reports and management reports.	✓			"Substantive Assurance" level given in last Internal Audit review (March 2022)	
During the past year has the committee scrutinized how effectively other council bodies are performing their roles? e.g. does the committee know if the nominated body responsible for implementation and monitoring has carried this role out satisfactorily?	✓			Treasury reports are reviewed by the Overview and Scrutiny Select Committee and the Corporate Management Committee prior to being submitted to the Council for approval.	
Quality of Scrutiny					
Is the committee able to demonstrate its effectiveness in providing scrutiny in any of the following ways?					
- Questioning and constructive challenge	✓			Questioning and constructive challenge demonstrated at Committee meetings	
- Recommendations for additional actions	✓			Any additional actions followed up by officers and reported at the next meeting.	
- Ensuring that adequate plans are in place to provide assurance	✓			Work Plan is in place which details dates of all Treasury Management reports. Regular reports submitted to Committee in accordance with the CIPFA Code of Practice on Treasury Management	
- Follow up of recommendations or action plans	✓			Recommendations/actions from the previous Committee are followed up at the next meeting.	

Treasury Management Training Self-Assessment Questionnaire

Aspects of delivering effective Scrutiny	Yes	No	Partly	Comments / Examples	Action Plan to Improve / Develop
- Providing a report to full council on the scrutiny undertaken	✓			Annual report submitted to Council which provides assurance on the effectiveness and performance of the Treasury Management function.	
- Other examples					
Impact of Scrutiny					
Is the committee able to demonstrate the impact of undertaking scrutiny? Examples might include: · Improvements in internal controls as a result of scrutiny of policies and procedures				Assurance provided by TIAA audit that internal controls are Substantial which provides assurances to the Standards & Audit Committee.	
Improvements made to reports to make them more understandable				Glossary included and jargon minimised	
Members of full council are more able to understand the risks shaping the LA's treasury strategy	✓			Training was deferred during the Covid pandemic, and a new bi-annual training programme began in October 2022. All Members were invited to attend	

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 21/22 £000	Probable 22/23 £000	Estimate 23/24 £000	Estimate 24/25 £000	Estimate 25/26 £000
Capital Expenditure					
Housing Revenue Account	5,696	9,187	26,102	17,865	17,966
General Fund	29,688	19,213	18,356	4,141	6,862
Non-Financial Investments	-	-	-	-	-
- Investment Properties	0	0	0	0	0
- Capital loans	0	11,838	0	0	0
	35,384	**40,238**	**44,458**	**22,006**	**24,828**
Financed by:					
Capital Receipts	2,279	20,654	10,185	2,226	5,315
Earmarked Reserves	331	9,872	11,957	3,213	5,039
Capital Grants & Contributions	1,203	4,105	7,889	2,019	965
Revenue	5,029	607	6,824	14,548	8,509
	8,842	**35,238**	**36,855**	**22,006**	**19,828**
Net Financing Need for the Year	**26,542**	**5,000**	**7,603**	**0**	**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 21/22 £000	Probable 22/23 £000	Estimate 23/24 £000	Estimate 24/25 £000	Estimate 25/26 £000
Non-financial investments					
Capital expenditure from above	0	11,838	0	0	0
Financing Costs met	0	11,838	0	0	0
Net Financing Need for the Year	**0**	**0**	**0**	**0**	**0**
Percentage of individual net financing need	**0%**	**0%**	**0%**	**0%**	**0%**
Percentage of total net financing need	**0%**	**0%**	**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 21/22	Probable 22/23	Estimate 23/24	Estimate 24/25	Estimate 25/26
	£000	£000	£000	£000	£000
CFR at start of year					
- HRA	101,956	100,000	100,000	100,000	100,000
- General Fund	144,322	157,221	166,351	173,022	171,987
- Non-financial investments	432,661	442,178	433,724	430,044	426,217
	678,939	**699,399**	**700,075**	**703,066**	**698,204**
Net Financing Need for the Year	**26,542**	**5,000**	**7,603**	**0**	**5,000**
Less MRP/VRP	-4,126	-4,324	-4,612	-4,862	-5,122
Less Capital receipts to reduce debt	-1,956	0	0	0	0
CFR at end of year	**699,399**	**700,075**	**703,066**	**698,204**	**698,082**

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, members consider the scale proportionate to the Authority's remaining activity.

3. Liability Benchmark

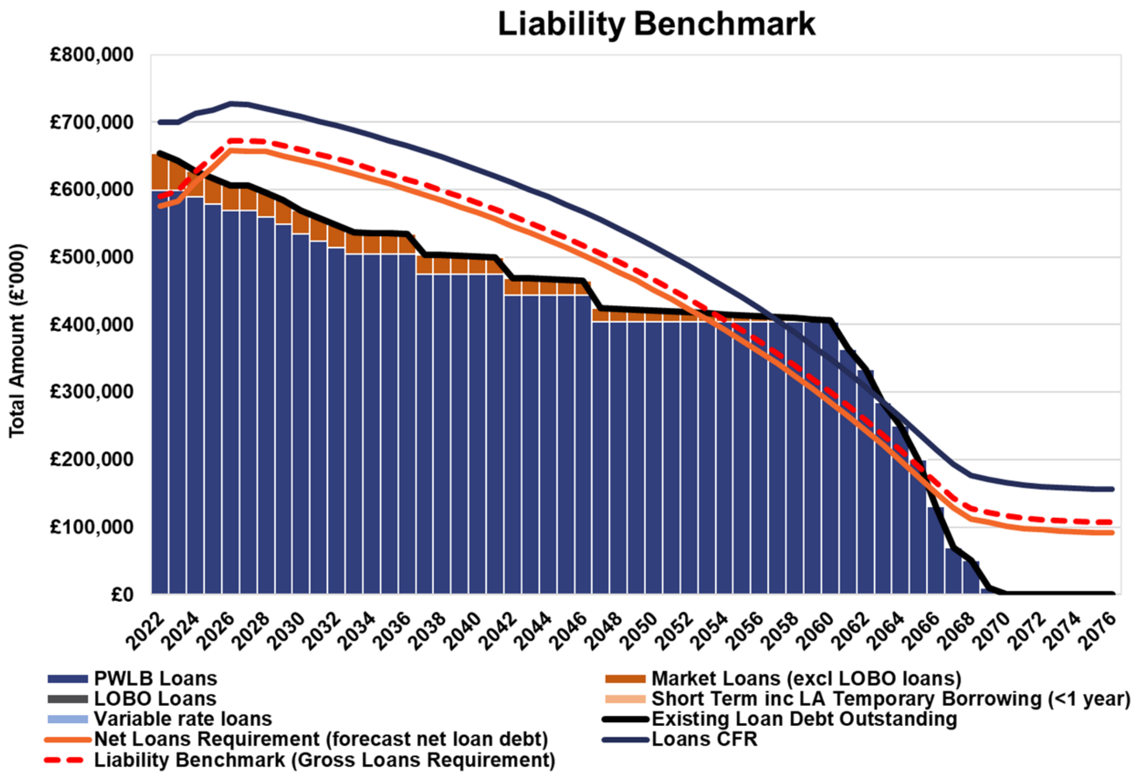
A third and new prudential indicator for 2023/24 is the Liability Benchmark (LB). The Council is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum and should ideally cover the full debt maturity profile of a local authority. The liability benchmark model only includes the approved capital expenditure (as per the CIPFA Treasury Management Code) and so does not reflect the financing of future capital ambitions

There are four components to the Liability Benchmark: -

- **Existing loan debt outstanding**: the Authority's existing loans that are still outstanding.
- **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
- **Net loans requirement**: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
- **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

The Treasury Management Code states that: *"The liability benchmark should be analysed as part of the annual treasury management strategy, and any substantial mismatches between actual loan debt outstanding and the liability benchmark should be explained. Any years where actual loans are less than the benchmark indicate a future borrowing requirement; any years where actual loans outstanding exceed the benchmark represent an overborrowed position, which will result in excess cash requiring investment."*

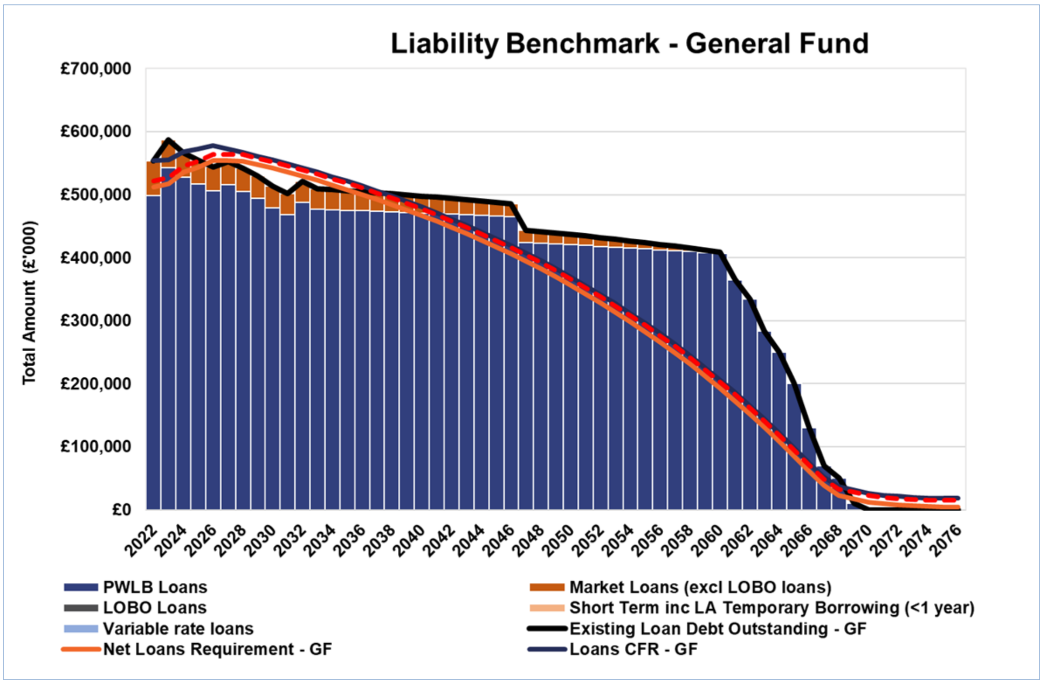
The liability benchmark starting position is based on a snap shot at the last Balance Sheet date. It is not unusual or necessarily an issue to be under / over the benchmark, the liability benchmark is intended to be used as a tool along with other factors used to feed into the authorities ongoing borrowing decisions.



The above chart shows the overall Council position taking both HRA and General Fund debt together. The overall position starts initially as being £64m over the liability benchmark and by 2025 shows a forecast borrowing requirement of £30m which then increases each year as the PWLB loans mature (the model assumes loans are repaid without replacement).

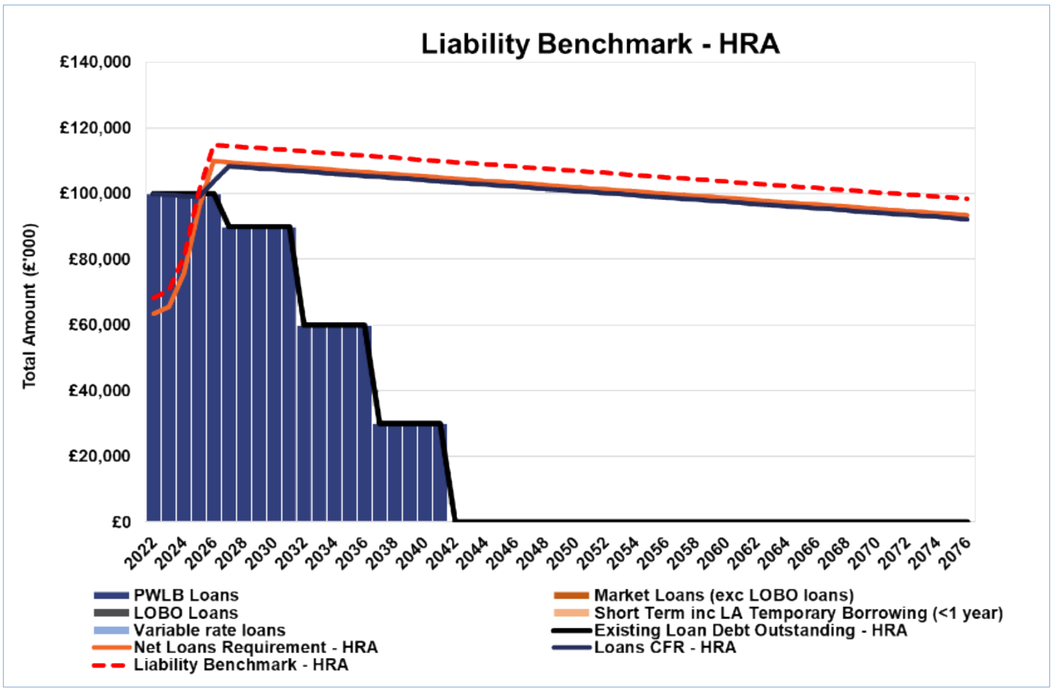
The overall position has a liquidity allowance of £15m, which sets the liability benchmark meaning the authority plans (as per liability benchmark model only) to utilise all but £15m of internal borrowing capacity (i.e. defer borrowing by utilising Balance Sheet cash resources such as reserves & working capital) to finance the CFR before taking on further PWLB or other external loan debt.

Breaking the Benchmark down into separate HRA and General Fund graphs produces the following results:



The GF forecast liability benchmark remains broadly in line with the forecast actual balance of external debt for the next 20 years. The liability benchmark by 2037 (year 15) shows outstanding borrowing that is over the forecast liability benchmark. By 2070 all debt has been.

Where the actual loans outstanding exceed the benchmark, this represents an overborrowed position, which will result in excess cash requiring investment (unless any currently unknown future borrowing plans increase the benchmark loan debt requirement). Officers will keep an eye on this and may look to repay some loans early if it is prudent to do so. Alternatively, it may be possible to switch the loans to HRA loans when the HRA loans are due for repayment if it is both prudent and affordable to both the GF & HRA.



The HRA is not required to make MRP and is relying on the minimal use of capital receipts to repay the HRA CFR. It can be seen from the graph that the HRA CFR remains broadly the same ranging between £99m - £110m. The HRA in this case has been financed with PWLB debt that is relatively short dated with regular maturities from 2027 (year 5) onwards. Although the HRA starts off over the Liability Benchmark indicator due to investment balances held, by 2026 (year 4) the model shows a forecast borrowing requirement (the gap between the actual loans and the net loans required) that increases each year as the PWLB loans mature so have exposure to potentially higher interest rates when refinancing the maturing debt.

4. 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 21/22	Probable 22/23	Estimate 23/24	Estimate 24/25	Estimate 25/26
	£000	£000	£000	£000	£000
Reserves / Balances					
General Fund Balance	18,194	18,673	14,746	13,036	7,731
Housing Revenue Account	32,634	29,421	23,509	8,960	451
HRA Major Repairs Reserve	4,003	4,683	0	0	0
Earmarked reserves / other balances	33,267	27,568	26,108	26,045	24,695
Capital Receipts Reserve	7,600	1,372	4,332	5,557	2,442
Capital Grants Unapplied	9,249	3,800	0	0	0
Expected Investments at year end	**104,947**	**85,517**	**68,695**	**53,598**	**35,319**

5. 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.

5.1. 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 21/22	Probable 22/23	Estimate 23/24	Estimate 24/25	Estimate 25/26
	%	%	%	%	%
Ratio of Net Financing Costs to Net Revenue Stream	**54.45%**	**50.95%**	**42.85%**	**49.45%**	**58.88%**
General Fund	**119.14%**	**137.77%**	**117.98%**	**124.43%**	**173.59%**
Housing Revenue Account	**7.67%**	**3.24%**	**0.94%**	**4.69%**	**6.66%**

The General Fund percentage is high due to past borrowing to fund the former 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 Investment Strategy in the calculations turns the General Fund figure into a negative figure (a net contributor).

5.2. 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:

	2021/22 Actual £000s	2022/23 Probable £000s	2023/24 Estimate £000s	2025/25 Estimate £000s	2025/26 Estimate £000s
Principal sums invested for longer than 365 days	0	3,000	5,000	5,000	10,000

5.3. Investment risk benchmarking

The Council will use an investment benchmark to assess the investment performance of its investment portfolio of 7 day, 90 day and 365 day backward looking SONIA (Sterling Overnight Index Average rate).

6. Borrowing

The capital expenditure plans set out in the Capital Programme and Capital & Investment Strategy approved by the Council in February each year provide details of the service activity of the Authority

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.

6.1. Current portfolio position

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

	Actual 21/22 £000	Probable 22/23 £000	Estimate 23/24 £000	Estimate 24/25 £000	Estimate 25/26 £000
External Debt					
Debt at 1 April	627,629	654,084	648,075	650,613	650,613
Expected Chage in debt	26,455	- 6,009	2,538	-	5,000
Actual gross debts at 31 March	**654,084**	**648,075**	**650,613**	**650,613**	**655,613**
CFR	699,399	700,075	703,066	698,204	698,082
Under / (Over) Borrowing	**45,315**	**52,000**	**52,453**	**47,591**	**42,469**

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 21/22 £000	Probable 22/23 £000	Estimate 23/24 £000	Estimate 24/25 £000	Estimate 25/26 £000
Non-Financial Investment Debt					
Overall Debt at 31 March	654,084	648,075	650,613	650,613	655,613
Oustanding Non-Financial Instrument Debt	442,178	433,724	430,044	426,217	422,237
Percentage	**68%**	**67%**	**66%**	**66%**	**64%**

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 2022/23 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.

6.2. 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.

	Actual 21/22	Probable 22/23	Estimate 23/24	Estimate 24/25	Estimate 25/26
	£000	£000	£000	£000	£000
Operational Boundary					
General Fund	-	548,075	550,613	550,613	550,613
HRA	-	100,000	100,000	100,000	105,000
Crystalising Internal Borrowing	-	-	10,000	20,000	30,000
Other (eg Temporary Borrowing; Leasing)	-	15,000	15,000	15,000	15,000
Operational Boundary	**653,731**	**663,075**	**675,613**	**685,613**	**700,613**

6.3. 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.

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

- The Council is asked to approve the following authorised limit:

	Actual 21/22	Probable 22/23	Estimate 23/24	Estimate 24/25	Estimate 25/26
	£000	£000	£000	£000	£000
Authorised Limit					
General Fund	-	548,075	550,613	550,613	550,613
HRA	-	110,000	110,000	110,000	115,500
Crystalising Internal Borrowing	-	-	10,000	20,000	30,000
Other (eg Temporary Borrowing; Leasing)	-	30,000	30,000	30,000	30,000
Authorised Limit	**653,731**	**688,075**	**700,613**	**710,613**	**726,113**

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" row also includes a figure for the potential for new leases being brought onto the balance sheet.

6.4. 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:

	Actual 21/22	Probable 22/23	Estimate 23/24	Estimate 24/25	Estimate 25/26
Interest Rate Exposure UPPER Limits	£000	£000	£000	£000	£000
on **fixed** interest rates based on net debt	585,488	632,109	656,857	677,092	705,749
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 daily 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 2023/24				
	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.

7. Proportionality

Another new requirement from the Prudential and Treasury Management Codes is the concept of proportionality to ensure that the level of debt and aggregate risk are proportionate to the size of the authority.

The Council has therefore created a prudential indicator to measure the proportion of the income from commercial and/or service investments to the revenue stream (or in other words a % of non-financial investment income as a contribution to the revenue budget). This takes account of General Fund income only and includes all taxation, grants and other income that goes to pay for General Fund services.

	Actual 21/22 £000	Probable 22/23 £000	Estimate 23/24 £000	Estimate 24/25 £000	Estimate 25/26 £000
Total Non-Financial Investments Income	26,370	28,454	28,884	29,136	29,404
Total Revenue	78,658	74,981	77,747	78,042	74,907
Non-financial investments as a percentage of total income	**34%**	**38%**	**37%**	**37%**	**39%**

This shows that nearly 40% of all the Council's General Fund income comes from Non -Financial Investment income.

Reporting on this type of income will be developed in 2023/24 and reported either as part of the Quarterly Treasury Management Report or as part of the Quarterly Budget Monitoring reports.

Economic Background

(as provided by Link Asset Services)

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps since the turn of the year. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	3.0%	1.5%	3.75%-4.00%
GDP	-0.2%q/q Q3 (2.4%y/y)	+0.2%q/q Q3 (2.1%y/y)	2.6% Q3 Annualised
Inflation	11.1%y/y (Oct)	10.0%y/y (Nov)	7.7%y/y (Oct)
Unemployment Rate	3.6% (Sep)	6.6% (Sep)	3.7% (Aug)

Q2 of 2022 saw UK GDP revised upwards to +0.2% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Nevertheless, CPI inflation has picked up to what should be a peak reading of 11.1% in October, although with further increases in the gas and electricity price caps pencilled in for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household, there is still a possibility that inflation will spike higher again before dropping back slowly through 2023.

The UK unemployment rate fell to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact is that with many economic participants registered as long-term sick, the UK labour force actually shrunk by c£500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at 5.5% - 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food and energy that have endured since Russia's invasion of Ukraine on 22nd February 2022.

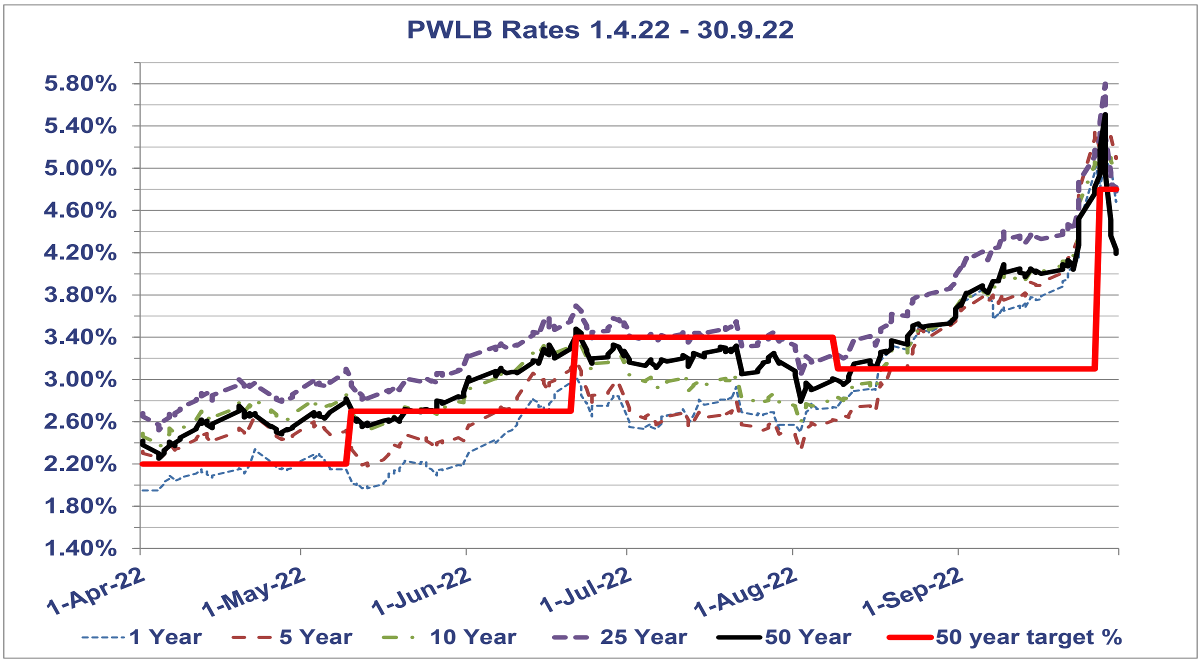
Throughout Q3 Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Q4 has seen rates rise to 3% in November and the market expects Bank Rate to hit 4.5% by May 2023.

Following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and December. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of 17th November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have completely reversed the increases seen under the previous tenants of No10/11 Downing Street.

Globally, though, all the major economies are expected to struggle in the near term. The fall below 50 in the composite Purchasing Manager Indices for the UK, US, EZ and China all point to at least one if not more quarters of GDP contraction. In November, the MPC projected eight quarters of negative growth for the UK lasting throughout 2023 and 2024, but with Bank Rate set to peak at lower levels than previously priced in by the markets and the fiscal tightening deferred to some extent, it is not clear that things will be as bad as first anticipated by the Bank.

The £ has strengthened of late, recovering from a record low of $1.035, on the Monday following the Truss government's "fiscal event", to $1.20. Notwithstanding the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

In the table below, the rise in gilt yields, and therein PWLB rates, through the first half of 2022/23 is clear to see.



However, the peak in rates on 28th September as illustrated in the table covering April to September 2022 below, has been followed by the whole curve shifting ever lower. PWLB rates at the front end of the curve are generally over 1% lower now whilst the 50 years is over 1.75% lower.

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.35%	5.80%	5.51%
Date	28/09/2022	28/09/2022	28/09/2022	28/09/2022	28/09/2022
Average	2.81%	2.92%	3.13%	3.44%	3.17%
Spread	3.16%	3.26%	2.99%	3.28%	3.26%

After a shaky start to the year, the S&P 500 and FTSE 100 have climbed in recent weeks, albeit the former is still 17% down and the FTSE 2% up. The German DAX is 9% down for the year.

CENTRAL BANK CONCERNS – NOVEMBER 2022

At the start of November, the Fed decided to push up US rates by 0.75% to a range of 3.75% - 4%, whilst the MPC followed a day later by raising Bank Rate from 2.25% to 3%, in line with market expectations. EZ rates have also increased to 1.5% with further tightening in the pipeline.

Having said that, the press conferences in the US and the UK were very different. In the US, Fed Chair, Jerome Powell, stated that rates will be elevated and stay higher for longer than markets had expected. Governor Bailey, here in the UK, said the opposite and explained that the two economies are positioned very differently so you should not, therefore, expect the same policy or messaging.

Regarding UK market expectations, although they now expect Bank Rate to peak within a lower range of 4.5% - 4.75%, caution is advised as the Bank of England Quarterly Monetary Policy Reports have carried a dovish message over the course of the last year, only for the Bank to have to play catch-up as the inflationary data has proven stronger than expected.

In addition, the Bank's central message that GDP will fall for eight quarters starting with Q3 2022 may prove to be a little pessimistic. Will the £160bn excess savings accumulated by households through the Covid lockdowns provide a spending buffer for the economy – at least to a degree? Ultimately, however, it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

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 (2021 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 2022/23 in February 2022.

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**
UK Banks 1	16	AA- or higher A+ A A-	£7.5m £6.0m £5.0m £4.0m	365 days 365 days 189 days 100 days
Non-UK Banks 1	16	AA- or higher A+ A A-	£3.0m £2.0m £1.0m £1.0m	365 days 365 days 189 days 100 days
Banks 2 (Part nationalised)	17	N/A	£3.0m	365 days
Banks 3 (Council's own bankers)	18	N/A	£1.0m	1 business day
Building Societies	19	A+	£5.0m	365 days

		A A-	£4.0m £3.0m	189 days 100 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	365 days
Money Market Funds (CNAV / LVNAV)	20	AAA	£10.0m	Liquid
Government bonds (gilts) and treasury bills	21	N/A	No limit	365 days
Multinational Development Banks		AAA	£1.0m	365 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 £7.5m 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 (or equivalent). 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 £3 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 has in the past made 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. The Funding Circle have now ceased allowing further retail investments and as such the Council can no longer re-invest maturities in the Fund. These investments are now winding down but will remain in the investment Strategy until all the outstanding loans have been repaid.

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 & Investment 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 £3 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 2023/24

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.

RUNNYMEDE BOROUGH COUNCIL

TREASURY MANAGEMENT POLICY STATEMENT

Introduction

The Council's Treasury Management Policy Statement follows the recommendations set out in the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes* (2021 Edition).

Whilst Full Council receives reports on treasury and investment management policies, practices, and activities it has delegated responsibility for the implementation and regular monitoring of Council's treasury management policies and practices to Council's Corporate Management Committee.

The Assistant Chief Executive (and S151 Officer) is delegated with the execution and administration of treasury management decisions in accordance with this Policy Statement and the Council's Treasury Management Practices and Investment Management Practices.

The Council has nominated the Overview and Scrutiny Select Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Treasury Management Activities

The Council defines its treasury management activities as: the management of the Council's borrowing, investments and cash flows, including 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.

The prime objectives of Council's treasury management activities are the effective management and control of financial risks.

Statement of Policies

Risk management
The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

Value for money
The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Borrowing policy
The Council greatly values revenue budget stability and will therefore borrow the majority of its long-term funding needs at long-term fixed rates of interest. Short-term and variable rate loans will only be borrowed to the extent that they either offset short-term and variable rate investments or can be shown to produce revenue savings.

The Council will set an affordable borrowing limit each year in compliance with the *Local Government Act 2003*, and will have regard to the *CIPFA Prudential Code for Capital Finance in Local Authorities* when setting that limit. It will also set limits on its exposure to changes in interest rates and limits on the maturity structure of its borrowing in the treasury management strategy report each year.

Investment policy
The Council's primary objectives for the investment of its surplus funds are to protect the principal sums invested from loss, and to ensure adequate liquidity so that funds are available for expenditure when needed. The generation of investment income to support the provision of local authority services is an important, but secondary, objective.

The Council will have regard to the Communities and Local Government Guidance on Local Government Investments and will approve an investment strategy each year as part of the treasury management strategy. The strategy will set criteria to determine suitable organisations with which cash may be invested, limits on the maximum duration of such investments and limits on the amount of cash that may be invested with any one organisation.

Policy on Environmental, Social and Governance issues
The Council is supportive of the Principles for Responsible Investment and will seek to bring ESG (Environmental, Social and Governance) factors into the decision-making process for investments where possible. Within this, the Council is also appreciative of the Statement on ESG in Credit Risk and Ratings which commits signatories to enhance systematic and transparent consideration of ESG factors in the assessment of creditworthiness. The Council uses ratings from Fitch, Moody's and Standard & Poor's (who are signatories to www.unpri.org statement on ESG in Credit Risk and Ratings and include analysis of ESG factors when assigning ratings) to support its assessment of suitable counterparties.

RUNNYMEDE BOROUGH COUNCIL
TREASURY MANAGEMENT PRACTICES

The CIPFA Code of Practice on Treasury Management in the public Services (the Code) requires the setting out of the responsibilities and duties of Councillors and officers, allowing a framework for reporting and decision making on all aspects of treasury management. The Code recommends the creation and maintenance of:

- A Treasury Management Policy Statement outlining the policies, objectives and approach to risk management of Council's treasury management activities,
- Treasury Management Practices (TMPs) setting out the way in which the Council will seek to achieve those policies and objectives and prescribing how it will manage and control those activities.

Practice	Title
TMP1	**Risk Management**
TMP2	**Performance measurement**
TMP3	**Decision making and analysis**
TMP4	**Approved instruments, methods and techniques**
TMP5	**Organisation, clarity and segregation of responsibilities, and dealing arrangements**
TMP6	**Reporting requirements and management information arrangements**
TMP7	**Budgeting, accounting and audit arrangements**
TMP8	**Cash and cash flow management**
TMP9	**Money laundering**
TMP10	**Training and qualifications**
TMP11	**Use of external service providers**
TMP12	**Corporate governance**

Schedules supporting these practices and other documents held at an operational level specify the systems and routines to be employed and the records to be maintained in fulfilling the Council's treasury functions

Version updated January 2023.

TMP 1
Risk Management

General Statement

All treasury management activities involve both risk and the pursuit of reward or gain for the Council. The council's policies and practices emphasise that the effective identification, management and containment of risk are the prime objectives of treasury management activities.

The following risks are relevant:

- credit and counterparty risk
- liquidity risk
- interest rate risk
- exchange rate risk
- Inflation risk
- refinancing risk
- legal and regulatory risk
- fraud, error and corruption and contingency management
- price / market risk

The Council regards a key objective of its treasury management and other investment activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures covering all external investment including investment properties.

The Assistant Chief Executive and S151 Officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk. The Assistant Chief Executive and S151 Officer will report at least annually on the suitability of these arrangements and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Council's objectives in this respect, all in accordance with the procedures set out in TMP6 *Reporting requirements and management information systems*. In respect of each of the following risks, the arrangements will seek to ensure compliance with these objectives.

The investment and risk management criteria for any material non-treasury investments will be clearly set out in the Capital Strategy and Asset Management Strategy as appropriate.

1. Credit and counterparty risk management

Credit and Counterparty risk is the risk of failure by a third party to meet its contractual obligations to the Council under an investment, borrowing, capital, project or partnership financing, particularly as a result of the third party's diminished creditworthiness, and the resulting detrimental effect on the Council's capital and revenue resources.

The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit investment activities to the instruments, methods, and techniques referred to in TMP4 Approved instruments methods and techniques and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organizations from which it may borrow, or with whom it may enter into other financing arrangements.

In assessing Credit and counterparty risk the Council will use the lowest common denominator approach which uses the lowest minimum acceptable credit rating from any of the three rating agencies (Fitch, Moody's and Standard& Poor's). Full details of how we use these ratings and what other processes we use to assess and limit these risks (e.g. diversification, sector limits, country limits etc) are set out in our Annual Investment Strategy.

The Council has set out its policy on Environmental, Social and Governance (ESG) considerations with respect to credit and counterparty risk management for investments in its Treasury Management Policy Statement.

This is a developing area (CIPFA is still working on this after the 2021 revisions to the Code) and it is not implied that the Council's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level. Instead, the Council may evaluate additional ESG-related metrics and assessment processes that it could incorporate into its investment process which consequently will update accordingly.

In practice, the Council uses ratings from Fitch, Moody's and Standard & Poor's that include analysis of ESG factors when assigning ratings to support its assessment of counterparties.

Examples of typical ESG factors being considered by the rating agencies are as follows:

- *Environmental:* Emissions and air quality, energy and waste management, waste and hazardous material, exposure to environmental impact;
- *Social:* Human rights, community relations, customer welfare, labour relations, employee wellbeing, exposure to social impact;
- *Governance:* Management structure, governance structure, group structure, financial transparency etc.

2. Liquidity Risk Management

Liquidity risk is the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the Council's business objectives will therefore be compromised.

The Assistant Chief Executive and S151 Officer will ensure that the Council has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business and service objectives. The use callable deposits, including Money Market Funds, will be used for short-term cash requirements in the first instance.

The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the following reasons:

- to fund the current capital programme
- to finance future debt maturities; or
- to ensure an adequate level of short-term investments to provide liquidity.

3. Interest Rate Risk Management

Interest Rate risk is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.

The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with its Treasury Management Policy Statement and Annual Treasury Management Strategy and any amounts are provided in its budgetary arrangements as amended in accordance with TMP6 *Reporting requirements and management information systems*.

It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a significant degree of flexibility to take advantage of the unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to the consideration and, if required, approval of any policy or budgetary implications.

It will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives is clearly detailed in the annual strategy. Consideration will also be given to dealing from forward periods dependent upon market conditions.

4. Exchange Rate Risk Management

Exchange rate risk is the risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

The Council will manage its exposure to exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

5. Inflation Risk Management

Inflation risk, also called purchasing power risk, is the chance that the cash flows from an investment won't be worth as much in the future because of changes in purchasing power due to inflation.

The Council will keep under review the sensitivity of its treasury assets and liabilities to inflation and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.

6. Refinancing Risk Management

Refinancing risk is the risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancing, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at that time.

The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

The Council will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

6.1 **Debt/Other Capital Financing and Maturity Profiling**: The Council will establish through its Prudential and Treasury Indicators the amount of debt maturing in any year/period. Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous, and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for any rescheduling to take place will include:

a) the generation of cash savings at minimum risk;
b) to reduce the average interest rate;
c) to amend the maturity profile and /or the balance of volatility of the debt portfolio.

Rescheduling will be reported to the Corporate Management Committee in the annual Review Report.

6.2 **Projected Capital Investment Requirements:** The Financial Services section will prepare, as a minimum, a three-year plan for capital expenditure for the Council. This plan will be used as a basis to prepare a three-year budget for all lines and forms of financing costs and charges.

In addition, a capital strategy report will be drawn up that will outline a longer term view (beyond three years).

6.3 **Limits on Affordability and Revenue Consequences of Capital Financing**: In considering the affordability of its capital plans, the Council will consider all the resources currently available/estimated for the future in conjunction with its capital investment plan, latest view on revenues and expenditure for the forthcoming year and budgeted information for the two following years, and the impact these will have on council tax and housing rents.

It will also consider affordability beyond this three-year period and assess the risks and rewards associated with the major investments to ensure the long-term sustainability of the Council.

7. Legal and Regulatory Risk Management

This is the risk that the Council, or a third party with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under *TMP1 Credit and counterparty risk management*, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Council, particularly with regard to duty of care and fees charged.

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

The treasury management activities of the Council shall comply fully with legal statute, guidance, Codes of Practice and the regulations of the Council. The monitoring officer (the Corporate Head of Law and Governance) has the duty to ensure that the treasury management activities of the Council are lawful. The Chief Financial Officer (Assistant Chief Executive and S151 Officer) has the duty to ensure that the financial affairs of the Council are conducted in a prudent manner and to make a report to the Council if he has concerns as to the financial prudence of its actions or its expected financial position

8. Fraud, error and corruption, and contingency management

This is the risk that the Council fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through inadequate or failed internal processes, people and/or systems or from external events in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

The Council will, therefore:-

a) seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks.
b) Fully document all its treasury management activities so that there can be no possible confusion as to what proper procedures are.
c) Staff will not be allowed to take up treasury management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision.

d) Records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

9. Price / Market risk management

This is the risk that, through adverse market fluctuations in the value of the principal sums the Council borrows and invests, its stated treasury management policies and objectives are compromised, against which it has failed to protect itself adequately.

The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

TMP 2
Performance measurement

The Council is committed to the pursuit of Value for Money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its Treasury Management Policy Statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated business and service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in the Schedule to this document.

The methodology and criteria for assessing the performance and success of non-treasury investments will be clearly set out in the Capital Strategy and Asset Management Strategy as appropriate.

TMP 3
Decision making and analysis

The Council will maintain full records of its treasury management decisions, and of processes and practices applied in reaching those decisions, both for the purpose of learning from the past and for demonstrating that all reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at that time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the Treasury Management Schedule.

TMP 4
Approved instruments, methods and techniques

The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the Treasury Management Schedule and Annual Investment Strategy, and within the limits and parameters defined in TMP1 *Risk management*.

Where the Council intends to use derivative instruments for the management of risks, these will be limited to those set out in the annual treasury strategy. The Council will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

The Council has reviewed its classification with financial institutions under the Markets In Financial Instruments Directive 2014 (MIFID II) and has set out in its Annual Treasury Management Strategy those organisations with which it is registered as a professional client and those with which it has an application outstanding to register as a professional client.

TMP 5
Organisation, clarity and segregation of responsibilities, and dealing arrangements

The Council considers it essential for the purposes of effective control and monitoring of its treasury management activities, for the reduction of risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner and that there is at all times a clarity of treasury management responsibilities.

The principle on which this is based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling those policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when the Council intends, as a result of a lack of resources or other circumstances, to depart from these principles, the Assistant Chief Executive and S151 Officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

The Assistant Chief Executive and S151 Officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The Assistant Chief Executive and S151 Officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the Treasury Management Schedule.

The Assistant Chief Executive and S151 Officer will ensure that there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the Treasury Management Schedule.

The delegations to the Assistant Chief Executive and S151 Officer in respect of treasury management are set out in the Treasury Management Schedule. The Assistant Chief Executive and S151 Officer will fulfill all such responsibilities in accordance with the Council's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.

The governance requirements for decision making and arrangements to make sure that appropriate due diligence is carried out to support the decision making in relation to non-treasury investments will be clearly set out in the Capital Strategy and Asset Management Strategy as appropriate.

TMP 6
Reporting requirements and management information arrangements

The Council will ensure that regular reports are prepared and considered on the implementation of the treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from the regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum the Council will receive:

- An annual report on the strategy and plan to be pursued in the coming year
- A mid-year review
- An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Council's Treasury Management Policy Statement and TMPs.

The Corporate Management Committee will receive regular monitoring reports on treasury management activities and risks.

The Overview and Scrutiny Select Committee will have responsibility for the scrutiny of treasury management policies and practices.

The Council will receive a report on the treasury management indicators set out in the CIPFA Code and associated guidance.

The present arrangements and the form of these reports are detailed in the Treasury Management Schedule.

The reporting and management information requirements for non-treasury investments will be clearly set out in the Capital Strategy and Asset Management Strategy as appropriate, along with where and how often monitoring reports are taken.

TMP 7
Budgeting, accounting and audit arrangements

The Assistant Chief Executive and S151 Officer will prepare, and the Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management which will bring together the costs of running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 Risk management, TMP2 Performance management, and TMP4 Approved instruments, methods and techniques. The Assistant Chief Executive and S151 Officer will exercise effective controls over the budget, and will report on changes required in accordance with TMP6 Reporting requirements and management information arrangements.

The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

The Council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices.

TMP 8
Cash and cash flow management

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under control of the Assistant Chief Executive and S151 Officer and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Assistant Chief Executive and S151 Officer will ensure that they are adequate for the purposes of monitoring liquidity in compliance with TMP1*(2) Liquidity risk management*. The present arrangements for preparing cash flow projections are set out in the Treasury Management Schedule.

TMP 9
Money Laundering

The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the Treasury Management Schedule.

TMP 10
Training and qualifications

The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Assistant Chief Executive and S151 Officer will recommend and implement the necessary arrangements.

The Assistant Chief Executive and S151 Officer will ensure that Council Members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and responsibilities.

Those charged with governance (Councillors) should recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

The present arrangements are set out in the Treasury Management Schedule.

Training and qualification requirements, including how relevant knowledge and skills in relation to how non-treasury investments will be arranged will be clearly set out in the Investment Management Practices contained in the Capital & Investment Strategy and in the Corporate Asset Management Strategy as appropriate.

TMP 11
Use of external service providers

The Council recognises that responsibility for treasury management decisions remains with the Council at all times. It recognises that there may be potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers it will ensure it does so for reasons which have been submitted to a full evaluation of costs and benefits. It will also ensure that the terms of appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Assistant Chief Executive and S151 Officer and details of the current arrangements are set out in the Treasury Management Schedule.

TMP 12
Corporate Governance

The Council is committed to the pursuit of proper corporate governance throughout its business and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management functions and activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Council has adopted and implemented the key principles of the Code. This, together with the other arrangements detailed in the Treasury Management Schedules, are considered vital to the achievement of proper corporate governance in treasury management and the Assistant Chief Executive and S151 Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

CAPITAL & INVESTMENT STRATEGY AND CAPITAL PROGRAMME 2023/24 to 2026/27 (Paul French)

Synopsis of report:

To recommend a draft Capital Strategy and Capital Programme for Full Council approval in February 2023.

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 2023/24 to be considered by Full Council in February 2023.

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

Recommendations:

i) The Capital Strategy at Appendix 'A' and the Capital Programme at Exempt Appendix 'B' be approved.

ii) This committee consider future revisions to the Council's Capital and Treasury Management Strategies to maintain useable capital receipts at a prudent level of £2million

1. Context of report

1.1 Local authorities must distinguish between capital expenditure and revenue expenditure in their accounting. Unless expenditure qualifies as capital it will normally be charged to revenue in the year that the expenditure is incurred. The rules as to what can qualify as capital expenditure are complex however, in its simplest form capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the authority, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.

1.2 The Government places strict controls on the financing capacity of the authority, this is known as the Prudential Framework. 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 are taken in light of the Council's Corporate Business Plan, Medium Term Financial Strategy (MTFS), Capital Strategy and Treasury Management Strategy (TMS). The control of capital expenditure is therefore carefully planned and prioritised in order to maximise the benefit of resources overall.

1.3 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 for Capital Finance in Local Authorities which authorities 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, proportionate and sustainable

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.

2 The Capital & Investment Strategy

2.1 The Prudential Code for Capital Finance in Local Authorities together with the Governments Statutory guidance, CIPFA's Prudential Property Investment Guidance, other statutory guidance and legislation requires the Council to produce a comprehensive capital strategy.

2.2 The Capital Strategy sets out the principles to be followed which demonstrate how new capital investment, together with active management of existing assets, contributes to achieving the Council's approved policies, objectives and targets. It considers future capital investment needs, especially in relation to regeneration and the growth agenda, and ensures the optimum impact of those investments. It also helps the Council to be clear on its priorities for bidding for external funding

2.3 The Assistant Chief Executive is responsible for ensuring that a Capital Strategy and a Capital Programme covering a 3-5 year period are prepared / updated on an annual basis for consideration initially by the Corporate Management Committee, before their submission for approval to full Council. The Council may amend the proposed Capital Strategy or Capital Programme or ask the Corporate Management Committee to reconsider areas of detail within them.

2.4 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. Another example being the change in government and CIPFA produced statutory guidance forbidding Councils to invest in commercial property for financial gain.

2.5 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 (i.e. no call on revenue balances), over the life of the current Corporate Business Plan and the financial strategies which support it. With first the pandemic, and now the high cost of living/high inflationary environment, this is getting harder to achieve, however, each year the financial strategies are updated and reviewed by Council with this aim in mind.

2.6 The Capital Strategy was last updated by full Council in February 2022. The strategy needs to be updated on an annual basis and an updated and re-titled Capital and Investment Strategy for 2023/24–2026/27 is attached at Appendix A for approval.

2.7 Other than necessary changes resulting from the updated CIPFA Codes and government legislation, there have been no significant changes to the Council's Capital & Investment strategy since the Council planned significant regeneration projects commencing in Addlestone and Egham. All of these place shaping projects have committed considerable capital sums in order to revitalise areas of the Borough, create new leisure facilities, increase employment opportunities, reduce running costs, provide much needed new housing, including affordable units and a long term sustainable income stream to fund further major regeneration projects.

Funding the Capital Strategy

2.8 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.

2.9 The predicted reduction in revenue resources from government via the oft delayed Fair Funding and Business Rate retention reviews, have a number of funding implications for the Capital & Investment Strategy and detailed capital programme. These include the following:

- The availability of revenue resources to fund capital expenditure will be severely limited.
- Traditionally short life assets (heavy vehicles and plant, CCTV equipment) have mainly been funded from Capital receipts. However due to declining levels of receipts, an "Equipment Replacement Fund" to fund more "short life" assets from revenue income and place less reliance on capital receipts.
- Capital receipts have been declining for a number of years. The sale of the remaining apartments in the Addlestone One and Magna Square developments are the last identified source of capital receipts available and are financing the current capital programme to 2026/27 only.
- The Council has ambition to commence further regeneration schemes. It is likely these will be joint ventures with strategic partners rather than the Council funding entire schemes.

2.10 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. In 2023/24 this will be extended to include quarterly reporting as required under the new Codes of practice.

2.11 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 due to future funding streams and higher than anticipated costs due to the current economic environment. Therefore, the strategies focus heavily on the financial years 2023/24 and 2026/27 in light of this evolving financial position with many schemes being deferred.

2.12 Government legislation now precludes buying commercial assets purely for a financial return 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 have to continue to submit to government a:

- High level description of our 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.

2.13 To assist this, HM Treasury has developed guidance in consultation with CIPFA and the local government sector to help local authorities ensure that their capital plans are compliant with ongoing access to the PWLB. The PWLB will continue to support service spending, housing, economic regeneration, preventative action, and treasury management. The guidance also includes a definition of investment assets bought primarily for yield, which the PWLB will not support. Whilst the PWLB will still lend for certain capital expenditure, the Council's ability to use this facility will be reliant on the any limitations included in the Levelling Up and Regeneration Bill once it is enacted.

3. Asset Management Strategy

3.1 The Council's asset portfolio is centred on operational land and buildings and 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 SE of England along with retail and leisure. The two business parks were developed by the Council on brownfield sites to regenerate the local area and create local jobs.

3.2 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.

3.3 Holding on to commercial property carries risks which the Council is fully aware of. Examples being: property prices falling, maintenance liabilities, depreciation of the asset, rent default, void property should a tenant leave. To mitigate the risks and manage the portfolio effectively, the Council:

- Created a new Asset Management Strategy
- Has created two reserves - a repairs and renewals reserve and an income equalisation reserve – to even out future year's income and expenditure on the maintenance of the Council's asset base.
- Carries out fair value assessments for all investment property assets as part of the year end accounting process in accordance with International Accounting Standard 40: Investment Property

3.4 The new Asset Management Strategy will give a framework of how we strategically manage both our commercial and operational assets that sit withing the General Fund. The strategy sets out the Council's vision, aspirations, opportunities and objectives for both portfolios and outlines an Action Plan for how it aims to achieve these outcomes.

4. Capital Programme

<u>Capital Expenditure</u>

4.1 The updated Capital Programme is set out in exempt Appendix 'B'. This covers a ten year period and includes a mix of proposed and approved schemes and has been split into separate HRA and General Fund programmes to aid transparency. This is very much an aspirational programme and relies on the assumed funding streams being available.

4.2 Approved schemes are where a business case has been drafted with a specific detailed budget (or estimate) that has already been approved. Proposed schemes are those which Members have agreed to in principle but require a further, more detailed, report to turn this into an approved scheme - these are entered in the Capital Programme as provisions subject to a future committee report. Provisions and estimates are equally important in financial forecasting terms as they are all built into the budget to ensure that when all added together (on the assumption that they will eventually be approved) they are affordable.

4.3 Whilst the Capital Programme covers a 10 year period, due to current uncertainties in government funding, capital receipt generation, the ability to borrow further sums and the economic outlook, the focus of this report is very much on the short term and covers the next 4 years.

4.4 The changes to the Programme since its approval in February 2022 stem from phasing adjustments between financial years due to delays and/or future resourcing issues, the inclusion of new schemes approved during the year and the addition of some provisional new schemes which will seek further committee approval during the life of the Programme.

4.5 New provisional schemes have been included in the programme as a result of work streams from departmental Service Business Plans being presented to service committees in early 2023. These work streams are a direct result of achieving goals contained within the Corporate Business Plan and comprise:

	£000
Housing estate paths (HRA)	200
IRL boiler replacement (HRA)	500
IT enhancements - NEC Housing (HRA)	50
Civic Centre remedial works	1,100
Climate change initiatives for operational buildings	100
Paddling pool replacement programme	200
Welfare support and corporate debt software	20
Revenues legislative requirements - CTAX and Business rates	10
Waste & recycling hardware and software improvements	50
Meeting Rooms Video Conferencing	30
Replacement pay & display machines	50
ANPR in car parks	250
Total	**2,560**

4.6 In total the Capital programme currently contains provisional/unapproved schemes to the value of £34.572m. This includes a £29m HRA rebuild programme that includes schemes that have not yet been approved in detail by the Housing Committee.

4.7 Including the schemes highlighted above, the total Capital Programme costs over the next five years are estimated to be as follows:

	Budget 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27
	£	£	£	£	£
Capital Expenditure					
Housing Services - HRA	9,186,910	26,101,600	17,864,600	17,966,350	11,010,950
Housing Services - GF	684,049	651,507	651,507	651,507	651,507
Community Services	904,728	1,070,000	482,000	546,000	220,000
Environment & Sustainability	2,876,760	2,592,205	331,480	2,000,000	2,062,944
Corporate and Business Services	26,587,587	14,043,331	2,677,500	3,665,000	1,470,000
	40,240,034	44,458,643	22,007,087	24,828,857	15,415,401
Funded By					
HRA Balances	607,464	6,824,202	14,548,600	8,509,100	0
HRA Major Repairs reserve	8,020,000	10,565,000	1,963,000	1,963,000	1,700,950
General Fund reserves	0	0	0	0	0
Earmarked Reserves	1,852,070	1,392,205	1,250,480	3,076,000	1,562,944
Grants & Contributions	4,106,185	7,889,257	2,019,507	965,757	4,431,507
Capital Receipts	20,654,315	10,184,648	2,225,500	5,315,000	2,720,000
Borrowing	5,000,000	7,603,331	0	5,000,000	5,000,000
	40,240,034	44,458,643	22,007,087	24,828,857	15,415,401

4.8 It should be noted that the draft Capital Programme **excludes** any regeneration costs of Egham Phase 2, Addlestone 2 and Chertsey, but **includes** assumptions on vehicle and ICT replacement at the end of their lives or contracts as follows:

- Vehicle assumptions: £4.2m over the life of the programme relates to vehicle replacement based on original purchase cost and useful economic lives. Should Members wish to electrify the fleet in the future, this will add additional costs to the programme (based on current purchase costs);
- ICT assumptions: £2.6m for IT system replacement which assumes retendering at end of current contracts. Contract extensions or minor upgrades should reduce this cost.

4.9 The programme is funded in a number of ways. The proposed method for financing the Capital Programme is set out in the table above. In the Housing Revenue Account (HRA), tenant's 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 areas, however once they have gone, new sources of finance will need to be sought.

4.10 The Council has in the past, borrowed to fund large scale regeneration schemes to fund its regeneration initiative. Government restrictions (contained in the Levelling Up and Regeneration Bill) and changes to the access requirements in accessing Public Works Loan Board (PWLB) loans, mean that future borrowing may be restricted. The above table assumes that the previous borrowing requirement anticipated for the Magna Square development (£12.6m) and the Housing new build programme (£10m) are still available.

Non-treasury Investments

4.11 The Prudential Code, TM Code and DLUHC regulations include guidance on what is termed "non-treasury" investments. These are predominantly investments for commercial return such as:

- commercial loans to companies and other organisations, and
- holding property for a financial return (investment property).

For Runnymede this is our commercial and investment property portfolio, and our loans to our wholly owned companies and local community groups.

4.12 The Council owns a significant investment property portfolio which is now managed through its developing Asset Management Strategy (see section 3 above). The Council has also invested in its three wholly owned companies via pre-approved Loan Facilities Agreements which enabled the companies to buy some of the properties resulting from the Council's regeneration schemes. There are no plans in the current Capital Programme to increase investments in these areas.

Capital receipts

4.13 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 (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.

4.14 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.

4.15 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 the remaining flats in the Addlestone One and Egham developments:

Scheme Details	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £
General Usable Receipts					
Receipts at 1 April 2022	7,202,526	1,775,660	5,035,875	6,260,590	3,145,805
Add new receipts in the year	15,195,449	11,680,215	3,220,215	1,970,215	320,215
Less Applied during the year	(20,622,315)	(8,420,000)	(1,995,500)	(5,085,000)	(2,490,000)
Anticipated year end balance	**1,775,660**	**5,035,875**	**6,260,590**	**3,145,805**	**976,020**
Set Aside for HRA Debt repayments					
Receipts at 1 April 2022	709,989	1,039,389	1,368,789	1,698,189	2,027,589
Add new receipts in the year	329,400	329,400	329,400	329,400	329,400
Less Applied during the year	-	-	-	-	(2,356,989)
Anticipated year end balance	**1,039,389**	**1,368,789**	**1,698,189**	**2,027,589**	**-**
Set Aside for 1-4-1 Replacements					
Receipts at 1 April 2022	1,336,648	1,534,648	-	-	-
Add new receipts in the year	230,000	230,000	230,000	230,000	230,000
Less Applied during the year	(32,000)	(1,764,648)	(230,000)	(230,000)	(230,000)
Anticipated year end balance	**1,534,648**	**-**	**-**	**-**	**-**

4.16 From the above table it can be seen that the Council runs down usable capital receipts by the end of 2026/27 and they will be completely extinguished in 2027/28. This means that in order to finance future schemes alternative sources of finance will be needed unless additional receipts can be generated through asset disposals. The Asset and Regeneration team are looking at other possible property sales within the commercial portfolio to replenish capital receipts. Should the anticipated new receipts be delayed, or if no new properties are identified for future sale, it will be necessary to reprioritise the Capital Programme and delay or remove schemes. This will start with removing the provisional/unapproved schemes as set out above.

4.17 Using up all of the usable capital receipts leaves the Council open to future funding issues. With revenue resources set to deplete over the next few years, should an emergency situation arise (such as the recent replacement cladding programme at Addlestone One), there will be no resources available to undertake the work. It is therefore proposed that the Council maintain a minimum level of capital receipts in the region of £2m for such emergencies

4.18 The Council's evolving Asset Management Strategy sets out criteria for reviewing assets that no longer provide the required yield or the security for the capital investment. Where this is the case, mitigating actions that the Council proposes to take to protect the capital invested could include the sale of the asset. Where this is likely the criteria set out in the Capital and Investment Strategy for asset management, planning and disposals will come into play.

4.19 In the 2022/23 Provisional Local Government Finance Settlement a 3-year extension was announced from 2022-23 onwards for the existing flexibility for councils to use capital receipts to fund transformation projects that produce long-term savings or reduce the costs of service delivery. Due to a lack of Capital Receipts, there are currently no proposals to take advantage of this flexibility in the revised Capital Programme.

Other funding streams (revenue balances, developer contributions, grants)

4.20 In setting the budget for 2023/24 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. In the medium term the pressure on the revenue budget is likely to mean revenue funding of ***all*** short life assets remains aspirational.

4.21 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.

4.22 The Council is also able to collect a planning charge known as Community Infrastructure Levy (CIL). CIL largely replace 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.

4.23 As well as Section 106 and CIL income, the Council will apply where possible for grants to help fund particular projects.

4.24 The Council has in the past resourced 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). Whilst the Capital Strategy allows borrowing for future regeneration programmes, which invest in long term assets, alternative sources of finance will be investigated to ensure the Council's debt levels are kept at prudent levels.

4.25 There may be instances where leasing, rather than purchasing, could offer value for money and it will be considered during option appraisal. From 1 April 2024 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.

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

4.27 Projects that are reliant on the receipt of government or other third party funding, including grants from the National Lottery, must follow the normal capital reporting and approval procedures.

5 Treasury Management Strategy (TMS)

5.1 The Treasury Management Strategy (TMS) sets out the framework each year for the Council's treasury operations and is inextricably linked to the Capital & Investment 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.

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, proportionate, 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 indicators. A complete set of all indicators is included in the Annual Treasury Management Strategy report.

7 Legal Implications

7.1 Under the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting (England) Regulations 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 2021 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 2021 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

7.2 The above codes require all local authorities to produce a 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.

8 Equality implications

8.1 There are no direct equality implications resulting 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

9. Environmental/Sustainability/Biodiversity implications

9.1 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.

10. Conclusion

10.1 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 Corporate Business Plan, Medium Term Financial Strategy (MTFS), Capital & Investment Strategy, Asset Management Strategy and Treasury Management Strategy.

10.2 The Capital & Investment 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, Asset management 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.
- Supports the Council's specific project plans – especially economic development and regeneration
- Is affordable, financially prudent and sustainable.

10.3 In preparing these strategies, it is clear that future resourcing of Capital schemes could become an issue unless additional capital receipts can be generated, or other sources of funding can be obtained. Due to the uncertainties surrounding the timing of future capital receipts, it is recommended that a minimum level of receipts in the sum of £2m is held to ensure any future emergency expenditure can be financed.

10.4 The 10 year Capital Programme is an aspirational one and makes an assumption that the previous borrowing requirement anticipated for the Magna Square development (£12.6m) and the Housing new build programme (£10m) are still allowable once the Levelling Up and Regeneration Bill has been enacted. Should this not be the case, the Capital Programme will need to be revisited and adjustments made in line with the prioritisation methodology set out in the Capital & Investment Strategy to ensure the programme remains affordable.

(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 – 2021 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

Runnymede Borough Council

Capital and Investment Strategy

2023/24 – 2026/27

Contents

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 Capital expenditure is spending on assets that will provide a benefit beyond the current financial year and is defined as "expenditure that results in the acquisition or construction of a fixed asset (land, building, vehicle, equipment) or enhancement of an existing fixed asset".

1.3 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.

1.4 The Capital & Investment strategy maintains a strong and current link to the Council's priorities and to its key strategy documents notably the Treasury Management Strategy, Asset Management Strategy, Medium Term Financial Strategy (MTFS) and the Corporate Business Plan. It is also consistent with the Council's housing policies and programmes. 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.
- Business Runnymede 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) 2023/24 to 2026/27 and revenue budget and tax setting proposals for 2023/24. The Council's MTFS 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.

1.7 The objectives of the Prudential Code are to ensure:

- capital expenditure plans are affordable and proportionate
- 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.
- the risks associated with investments for service and commercial purposes are proportionate to their financial capacity

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

- **Operational** – supporting core business and service delivery e.g. the 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. through, community and day care centres.
- **Regeneration** – enabling strategic place shaping and economic growth for example Magna Square.

1.9 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 Business Plan - the key strategic planning document which articulates the Council's vision, aims and objectives.

Borough profile

Runnymede Borough lies in north-west Surrey some 20 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 over 90,000 living in approximately 35,000 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.

The below map demonstrates the broad positioning of the main settlements and transport routes within Runnymede.

Objectives

3.1 Like a lot of complex organisations, Runnymede Borough Council has a medium term plan to guide its work. Councillors approved our four year Corporate Business Plan and five overarching strategies which underpin it in October 2022. The Corporate Business Plan is the Council's top level strategic document. Together with the strategies, it sets out our priority areas of work which we describe as our themes, and how we will use our resources to achieve them. Our themes are:

- Climate change,
- Empowering our Communities,
- Health and Wellbeing,
- Economic Development, and
- Organisational Development.

3.2 Our vision is:

To be a community leader, providing high quality services, enhancing the environment and advocating for our community's interests.

In order to achieve this, we aim to be:

- customer-focused,
- performance driven
- innovative
- passionate
- promoting equality and diversity, and
- delivering excellent value for money.

3.3 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.

3.4 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.

Strategic aims

4.1 This strategy is a high-level summary of the Council's approach to capital investment. It guides the development of service capital plans and sets out the policies and practices that the authority uses to establish monitor and manage the Council's capital programme, in line with the MTFS.

4.2 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.
- Support the Council's specific project plans – especially economic development and regeneration.
- Spend to save – transformation projects to reduce costs and enhance the services we provide.
- Addresses major infrastructure investment.
- Delivers wider economic outcomes such as employment opportunities.
- Asset management maintenance and investment.
- Be affordable, financially prudent and sustainable.

4.3 The Capital Strategy should be read in conjunction with the Treasury Management Strategy, Asset Management Strategy, Housing Asset Management Plan and the overarching Medium Term Financial Strategy (MTFS). These strategic plans show where capital and revenue investment can assist the Council in delivering its priorities. The financial impact of these strategies is summarised in the MTFS and HRA Business Plan. 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.

4.4 A key element of the Corporate Business Plan are the regeneration projects, which in the past have largely been 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. The five-year Property investment Strategy ended in March 2020 however, the Council still wishes to continue its regeneration strategy in other phases of Addlestone, Egham and Chertsey and will now seek alternative ways to finance them.

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, for instance 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 key role in assisting the Council in its efficiency and business transformation agenda.

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

- Housing investment
- Asset maintenance and enhancement
- External partnerships commitments
- Invest to save
- Economic regeneration

Corporate Asset Management Strategy

6.1 It is recognised that there is a need for a more sustainable and long term strategic approach to the management of the Council's property assets. Therefore in 2023, the Council will have developed its Corporate Asset Management Strategy to replace the Property Investment Strategy which came to its natural conclusion in 2020. The Corporate Asset Management Strategy is a high-level summary of the Council's overall approach to the strategic management of its land and building assets. It is linked to the vision and priorities of the Council to provide a policy direction for the effective and efficient use of the Council's assets for the benefit of the residents.

6.2 The Asset Management Strategy gives a framework of how we strategically manage both our commercial and operational assets that sit within the General Fund (There is a separate HRA Housing Asset Management Plan in place). The key components of the Strategy are to:

- Understand the requirement to maintain our asset portfolio
- Optimise use of the Council's asset portfolio
- Meet legal requirements i.e. Health and Safety
- Optimise service requirements

6.3 The Asset Management Strategy sets out the Council's vision, aspirations, opportunities and objectives for both portfolios and outlines an Action Plan for how it aims to achieve these outcomes this will be achieved with the following documents:

- Asset Management Strategy
- Accommodation Policy
- Acquisition and Disposal Policy
- Commercial Lettings Policy
- Corporate Landlord Policy
- Investment Update executive view
- Repairs and Maintenance Policy

6.4 For all Investment assets and Operational assets (other than Housing) an assessment of the level of maintenance required for the properties has been made and this assessment will feature in both capital and revenue budgets, as it is important that the quality of the stock is maintained in order to sustain performance. The income generated by the Council's Investment Properties supports other spending in the borough.

6.5 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. It is however recognised that even well maintained properties do not always appreciate in value and the Asset Management Strategy will highlight any such issues at an early stage to ensure mitigating measures can be taken.

6.6 The Council assesses the risk of loss whilst holding property investments by having clear, robust and transparent governance arrangements in place as set out in the Asset Management 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.

6.7 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.

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, and
- 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.

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 (such as Section 106 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.

8.2 The Council will explore ways of delivering its major capital spending priorities in ways that reduce the burden on the Council's resources. This may be by phasing delivery of large programmes over a period or looking at new funding models and partnerships with both the public and private sector. The Council needs to balance delivery of such schemes for its residents, with the affordability of capital spend and the effect on its revenue income streams. This will be particularly relevant should the Council's access to borrowing be restricted (for example under the Levelling Up and Regeneration Bill, once enacted) as it will need to find ways of progressing its strategic priorities without increasing borrowing levels.

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 receipts from 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, sustainable and proportionate; 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).

9.6 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. HM Treasury has developed guidance in consultation with CIPFA and the local government sector to help local authorities ensure that their capital plans are compliant with ongoing access to the PWLB. The PWLB will continue to support service spending, housing, economic regeneration, preventative action, and treasury management. The guidance also includes a definition of investment assets bought primarily for yield, which the PWLB will not support

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 The business case for each proposed scheme includes a financial appraisal using a whole life costing approach for the capital and revenue implications, pay back periods etc. If a business case has been drafted with a specific detailed budget then it can have a capital ESTIMATE approved. A business case lacking in sufficient detail will be put in the Capital Programme as a PROVISION which will need a further, more detailed, report to turn this into an ESTIMATE (usually as part of a procurement process). Provisions and estimates are equally important in financial forecasting terms as they are all built into the budget to ensure that when all added together (on the assumption that they will eventually be approved) they are affordable.

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. 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.

Expenditure on non-treasury investment

11.1 In recent years, local authorities have used increased powers to engage in commercial activities. Due to the perceived excessive risks that some authorities have entered into in this area, the revised Treasury Management Code (2021) requires all investments and investment income to be attributed to one of the following three purposes:

- treasury management,
- service delivery, or
- commercial return.

11.2 As well as the normal day to day treasury management investments (covered by the Treasury Management Strategy), the Council holds service and commercial investments as follows:

Service Investments – investments held clearly and explicitly for the provision of operational services, including regeneration. Such investments include:

- loans to external organisations that are delivering the Council's strategic objectives, and

Commercial Investment – investments undertaken primarily for financial reasons including:

- commercial loans to companies and other organisations, and
- holding property for a financial return (investment property).

11.3 Loan Facilities Agreements have been entered into between the Council and RBC Investments (Surrey) Limited for the purchase of property (from the Council) and separately for working capital purposes 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.

11.4 The Council owns a significant investment property portfolio, a majority of which were purchased as part of a Property Investment Strategy which ended in 2019/20. The Council takes a proactive stance in managing this portfolio to achieve several aims including diversification of assets, facilitate regeneration schemes, and to compensate for lost income during developments. The management of these properties falls under the Asset Management Strategy.

11.5 The CIPFA Treasury Management Code requires authorities to establish Investment Management Practices (IMP) for their non-treasury management investments, similar to their treasury management practices. The IMP recommends a schedule for each such investment portfolio, setting out the investment objectives, investment criteria, risk management arrangements, decision-making and reporting arrangements, performance measurement and management, and arrangements for training and qualifications. The IMPs for the Council are set out in Appendix A to this Strategy.

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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) to community organisations in the Borough whose objectives meet our own aspirations and add social 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.

12.4 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.

12.5 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

12.6 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.

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. Going forward we will be working with MSCI (a leading provider of critical decision support tools and services for the global investment community) who will provide analytic information to enable us to measure the performance of our commercial property portfolio with other key property companies which will enable us to make decisions on how we retain, review, and where appropriate regear our property asset base ensuring we achieve value for money.

Environmental, Sustainability and Biodiversity

14.1 One of the themes in the Council's Corporate Business Plan is on Climate Change. Climate change is a complicated and evolving subject, but the Council is determined to make concerted efforts to meet challenging targets.

14.2 The Council's evolving Climate Change Strategy will inevitably permeate all of our activities and functions including those relating to Capital expenditure and investment. As an example, some of the following aims will have a direct impact on this strategy going forward:

- To deliver carbon net zero for all Council operations by 2030.
- To align climate change actions and environmental improvements with economic gain.
- To merge our procurement strategy with technology to create effective 'green' solutions.
- To drive biodiversity net gain.
- Working with Surrey County Council to encourage use of public transport, provide more and quicker bus and train journeys with real time information and affordable fares.
- Playing a leading part in delivering the River Thames Scheme by 2030.
- Adding to bio-diversity on the Borough
- Improving energy consumption throughout the Council's asset portfolio including 3,000 homes owned by the Council
- Providing digital access to all of our services to prevent the need for journeys
- Providing and/or enabling sufficient numbers of EV charging points across the Borough.
- Embracing hydrogen and other based technologies as they develop..

14.3 The Capital Programme and the Capital and Investment Strategy that surrounds it, 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 attributable to the Capital and Investment Strategy itself. Instead, any implications arising from new initiatives or those marked as being subject to a further report, will be fully explored within those future reports and through any resulting procurement processes.

14.4 Most Capital expenditure is incurred through a procurement process of one form or another. As such the Council's current Procurement Strategy plays a large part in ensuring Environmental, Sustainability and Biodiversity principles are adhered to. In this regard, our Procurement Strategy espouses the following:

- We will ensure that procurement decisions take account of sustainability, the impact on the environment and climate change, and the Council's duty to promote equality
- We will aim to reduce our carbon footprint by engaging with local businesses in our supply chain when possible
- We will work with our supply chain to reduce and where possible eliminate the use of avoidable single use plastic

Risk management

15.1 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.

15.2 The Council has in the past purchased investment properties to help aid regeneration schemes within the borough. The Council recognises that the investment such assets primarily for financial return, taken for non-treasury purposes, requires careful investment management, both at the outset and ongoing. 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 is different from others and plans for these separately.

15.3 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.

15.4 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.

15.5 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.

15.6 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, ESG and risk management implications as a minimum.

Asset management planning and disposals

16.1 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.

16.2 Part of the Asset Management Strategy (See section 6 above) contains a policy of Acquisitions and Disposals. The purpose of this policy is to provide guidance an demonstrate transparency and fairness for the acquisition and disposal of property assets and to provide a consistent process to be followed. This policy:

- Acts as reference point for procedural matters.
- Ensures that the Council is consistent in its dealings.
- Ensures that best practice is considered.
- Ensures that the Council meets legislative requirements.
- Enables efficient and effective responses to purchase requests; and
- Enables the Council to reduce overall property holding costs.

16.3 Regular reviews are undertaken to identify assets that could be used as part of one of the Council's regeneration projects; or be redeveloped, or their use changed to generate additional income. In the absence of adding value or to contain the cost of asset ownership, to declare the asset surplus and maximise 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.

16.4 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.

16.5 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.

16.6 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.

16.7 Any proceeds from the disposal of assets such as land or buildings in excess of £10,000 are determined as a 'capital receipt'. The sale of assets under this value (small pockets of land, vehicles etc) often brings in income of less than £10,000. This income is classed as 'revenue income' and is posted to the revenue income and expenditure account

Consultation

17.1 The Council consults on its strategies and provides feedback to the community and a wide variety of interested groups. This is undertaken through, special interest groups (such Disability Liaison Group, tenants' associations and allotment users), Business Runnymede, other local authorities, other strategic partners, and via the media, social media and our website. This two-way process is informed using relevant performance indicators, benchmarks and detailed outcome reports.

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

17.3 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.

Investment Management Practices

The CIPFA Code of Practice on Treasury Management in the public Services (the Code) requires the setting out of the responsibilities and duties of Councillors and officers, allowing a framework for reporting and decision making on all aspects of Investment management. The Investment Management Practices (IIMPs) below set out the way in which the Council will seek to achieve those policies and objectives and prescribing how it will manage and control those activities.

Practice	Title
IMP1	Risk Management
IMP2	Performance measurement
IMP3	Decision making and analysis
IMP4	Reporting requirements and management information arrangements
IMP5	Training and qualifications
IMP6	Use of external service providers

Introduction

As well as the normal day to day treasury management investments (covered by the Treasury Management Strategy), the Council holds service and commercial investments as follows:

Service Investments – investments held clearly and explicitly for the provision of operational services, including regeneration i.e. loans to external organisations that are delivering the Council's strategic objectives

Commercial Investment – investments undertaken primarily for financial reasons including:
- commercial loans to companies and other organisations, and
- holding property for a financial return (investment property).

These Investment Management Practices cover the arrangements for these investments.

IMP1 Risk Management

An objective of the Prudential Code is that the risks associated with service and commercial investments are "proportionate to their financial capacity – i.e. that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services" In particular, could the authority's budget survive a major reduction in its income from service and commercial investments if some perform badly or fail?

The Capital & Investment Strategy sets out some of the risks and mitigations in these types of investments in the following paragraphs which cover some the inherent risks in each area:

- Section 6 - Corporate Asset Management Strategy (and the Actual AMS itself)
- Section 11 - Expenditure on non-treasury investment
- Section 12 - Capital loans
- Section 15 - Risks (many of the risks being equally applicable to Non-treasury related investments)

More detailed analysis of the risks associated with Commercial Investments can be found within the Asset Management Strategy where it acknowledges that a balanced portfolio will include a spread of differing risk profiles in relation to asset classification and differing investment sectors.

Section 7 of the Investment Report document contained within the Asset Management Strategy sets out the following range of risks that need to be addressed:

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

Investment property risks, control measures, and mitigations will be reported to the Assets and Regeneration Group on a quarterly basis

IMP2 Performance measurement

The Council needs to be able to describe to a wide audience the role the investment property portfolio plays in the Council's capital and revenue strategies. The following table sets out the key performance indicators to be reported upon:

Reference	Description	Metric
KPI 001	Investment Property Income	Variance from target income
KPI 002	Investment Property Rent Arrears	As a percentage of the total portfolio income – to be taken in the 2-4 weeks prior to Quarterly Payment Dates
KPI 003	Vacancy Rates	As a percentage of the total portfolio area in SQ FT
KPI 004	Tenant Retention	Number of renewals completed and tenant breaks not exercised
KPI 005	Income Return (Proportionality)	Investment income as a percentage of all general fund income
KPI 006	Capital Return	Difference in Capital Values, annually.

It is anticipated that these measures will be further developed in 2023-24 using benchmarking analysis relative to the broader market, based on frequent data via a subscription to MSCI Analytics

IMP3 Decision making and analysis

The Council will maintain full records of its investment management decisions, and of processes and practices applied in reaching those decisions, both for the purpose of learning from the past and for demonstrating that all reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at that time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the Asset Management Schedule

IMP4 Reporting requirements and management information arrangements

Reporting of performance will be undertaken as part of the Quarterly Treasury and Capital Performance Monitoring report to the Corporate Management and Overview & Scrutiny Committees and/or the Quarterly Budget Monitoring report whichever is felt more appropriate at the time.

IMP5 Training and qualifications

The Council recognises the importance of ensuring that all staff involved in the management of property are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The present arrangements are set out in the Asset Management Strategy.

IMP6 Use of external service providers

The Council recognises that responsibility for investment decisions remains with the Council at all times. It recognises that there may be potential value of employing external independent and expert advice in order to acquire access to specialist skills and resources to ensure due diligence is suitably robust before any new transactions are entered into.

When it employs such service providers it will ensure it does so for reasons which have been submitted to a full evaluation of costs and benefits. It will also ensure that the terms of appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

General Fund Revenue Budget 2023/24, (Amanda Fahey, Assistant Chief Executive)

Synopsis of report:

To present budget estimates for the Council's General Fund Revenue Account 2023/24 for consideration and recommendation to Council for approval.

The Revenue budget sets out the spending plans for the Council for its day-to-day activities and the provision of services to the public for 2023/24 alongside an updated budget for the current financial year, 2022/23. An updated Medium-Term Financial Forecast is also included in the report, alongside a review of the recommended minimum level for the General Fund Reserve or "working balance".

The report includes a recommendation on the level of Council Tax to be levied for Runnymede Borough Council's element of the total Council Tax charge for 2023/24.

Also included in the estimates, is an amount for the anticipated pay award for 2023/24 and the remodelling of the Council's pay grades to encompass changes to the National Living Wage. These changes are subject to the outcome of pay negotiations. If the final figures differ from those contained in the report, the difference will be met by a transfer to or from the General Fund Reserve as appropriate (subject to any necessary further financial approvals).

Key lines of central government funding are based on allocations within the Provisional Local Government Finance Settlement. If the final Settlement figures, due in early February, vary materially to these figures, the Revenue budget will be updated to reflect the revised allocations, again with any consequential adjustments to the General Fund Reserve to maintain a balanced budget.

In setting its annual budget, the Council is required to give due regard to a statement from its Chief Financial Officer as to the adequacy of reserves and the robustness of the budget estimates. This statement is set out in Appendix F for Members' consideration.

Recommendations:

1) **To recommend to Council the approval of:**
    a. **the Revised Budget for 2022/23 and Budget Estimates for 2023/24, including growth items, as set out in the report and at Appendices B, C and E**
    b. **an increase to the Band D Council Tax level of 2.99% (£5.37) from £179.55 to £185.92**
    c. **The revised minimum threshold for the General Fund Working Balance of £5m**
    d. **Transfers to and from Reserves as set out in the report**

2) **To note:**
    a. **The updated Medium-Term Financial Forecast at Appendix A, and**
    b. **The statement of the Chief Financial Officer at Appendix F**

1. **Context and background of report**

1.1 This report deals with the Revenue Budget for the Council, setting out its spending plans and anticipated income for the coming year. It does not include budget estimates for the Housing Revenue Account, which are subject to a separate report to the Housing Committee, for onward recommendation to Council in February. The budget report should be considered as part of a comprehensive suite of financial reporting which includes the Capital and Investment Strategy, Capital Programme, and Treasury Management Strategy, all of which are reported alongside this report to Committee and subsequently to Council.

1.2 The detailed budget proposals set out in this report have been produced within the framework set out in the Medium-Term Financial Strategy (MTFS), considered by the Corporate Management Committee in December 2022 and recommended for consideration by Council in February.

1.3 Since production of the MTFS, more information has been released about future funding from central government, pay negotiations have commenced, detailed budget returns from budget holders have been collated, fees and charges for the coming year have been set by the relevant Committees and a set of growth proposals has been pulled together as part of the business planning cycle. The financial forecast that was included as part of the Strategy report, has therefore been refined and updated in light of this data, to produce the draft budget for 2023/24 presented in this report.

1.4 It is not intended to repeat all of the contextual information that was set out in the MTFS, but to focus on any changes to the budget figures, provide detail of the proposed revenue growth, recommend the Council Tax charge and review the level of balances held. Matters of risk. and an opinion on the adequacy of the reserves and the robustness of the estimates, are included in the final appendix.

2 Building the Budget

<u>Adjustments to base budgets</u>

2.1 The starting point for preparation of the revised forecast and new budget, is to update the prior year's budget for all amendments that have happened in the past year, due to the approval of Supplementary Estimates or virements between budget headings.

2.2 Known changes to the budgets are also built in from decisions taken by others such as the impact of Surrey County Council not renewing the agency arrangements with Districts and Boroughs for the provision of on-street parking enforcement. Assessments of the impact of inflation on costs and income are included as are unavoidable changes such as the upcoming increases in the costs of external audit, for example.

2.3 Also built into these adjustments is an assumption about the staff pay award for 2023/24 which is currently subject to discussion with trade union representatives. The amounts included are a 3% pay award from 1 July 2023, alongside provisions for a one-off cost-of-living payment and the remodelling of the lower end of the pay scale to encompass the increase to the National Living Wage. In determining its pay offer the Council has to balance its desire to reward, recruit and retain staff with the pressure this growth puts on the Council's budget.

2.4 It should be noted that this may not be the final agreed package and any change to these estimates will be compensated for by an equal movement in the transfers to or from the General Fund working balance, subject to the applicable financial procedure rules.

2.5 The changes above result in the adjusted net expenditure lines for each Committee, on the updated Medium-Term Financial Forecast (MTFF) shown at Appendix A and are set out in detail at Appendix B.

Growth

2.6 In October, the Council approved its new Corporate Business Plan ("the Plan") spanning 2022 – 2026 consisting of five key strategies:

- Climate Change
- Empowering communities
- Health and Well-being
- Economic Development
- Organisational Development

2.7 Each Strategy is underpinned by an extensive action list. Recognising that the Council does not have the resources to deliver all actions in the first 18 months of the Plan period, Member Working groups therefore identified the key initial actions to prioritise in the remainder of 2022/23 and 2023/24 and Corporate Heads of Service have worked with those guidelines to identify any growth required for inclusion in the budget proposals. Other growth bids may come forward over the life of the Plan as actions are developed, prioritised and costed. As recommended in the MTFS, alternative sources of funding will also be investigated wherever possible, to minimise pressure on the Council's own resources while still allowing it to pursue its ambitions.

2.8 Additional strategic capacity, and support for Corporate Heads of Service in delivering the Plan, will be provided by the appointment of a second Assistant Chief Executive, as approved at December's Corporate Management Committee, the costs of which have been incorporated into the adjustments to base budgets set out at Appendix B.

2.9 The updated MTFF shows two lines for growth: the first is for Revenue growth bids while the second shows the impact on the Revenue budget of the Capital growth requested in the Capital Programme.

2.10 Capital spending may have an impact on the Revenue Account when on-going resources are required to maintain or support the provision of the capital asset. For example, through additional staffing resources, on-going software and licence fees or maintenance requirements. Some capital growth may also have a beneficial effect on revenue resources by creating additional income. Proposals for Capital growth and the revised Capital Programme are set out in the Capital Strategy report. No additional borrowing costs have they been factored in to the MTFF.

2.11 All of the Revenue growth bids are listed at Appendix C, with additional detail set out for those items where further commentary was felt appropriate to aid consideration. Further detail on the Capital growth that has an impact on the Revenue account can be found in the Capital Strategy report.

2.12 In summary, the Revenue growth requested is as follows:

	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
Growth bids	**£000**	**£000**	**£000**
Revenue growth	820	329	339
Revenue consequences of Capital growth	752	(4)	(12)
	1,572	325	327

2.13 It should be noted that a number of these Revenue bids are for survey works which, once completed, will be likely to result in future expenditure, as yet unquantifiable. This should be taken into account when considering the level of reserves available to the Council and potential future pressures on the MTFF. Conducting these surveys ensures that the Council has knowledge about the condition of its assets and is able to plan proactively for these works, such as for repairs and maintenance, in a measured way, reducing the need to react to emergency situations and avoiding potential costs of letting assets fall too far into disrepair. Examples in the growth list include a survey of all trees on council-owned land, and condition surveys for all operational sites.

2.14 Also included in the growth bids are a number of items that, should they be approved, will be funded from existing provisions within the budget. They do not therefore add to the total net Revenue spend but it is still necessary to seek approval for these items due to the potential opportunity cost for use of those existing budgets. Examples include Play Area remediation, the costs of which are intended to be met from the repurposing of the School Transport initiative budget which was agreed at Full Council in October 2022.

2.15 Some items are included in the growth bids for a decision in principle at this stage, with the budget only to be released on production for a more detailed report to the relevant committee. An example would be the provision for a further mini restructure in Assets and Regeneration. The service is currently carrying a significant number of vacancies. In addition, the team are currently working on an Asset Management Strategy, to be presented to Members in the coming months. Both of these factors provide an opportunity to ensure resources are matched to the priority areas of work coming out of the Corporate Business Plan and the Asset Management Strategy. This is particularly important given the level of commercial property income generated by the Council, the ambition for further regeneration of the Borough and the desire to maximise the benefits received from the existing portfolio.

2.16 Connected to the above issues are a number of growth items for the development of feasibility studies for potential development of sites in Addlestone and Egham, and to supplement existing feasibility budgets to allow for other sites to be considered. These provisions cover the initial stages of feasibility work, to provide the Council with better information on which to base decision-making on which schemes could be prioritised for inclusion in future capital plans. As with the conditional surveys mentioned earlier in the report, it is essential that the Council has sufficient information on which to base its capital spending plans, particularly in a challenging financial environment and with ever-tightening financial regulation. This growth is listed as part of the revenue consequences of Capital growth, however, while these costs are initially met from the Revenue budget, there may be a possibility of capitalising some of the costs should schemes progress to development in the future and capital resources are available to cover them.

Transfers to and from earmarked reserves

2.17 The Council continues to hold a number of earmarked reserves for specific purposes such as:

- smoothing the effects of the operation of the Business Rates Retention scheme to prevent large swings of income from having an impact on the on-going provision of core services;
- building up a provision to reduce the impact from anticipated void periods for commercial properties and to allow for the maintenance of commercial property to retain it in a lettable condition;
- other specific reserves, for example, to set aside surpluses of car parking income to be spent, as per regulation, on future maintenance or improvements such as the provision of Automated Number Plate Recognition (ANPR).

These reserves are regularly reviewed to monitor their sufficiency.

Treasury and Financing

2.18 This section is explained in more detail in the Capital and Investment Strategy, and the Treasury Management Strategy. A key point is the increase in interest receivable on the Council's cash investments, due to increased interest rates. However, this is expected to reduce over the medium term due to a combination of future falls in interest rates and the consumption of cash reserves.

2.19 Repayment of existing borrowing is protected from increased interest rates for the life of the loans, as all of the Council's borrowing is at fixed rates. However, some borrowing will fall due for repayment during the period of the MTFF and while it is anticipated that some of this repayment will be met from the release of cash investments, where existing borrowing is replaced in the near term, this is expected to be at higher rates than previously secured.

2.20 When considering the Revenue Budget proposals and the MTFF, it is important to note the link to financing of the Capital Programme. As the Capital Programme does not currently forecast any major new borrowing, over that already in existing approved plans, the Revenue forecast also does not account for any significant new borrowing costs. Any such costs will increase the anticipated budget deficit over the medium-term and require additional revenue savings, or increased income, to be found to compensate for this pressure.

Local Government Finance Settlement

2.21 On 12th December 2022, the government published a policy statement on the future of local government finance, confirming the government's policy intent for the next two years, providing greater certainty over funding, and allowing Councils to better plan their resources for the year ahead. The policy statement confirmed a proposed Core Spending Power (CSP) increase of around 9% in 2023/24 across local government, with a 3% minimum funding guarantee for all councils before any decisions on Council Tax rates are taken.

2.22 The policy statement also confirmed a further year of the existing New Home Bonus, but with no new legacy payments, a reduction in the Services Grant due to the reversal of previously announced increases to employers' National Insurance

Contributions, and the repurposing of the Lower Tier Services Grant to provide the 3% funding floor mechanism referred to above.

2.23 A number of grants are to be consolidated within the Finance Settlement, whilst retaining their existing allocations. These are the Independent Living Fund; Natasha's Law (food allergen labelling); Council Tax Support administration subsidy; and the Council Tax Family Annexe Discount, only the last two of which apply to Runnymede. It should be noted that previously when grants have been rolled into the Funding Assessment, they have, over time, been lost as individual grant lines and been rolled up in the total funding, leaving councils unable to separate out the different funding element. It remains to be seen if this is the eventual fate of these specific grants.

2.24 The so-called negative revenue support grant will continue to be eliminated for 2023/24.

2.25 A bespoke council tax referendum principle of up to 3% or £5, whichever is higher, was confirmed for shire districts such as Runnymede for both 2023/24 and 2024/25, although as highlighted in the MTFS, this provides relatively little additional flexibility to Runnymede, given the previous maximum levels of up to 2% or £5. A 2.99% increase to the existing Band D level equates to an increase of £5.37 which, once multiplied by the tax base of 34,864.6 provides less than £13,000 additional income when compared to the previous £5 maximum.

2.26 The policy statement also confirmed the freezing of the business rates multiplier at 49.9p for 2023/24. This is the rate at which businesses pay their Rates (rateable value x multiplier) and under normal circumstances is increased annually in line with inflation. Freezing this rate is beneficial for business but would reduce the income to Councils without compensation from government. This compensation, and the increase in baseline funding levels, will be aligned with CPI.

2.27 Business Rates Pools for 2023/24 will continue and the effect of the Business Rates Revaluation exercise and the transfer of some large properties from local lists to the central list, will be negated wherever possible so that Councils are no better or worse off than they would have been if these changes had not occurred.

2.28 While the government had previously committed to carrying out a Review of Relative Needs and Resources and a reset of accumulated business rates growth, it is now confirmed that these will not be implemented in this Spending Review period (up to the end of 2024/25). This has a positive effect on the previous medium-term forecast for Runnymede, moving back the dates from which growth baselines will be reset and allowing for the potential of gains from business rate pooling to be extended for a further year.

2.29 The Provisional Local Government Settlement, providing detailed funding allocations on a council-by-council basis, was released on 19th December 2022 and the figures are included in the draft budget and updated medium-term forecast. The four-week consultation period runs to 16th January and the final Settlement figures will be confirmed in early February. Any material changes will be reflected in the budget with a compensating change to the transfers to or from reserves, to maintain a balanced budget.

2.30 A potentially significant new funding stream is expected to be introduced in 2024/25, subject to the delivery of the Extended Producer Responsibility for packaging (pEPR) scheme. This scheme aims to move the cost of managing packaging waste from households, community recycling centres and litter bins, from local authorities to producers. The government has announced a review of the funding of lower tier councils, given the potential impact of this new funding on the relative needs and resources of individual councils. This is planned to take place ahead of 2024/25, alongside a review of the future of the New Homes Bonus and therefore still provides for some considerable uncertainty over future funding levels.

2.31 Funding for Homelessness Prevention has been confirmed for 2023/24 and 2024/25 Runnymede's allocations are £358,712 and £364,103 respectively, with an additional top-up amount of £55,920 to cope with Winter pressures in the current year. The Homelessness Prevention Grant is ringfenced to ensure local authorities can focus on preventing homelessness as well as funding the provision of temporary accommodation, and to continue to embed the changes required through implementation of the Homelessness Reduction Act.

Council Tax

2.32 As mentioned earlier in the report, under the draft Council Tax Referendum Principles, any increase to the tax level for Shire Districts will be considered excessive, and therefore trigger a referendum, if the increase is 3% or more, and greater than £5. This means that the maximum permissible amount that the Council could apply, is a 2.99% increase, which equates to £5.37 for the average Band D property, before any discounts or exemptions are applied. This provides around £187k of additional income to the Council.

2.33 While recognising the increasing cost-of-living pressures on its residents, the Council also has to be mindful of its ability to deliver essential services, particularly to its more vulnerable residents, as it sees its own costs rising in the face of unprecedented inflation. It is therefore recommended to increase Runnymede Borough Council's share of the Council Tax by the full permissible amount of 2.99%. The Council has recently reviewed its Council Tax Support Scheme which provides support to those who qualify for help to pay their Council Tax alongside the provision of a Hardship Fund to support those in most need.

2.34 As part of the Provisional Settlement the Government also announced funding for 2023/24 via a Council Tax Support Fund. This funding is designed to allow councils to deliver additional support to those households already receiving council tax support, whilst also providing some flexibility to determine a local approach to supporting other vulnerable households in their area. Runnymede's allocation is £79,433.

2.35 It is possible that following the consultation on the Provisional Local Government Finance Settlement and the associated referendum principles, that the referendum trigger limits may be altered. Shire Districts who may benefit little from increasing the flexibility from 2% to 3%, may request consideration of increasing the £5 limit. In the event that the referendum triggers are amended as part of the final Settlement, the Council commits to maintaining its increase at the current proposed rate rather than placing any further burden on its taxpayers.

3 Budget Summary

3.1 All of the above factors culminate in the production of the updated MTFF at Appendix A and the detailed budget proposals at Appendix E.

3.2 The updated MTFF shows a much more favourable anticipated outturn position for 2022/23 when compared to that reported in December, largely due to a drawdown of £2.225m from the Business Rates Equalisation Reserve. This drawdown, which brings the business rates income flowing through to the general fund back up to the budgeted position for the year, accounts for the bulk of the movement between the previously reported £1.888m use of working balances to a £0.479m contribution to balances for the current year. While this is in line with the purpose of this reserve, and further smoothing may be applied in subsequent years, this does not address underlying budget pressures and should not be seen as ongoing solution.

3.3 The forecast for 2023/24 has significantly deteriorated from the near balanced position under the previous forecast to one showing a deficit of some £3.9m. The key reasons for this change can be summarised as follows:

- Proposed Revenue growth of £1.57m
- Inclusion of estimated pay award above previous levels of £1.4m
- Inclusion of ACE post £150k
- Reduced income projections for carparking £315k, Green waste and trade waste £80k,
- Costs of handing back agency agreement for On-Street parking enforcement to SCC £140k
- Changes to commercial income projections and property maintenance costs £1.1m (offset in part by planned use of reserves)

Offset by:

- Reduction in borrowing costs of £880k
- Additional grant income under the provisional settlement £700k

3.4 For 24/25, the deficit is forecast to be £1.7m. The main changes between years are due to favourable movements including:

- a number of one-off growth costs falling out of the budget after 2023/24 including the potential one-off lump sum pay award. Together these reduce expenditure by £2.22m.
- An upturn in commercial income due to lower anticipated voids and increased income £1.378m
- Increased income from business rates £1.15m

Offset by:

- Reduction in interest receivable on cash investments £0.9m
- Increased borrowing £0.968m
- Reduced grant income £0.185m

3.5 The final year of the forecast sees the budget gap increasing by £3.5m to £5.2m, largely due to:

- Further reductions in interest receivable as interest rates fall and cash balances are utilised £0.6m
- Reduction in central funding of £0.9m (withdrawal of NHB & minimum funding guarantee)
- Reduction in business rates income due to the resetting of baselines
- Additional borrowing costs of £0.6m

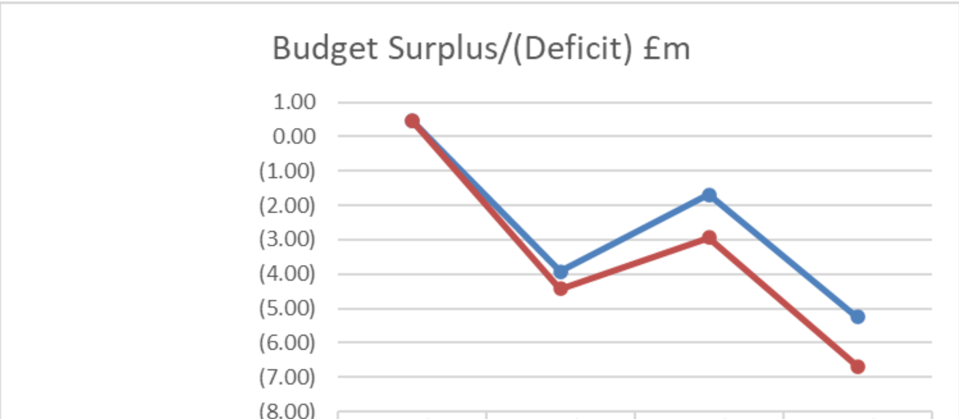
3.6 The preceding paragraphs highlight that the Council's overall financial position will vary considerably due to the effect of its own internally generated income streams, changes to central government funding and income from the business rates retention scheme. The updated MTFF shows a large budget deficit of almost £4m in 2023/24, and while it may be appropriate to cover this in the short term from a draw on reserves, particularly where it is anticipated that Council income-streams will bounce back in the following year, there is no mistaking that there is an underlying budget deficit that needs to be addressed. Plans for addressing this deficit are set out in the Medium-Term Financial Strategy.

3.7 The MTFF shows the General Fund working balance reducing from £18.2m to £7.8m over the period of the forecast and as noted above, it would be appropriate to use reserves to meet some of the challenges placed on the Council by the current economic situation and consequential inflationary pressures. However reliance on reserves can never be a long-term solution as without corrective action, reserves will eventually be consumed, leaving the Council with no flexibility to respond to further changes in its finances.

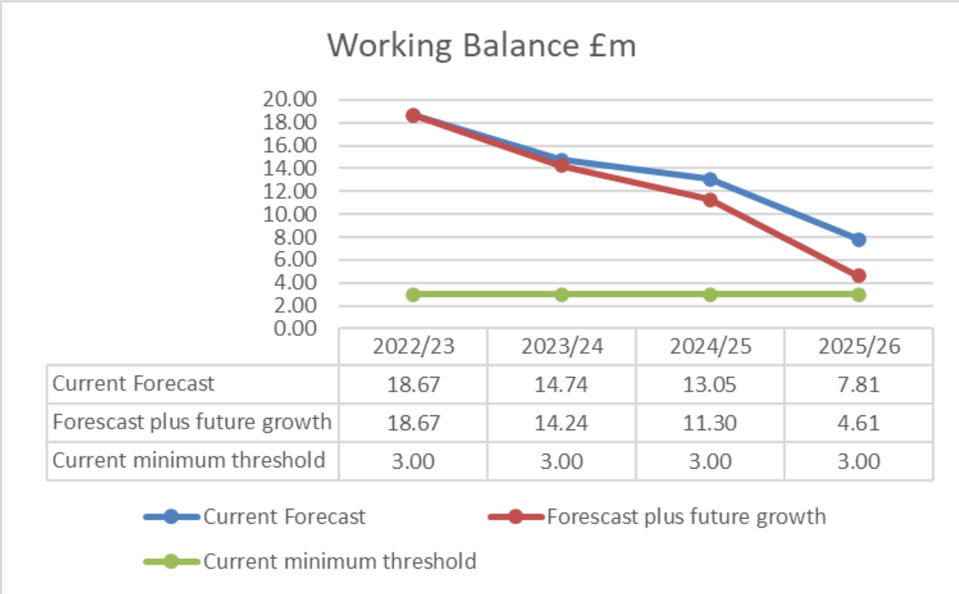
3.8 Another key point to note is that while the 2023/24 budget builds in proposed growth, and the consequences of that growth in future years, the MTFF does not include any provision for growth in subsequent years, other than estimated inflation and pay growth. It is highly likely that there will be new growth items requested in 2024/25 or 2025/26, in addition to supplementary estimates requested during 2023/24 and beyond, to cover as yet unforeseen pressures.

3.9 As an illustration, the following chart demonstrates the effect on the budget deficit and on working balances if:

- £0.5m of Supplementary estimates were to be approved in each of 2023/24, 2024/25 and 2025/26
- £0.75m of new growth was approved in 2024/25 and 2025/26 and
- £0.2m of that growth was on-going.



	2022/23	2023/24	2024/25	2025/26
Current Forecast	0.48	(3.93)	(1.70)	(5.24)
Forescast plus future growth	0.48	(4.43)	(2.95)	(6.69)



4 Minimum Threshold for Reserves

4.1 The MTFS concluded that in light of the significant budget variations that may occur, particularly in a period of high inflation and potential economic recession, that it would be prudent to review the minimum threshold for the level of working balance to hold over the medium term. This is currently set at just below £3m.

4.2 While current balances are well above this level, it can be seen in the forecast that they may fall relatively quickly and potentially be below the minimum level by 2026/27. A review of key financial risks has been undertaken which supports the increase of the minimum threshold to around £5m. This level provides a balance between using resources when needed to support service provision, while ensuring a sufficient buffer is retained against unexpected shocks to the system.

4.3 The revised calculation is set out at Appendix D.

5 Statement of the Chief Financial Officer

5.1 The Chief Financial Officer has a statutory duty under s.25 Local Government Act 2003 to make a statement on the adequacy of reserves and the robustness of the budget. The Act requires the Council to have regard to this statement in making its decisions at its budget- and council tax-setting meetings. This statement is set out at Appendix F of this report, for consideration.

6 Policy framework implications

6.1 The budget report is an important part of the policy framework of the Council, setting he financial plan for the year ahead, in the context of the financial risks highlighted in the Medium-Term Financial Strategy, and providing a sustainable financial position to enable the Council to achieve its strategic objectives. As part of the policy framework, the budget is required to be considered by full Council.

7 Resource implications/Value for Money

7.1 The budget sets out the resources required to deliver the Council's objectives for the year ahead and to support the Corporate Business Plan.

8 Legal Implications

8.1 S.151 Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs while s.25 Local Government Act 2003 requires the Council to have due regard to a statement on the adequacy of reserves and the robustness of the budget, produced by the Chief Financial Officer, when making its budget decisions.

9 Equality Implications

9.1 Equality Impact Assessments will be undertaken, where appropriate, for any new schemes considered as part of the budget process before implementation.

10 Environmental, Sustainability, Bio-diversity implications

10.1 The Council's Corporate Business Plan, which is supported by its financial planning, includes its Climate Change Strategy. Staff resources are included in the budget and a provision for some expenditure is included within the growth items. This does not preclude further funding from being incorporated into the Council's budget plans as specific environmental, sustainability or bio-diversity actions are developed, and business cases are brought forward for consideration.

11 Conclusions

11.1 Appendix E of this report sets out the revised budget for 2022/23 and the proposed budget estimates for 2023/24 for recommendation to Council, including a provision for growth as detailed in Appendix C. The proposed budget is supported by the conclusions in the Chief Financial Officer's Statement at Appendix F and has been prepared in line with the Medium-Term Financial Strategy. The budget proposals include a recommendation to increase Runnymede Borough Council's share of the Council tax by 2.99% (£5.37) and to increase the minimum level of working balances to £5m to ensure sufficient on-going reserves are maintained to support future budget variations.

11.2 The budget proposals should be considered alongside the Capital and Investment Strategy, including draft Capital Programme, and the Treasury Management Strategy, and in the context of the Medium-Term Financial Strategy. In particular, the actions set out in the MTFS will be essential in ensuring that the underlying budget deficit is addressed and that reliance on reserves to close future budget gaps is reduced. Otherwise reserves may fall below the amended target level over the medium-term.

11.3 It is also essential that moving forward, resource is found within the Revenue budget to support future capital sending due to the scarcity of capital receipts, and the need for the revenue account to support capital spending either through direct contributions or to support borrowing for capital purposes.

11.4 It is recommended to approve the General Fund Revenue Budget 2023/24, including proposals for growth, the change to the minimum threshold for the working balance, and a 2.99% increase in Council Tax, for consideration by Council.

(To resolve)

Medium-Term Financial Forecast 2022/23 to 2025/26 - General Fund Summary

	Estimate 2022/23	Probable 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
	£'000	£'000	£'000	£'000	£'000
Housing Committee	2,229	2,304	2,308	2,465	2,465
Community Services Committee	4,870	5,387	5,114	4,965	4,965
Environmental and Sustainable Committee	4,453	4,975	5,076	5,050	5,050
Licensing Committee	25	25	25	25	25
Regulatory Committee	105	102	113	113	113
Planning Committeee	2,048	2,081	2,250	2,143	2,143
Corporate Management Committee	(17,652)	(17,223)	(14,275)	(16,207)	(16,356)
Growth Bids to be agreed - Revenue	0	0	820	329	339
Growth Bids to be agreed - Capital (revenue consequences)	0	0	752	(4)	(12)
Efficiencies & Revenue reductions	0	0	0	0	0
Adjusted base budget A	**(3,922)**	**(2,349)**	**2,182**	**(1,121)**	**(1,268)**
Accounting adjustments:					
- Reversal of depreciation charges	(2,178)	(2,178)	(2,178)	(2,178)	(2,178)
- Capital charge to HRA	(43)	(43)	(43)	(43)	(43)
Transfers to/(from) reserves:					
- Business Rates Equalisation reserve	(3,147)	(2,225)	0	0	0
- Car Parks Reserve	0	0	(180)	0	0
- Equipment repairs and renewals reserve	750	750	750	750	750
- Property repairs and renewals reserve	1,345	1,345	750	750	750
- Investment Property income equalisation reserve	750	750	750	750	750
- Surrey Infrastructure Feasibilty Fund	(162)	(162)	0	0	0
- Tennis Court Replacement reserve	0	0	14	14	14
Treasury and Financing					
- Investment & Dividend Income	(440)	(2,300)	(3,600)	(2,700)	(2,100)
- Interest on loans to RBC companies	(1,862)	(1,812)	(2,036)	(2,036)	(2,036)
- Capital Financing	13,480	13,044	13,351	14,070	14,418
- Minimum Revenue Provision (MRP)	4,586	4,324	4,612	4,862	5,122
Government Grants (Non-Service Specific)					
- New Homes Bonus	(907)	(907)	(610)	0	0
- Lower Tier Services Grant	(125)	(125)	0	0	0
- Services Grant	(128)	(128)	(72)	(72)	(72)
- Other grants	0	(37)	(506)	(926)	0
- RSG	0	0	(83)	(87)	(87)
Budget requirement B	**7,997**	**7,946**	**13,102**	**12,033**	**14,020**
Funded by:					
- Business rates retention scheme	(3,800)	(6,460)	(3,295)	(3,470)	(2,040)
- Share of Business Rates (surplus)/deficit for prior years	3,147	4,885	980	0	0
- Share of Council Tax (surplus)/deficit for prior years	(165)	(121)	(228)	0	0
- Share of Business Rate Enterprize Zone receipts	170	170	170	170	170
- Share of Business Rate Pooling Fund gain	(900)	(700)	(352)	(350)	0
Sub total of government funding C	(1,548)	(2,226)	(2,725)	(3,650)	(1,870)
Net demand (B less C)	**6,449**	**5,720**	**10,377**	**8,383**	**12,150**
Tax base - Band D equivalent numbers	34,524	34,524	34,864.6	35,114.6	35,364.6
Band D tax per year	179.55	179.55	184.92	190.45	195.45
Council tax income D	**(6,199)**	**(6,199)**	**(6,447)**	**(6,688)**	**(6,912)**
Use of / (contribution to) Working Balance	**250**	**(479)**	**3,930**	**1,696**	**5,238**

General Fund Working Balance				
Working Balance at start of year	18,194	18,673	14,743	13,047
Use of working balance	479	(3,930)	(1,696)	(5,238)
Working balance at end of year	**18,673**	**14,743**	**13,047**	**7,809**
Over / (Under) minimum balance level of £2.960m	**15,713**	**11,783**	**10,087**	**4,849**

(Excluding any allowance for budget growth in 2024/25 & 2025/26 and Supplementary Estimates for 2023/24 - 2025/26.)

Adjustments to the 2022/23 base budget

	Probable 2022/23 £'000	Forecast 2023/24 £'000	Forecast 2024/25 £'000	Forecast 2025/26 £'000	Comments
Housing Committee					
Base Budget as per 2022/23 Budget Book	**2,229**	**2,229**	**2,229**	**2,229**	
NEW Changes					
New properties for rental (net)	(12)	(16)	(16)	(16)	Rents net of costs for 3 Properties purchased in late 2021/22 under Rough Sleeper Accommodation programme part funded by external grants
Benefits audit costs	32	8			Commitment booked for several outstanding years' audits but actual costs higher
Benefits computer development costs in excess of budget	12				
HIA Surveyor - split 80/20 with HRA	10	50	50	50	Based on March 2022 Community Business Plan.
Homelessness repairs costs in excess of budget	25				
LEGACY Changes					
Planned Underspends Carried Forward from 2021/22	8				Leased property repairs
Homes First - Additional staffing resource		9	9	9	Corporate Management Committee 14 Oct 2021
Homelessness Reduction Act Grant - funding of staff costs			200	200	One off receipt in base budget for 22/23. Removed from base budget thereafter.
Enabling - needs survey		35			Last carried out in 2018
Digital Transformation - Locata computer maintenance		(7)	(7)	(7)	System finishes Sept 2022
	2,304	**2,308**	**2,465**	**2,465**	
Community Services Committee					
Base Budget as per 2022/23 Budget Book	**4,870**	**4,870**	**4,870**	**4,870**	
NEW Changes					
Community Services Salaries - Restructure changes	78	78	78	78	Corporate Management Committee - April 2022
Day Centres - Reduction in income	125				Revenue reduced to reflect current usage and uptake
Day centres - Loss of Surrey Ambulance car parking Income		42	42	42	Contract not renewed
Day Centre Provision - Reprovision at Addlestone Community Association	30	30	30	30	Corporate Management Committee - Sept 2022
Day centres building maintenance increase		39			Additional requirement for works
Centre for older people reduction in spend on catering	(30)				Less usage creating savings on purchases
Careline income from new contracts	10				Lower than anticipated
Community Transport - BSOF funding no longer available	10	10	10	10	
Community Transport - reduction in income	184	137			
Community transport reduction in transport recharges	(108)	(108)			
Community transport increase in transport charges		27			Anticipated additional repairs due to ageing fleet
Community meals reduction in income	(81)	(49)			
Community meals increase in transport recharges	10	8			
Safer Runnymede - Costs recovered from third parties	(40)	(40)	(40)	(40)	
Safer Runnymede - Income from new CCTV Contracts (£150,000 in a full year)	150	63			Rephasing of income in line with anticipated contract start dates
Safer Runnymede - Increased staffing	33	65	65	65	Corporate Management Committee - June 2022
Safer Runnymede - Increased cost of new maintenance contract	31	31	31	31	Additional costs following tender exercise

Adjustments to the 2022/23 base budget

	Probable 2022/23 £'000	Forecast 2023/24 £'000	Forecast 2024/25 £'000	Forecast 2025/26 £'000	Comments
Grant Aid - to support development of community asset	13				Corporate Management Committee - Sept 2022
Increase in grant aid rent abatement	16	16			
Leisure & Sports Development income	(50)	(50)	(50)	(50)	
Leisure & Sports Development building insurance recharge	(11)				
Cemeteries - variations in income	(58)	(20)			
Cemeteries Grounds maintenance reduction	(27)				
Parks - Aviator Skate Park removal	20				Corporate Management Committee - Sept 2022
Chertsey Museum increase in revenue	(15)	(6)			
Energy increase	55	72			
Variation in staffing costs	83	(40)			Increased costs due to vacancies covered by agency staff and new recruits; settling down in 2023/24
LEGACY Changes					
Planned Underspends Carried Forward from 2021/22	89				Various
Public Halls - Income returning to pre-covid levels		(52)	(52)	(52)	Assumes 50% of pre-Covid levels in 22/23 and 100% in 23/24 onwards
Parks & Open Spaces - Income	0	(9)	(9)	(9)	Income recovery post Covid 19 pandemic
Parks & open spaces - public toilets		0	(10)	(10)	Additional costs of cleaning carried out during covid19 pandemic falling away
	5,387	**5,114**	**4,965**	**4,965**	

Environment and Sustainability Committee

	Probable 2022/23 £'000	Forecast 2023/24 £'000	Forecast 2024/25 £'000	Forecast 2025/26 £'000	Comments
Base Budget as per 2022/23 Budget Book	**4,453**	**4,453**	**4,453**	**4,453**	
NEW Changes					
Contaminated Land - Professional Fees	(20)	20			Provision not required in 22/23 and moved to 23/24
Street Cleansing/Public Conveniences - driver regrading	15	15	15	15	Subject to future report
Energy Management & Climate Change - Borough wide net zero study	60				Corporate Management Committee - July 2022
Green Waste - income lower than estimated	45	45	45	45	
Grounds Maintenance - Bringing Grounds Maintenance back in house	81	81	81	81	Full Council - March 2021
Grounds Maintenance - Bringing Grounds Maintenance back in house	38	38	38	38	Corporate Management Committee - October 2022
Trade Waste - increased cost of disposal offset by additional income	17	34	34	34	Price per tonne and tonnage collected higher then estimated, partially offset by additional income
Car Parks - Cash Security Fees Contract	7	7	7	7	Costs more than estimated
Car parks - loss of income	5				SO42 - Free parking over Jubilee weekend
Car parks - loss of income	50	50	50	50	Reduction of Pay & Display income across the borough
Car parks - loss of P&D income at Hummer Road	24	80	80	80	Cessation of management arrangement October 2022
Car parks - loss of P&D income at Woodlands	50	50	50	50	Income reduction following opening of St Peter's multistorey carpark
Car parks - non resident permits and season tickets	50	50	50	50	Income lower than estimated - Post covid income not as expected
Car parks - PCN income lower than estimated	20	20	20	20	Income lower than estimated - Post covid income not as expected
On-Street Parking - PCN income lower than estimated	40				
On-Street Parking - Handing back of service to Surrey County Council		140	140	140	Discontinuation of Agency arrangements from April 2023. Residual costs plus loss of income
Environmental Maintenance - RBC roundabout sponsorship		9	9	9	Sponsorship income to cease wef 01.04.23, budget to maintain roundabouts removed
Environmental Maintenance - SCC verge maintenance		(13)	(13)	(13)	Discontinuation of Agency arrangements from April 2023
Borough Highways - street naming income	8				Income lower than estimated.

Adjustments to the 2022/23 base budget

	Probable 2022/23 £'000	Forecast 2023/24 £'000	Forecast 2024/25 £'000	Forecast 2025/26 £'000	Comments
LEGACY Changes					
Planned Underspends Carried Forward from 2021/22	41				Various
Air quality £3,000 one off provision	(3)	(3)	(3)	(3)	One year provision - removed
Pollution control - equipment	(6)		(6)	(6)	Equipment Calibration/purchase rephasing
	4,975	**5,076**	**5,050**	**5,050**	
Licensing Committee					
Base Budget as per 2022/23 Budget Book	**25**	**25**	**25**	**25**	
NEW Changes					
	25	**25**	**25**	**25**	
Regulatory Committee					
Base Budget as per 2022/23 Budget Book	**105**	**105**	**105**	**105**	
NEW Changes					
Taxi Licensing Income	4	8	8	8	Reduction in Income expected
Other Licence Income	(7)	0	0	0	New Grant for Pavement licensing & new income stream for Fit & Proper person
	102	**113**	**113**	**113**	
Planning Committee					
Base Budget as per 2022/23 Budget Book	**2,048**	**2,048**	**2,048**	**2,048**	
NEW Changes					
Building Control - Increased staffing costs		88	88	88	Additional costs following shared management arrangement with Surrey Heath BC
Development Management - Increased staffing costs	62	66	66	66	Corporate Management Committee - March 2022
Neighbourhood Planning Forum	(9)	(30)	(30)	(30)	Existing completed Neighbourhood Plans falling out of budget
Planning Policy - Local Plan	(65)	50	0	0	Planning advice, work moved from 2022/23 to 2023/24
Development Management - Planning Appeals	(96)	13			
Development Management - other fees	5	22			Longcross Garden Village
Development Management - Planning Application Fees		(20)	0	0	The income recovery from 2022/23 is now expected to have improved from the previous forecast
Development Management - Planning Advice	10	10	10	10	Income reduction
Development Management - Other Grants and Contributions	45	(10)			
LEGACY Changes					
Planned Underspends Carried Forward from 2021/22	101				Various
Neighbourhood Planning Forum - Egham Hythe		(4)	(4)	(4)	One off grant in 2022/23 dropping out of budget in following years

Adjustments to the 2022/23 base budget

	Probable 2022/23 £'000	Forecast 2023/24 £'000	Forecast 2024/25 £'000	Forecast 2025/26 £'000	Comments
Planning Policy - Partial Review of Community Infrastructure Levy (CIL)		22			Subject to review Nov 2022 - Deferred until the Government's plans to reform CIL & S106 are published
Local Plan - Digitisation of the planning system		25			Measures to help achieve central government's digital ambitions
Local Plan - Counsel Fees	(20)	(20)	(25)	(25)	
Environmental Protection SPD (Supplementary Planning Document)		(10)	(10)	(10)	2022/23 SPD cost, funded by savings in Planning & Development Advice in 2021/22, falling out of budget from 2023/24
	2,081	**2,250**	**2,143**	**2,143**	
Corporate Management Committee - Non Property					
Base Budget as per 2022/23 Budget Book	**5,104**	**5,104**	**5,104**	**5,104**	
NEW Changes					
Contingencies Planning - Provision for potential costs associated with the Queen's Funeral	50				Supporting the proclamation of the new King and National Period of Mourning for Her Majesty (SO42 Sept 22)
Members Allowances - Increase in Members Allowances	49	49	49	49	Full Council - March 2022
Members Allowances - Removal of Member Working Party Allowance	(43)	(43)	(43)	(43)	Full Council - March 2022
NNDR - New Burdens Grant income	(39)				
Staffing - Increase in annual leave entitlement	15	30	45	45	Costs associated with front line agency cover. Corporate Management Committee - May 2022
Salaries - Savings from vacant posts	(595)				Estimated savings based on first 8 months of the year
Salaries - apprenticeship provision	(90)	90			Carry forward of provision for apprenticeships, commencing in 2022/23, to maximise use
Salaries - Additional 1% pay award		152	206	211	3% in total (2% already in base)
Salaries - Remodelling of lower grades in pay scale		257	257	257	
Salaries - cost of living payment		973			Provision for a one-off lump sum
Salaries - Second additional ACE	20	150	150	150	Corporate Management Committee - December 2022
Employers costs - Increase in Employers' National Insurance Contributions	(50)	(120)	(120)	(120)	Reversal of NI increase
Training - Anticipated savings not forthcoming	50	50	50	50	Training programme now underway and catching up following Covid 19
Civic Centre - cleaning contract	25	50	50	50	Contract costs increased
Human Resources/Payroll - Joint IT system		26	26	26	Increased annual costs of new system - Corporate Management Committee - Feb & Oct 2022
Human Resources/Payroll - Joint IT system		20	10		Increased costs of dual running until both systems live
Law & Governance - Legal Services	30				Additional agency staffing provision to June 2022 - Corporate Management Committee- Jan 2022
Law & Governance - Legal Services		(50)	(50)	(50)	Reduction in agency staff
Law & Governance - staffing restructure	36	(1)	(1)	(1)	Corporate Management Committee - Apr 2022
LEGACY Changes					
Planned Underspends Carried Forward from 2021/22	149				Various
Corporate Management - Economic development strategy	(10)	7	(24)	(13)	One-off provisions dropping in and out of budget
Democratic Representation - Independent remuneration panel			3		Provision required every 3 years (2021/22 & 2024/25)
Democratic Representation - Audit fees	77	113	113	113	Anticipated increase in audit fees from 2023/24
Fraud - Increase in costs	3	3	3	3	Standards & Audit/Corporate Management Committee - Nov 2022
Contingencies Planning - Hydrosnakes replacement		(15)	(15)	(15)	One-off provision in 2022/23 dropping out of budget
Contingencies Planning - Community resilience volunteers		(3)	(3)	(3)	One-off provision in 2022/23 reducing to £1k in future years
Training budget - management development		(10)	(10)	(10)	
Car Allowances - Overhaul of Essential Car User Allowance		0	(50)	(50)	£25k savings already in 2022/23 budget - Corporate Management Committee - Nov 2021

Adjustments to the 2022/23 base budget

	Probable 2022/23 £'000	Forecast 2023/24 £'000	Forecast 2024/25 £'000	Forecast 2025/26 £'000	Comments
Financial Services: Insurance - broker fees		5			Insurance tender consultancy advice every 5 years (2023/24)
	4,781	**6,837**	**5,750**	**5,753**	
Corporate Management Committee - Land & Property					
Base Budget as per 2022/23 Budget Book	**(22,411)**	**(22,411)**	**(22,411)**	**(22,411)**	
NEW Changes					
Chertsey Property purchase/Partnership working with NHS	150	150	150	150	No longer possible
Legal & consultancy support to assess potential for litigation	150				SO42 - Jan 2022
Chertsey Commercial property void costs		250			Void costs separated out from bad debt provision
Parish Hall student accommodation - Management fees from Jul 2023		180	240	240	Previously covered as part of Magna Square development - Corporate Management Committee - Sep 22
Works required to re-let commercial properties		120			Multiple properties requiring works to maintain in lettable condition
Commercial car park additional electricity costs	35	55	55	55	Payable to RBCS who operate car park on behalf of the Council
On-going tree works not in base budget		16			Planned underspend brought forward to cover 2022/23 moved to 2023/24
LEGACY Changes					
Planned Underspends Carried Forward from 2021/22	417				Various
Property Development - Addlestone One residential marketing costs		(35)	(35)	(35)	One-off provision removed from base budget in 2023/24
Property Development - Egham Gateway residential marketing costs		(34)	(34)	(34)	One-off provision removed from base budget in 2023/24
Corporate property income/rents	(642)	(849)	(1,101)	(1,368)	Based on Investment Income projections as at Dec 2022 and reduced bad debt provision in 2022/23
Void costs during marketing period for potential asset sale		(48)	(48)	(48)	Void costs in base budget 2022/23 for part of year; removed thereafter assuming disposal
Legal/Marketing for letting vacant units & void costs while vacant	63	390	(250)	(490)	Forecast additional void costs in 2023/24, offset by savings on legal/agents fee and release of historic provision for utility costs no longer required
Addlestone One - void costs		(100)	(200)	(300)	Assumes vacancies will decrease by 20% per year
Magna Square - void costs	(15)	(60)	(120)	(120)	Assumes void costs reduce by half in 2023/24 and drop out 2024/25. Provision for advertising in current year not required in full
	(22,253)	**(22,376)**	**(23,754)**	**(24,361)**	
General					
Base Budget as per 2022/23 Budget Book	**0**	**0**	**0**	**0**	
NEW Changes					
LEGACY Changes					
Transport costs - repairs		10	20	20	Increasing costs as vehicle get older
Transport costs - fuel	30	80	80	80	Increased costs of fuel
Energy inflation in current year	200	200	200	200	Inflation calculation based on original 2022/23 budget; £200k higher costs factored in to current year
Insurance - increase in premiums	50	100	100	100	
Inflation		904	1,397	1,853	
Roundings	(31)	(30)			

Adjustments to the 2022/23 base budget

	Probable 2022/23 £'000	Forecast 2023/24 £'000	Forecast 2024/25 £'000	Forecast 2025/26 £'000	Comments
	249	**1,264**	**1,797**	**2,253**	
Adjusted Service Committee Budgets (sub-total)	(2,349)	611	(1,446)	(1,595)	
Plus Growth bids		1,572	325	327	
Adjusted Base Budgets A	**(2,349)**	**2,182**	**(1,121)**	**(1,268)**	

Appendix C:
Summary of growth items 23/24

1

Growth Requests for 23/24: Summary of General Fund revenue growth

General Fund	Revenue			
	23/24	24/25	25/26	26/27
	£000	£000	£000	£000
Growth, including provisions, for inclusion in budget report	1,572	325	327	327
Growth subject to separate report*, included in MTFS	170	150	150	150

* Recruitment to ACE, CMC Dec '22

2

Summary of growth for General Fund – Revenue only – slides for each item follows

			Revenue			
General Fund - Revenue Only			23/24	24/25	25/26	26/27
SAP ID	Service Area	Growth Title	£000	£000	£000	£000
AR001	Assets & Regeneration	Real Estate Analytics	52	26	26	26
AR011	Assets & Regeneration	M&E Survey of Operational Sites	60	-	-	-
AR019	Assets & Regeneration	Mini-restructure of A&R	100	-	-	-
ED009	Economic Development	Town centre events	30	5	15	15
PPED002	Planning Policy	Addl Transport and Infrastructure Planner	70	70	70	70
CSCD002	Community Development	Play area H&S remediation (Community Dev)	-	-	-	-
ES006	Environmental Services	Playarea ongoing maintenace of improved standard (Env Services)	-	30	30	30
CC030	Environmental Services	Cost implications of switch to HVO fuel	100	100	100	100
ES003	Environmental Services/Housing	Borough-wide tree survey	100	-	-	-
DM001	Building Control	Building control shared service set-up costs	50	-	-	-
DM002	Dev Management	Addl 0.5FTE post in Dev Mgmt	30	30	30	30
		General Fund - Revenue Only Growth (Presentations)	**592**	**261**	**271**	**271**

Runnymede BOROUGH COUNCIL

3

Assets & Regeneration

- AR001 **Analysis, Appraisal and Delivery of the Assets and Regeneration Strategy- Real Estate Analytics**
- Supports investment property portfolio management, evidence-based decision-making and income maximisation
- **Priority:** Must – the initiative must be done
- **Rationale:** Real Estate Analytics will provide tangible evidence of the portfolio's performance against long-term objectives and drive robust, evidence-based decision making with comparison with other property companies of similar size and value. This will lead to enhanced performance and therefore better management by comparing capital values and income returns. It also provides assurance that the investment property portfolio is being well managed, with risks promptly identified, assessed and mitigated.
- **Impact if 'do nothing':** RBC will not have the ability to benchmark their assets in each sector namely office, retail, industrial and residential against other property companies which makes it challenging to make the constructive reasoning that we are holding property for the long-term and sweating the asset.
- **GF revenue growth:** System implementation (one-off) $29K USD plus annual software license $29K USD (~£157K N.B. ££ subject to currency fluctuations)

Runnymede BOROUGH COUNCIL

4

Assets & Regeneration

AR011 **M&E condition surveys of operational assets**

- Supports mitigation of corporate risk by ensuring compliant M&E plant and equipment and fit for purpose operational assets
- **Priority**: Must – the initiative must be done
- **Rationale**: Condition survey of plant and equipment within operational sites needs to be undertaken to provide a five year planned programme of works and costings. This will ensure an evidence-based approach to planned expenditure for forward planning.
- Capital investment required as a result of the survey will be subject to an in-year supplemental capital request once requirements and costs are known.
- **Impact of 'do nothing':** A planned programme of M&E maintenance has never been in place, rather previous Building Management strategy was to 'fix it when it breaks'. Operational assets therefore appear to be neglected in terms of the age of the equipment and the risk of plant and equipment failures increases with age eg Chertsey Hall
- **GF revenue growth:** £60K in 23/24. Additional capital to address priority M&E replacement will be subject to an in-year supplemental capital request as this cannot be costed until the survey has been completed.

Runnymede BOROUGH COUNCIL

5

Assets & Regeneration

AR019 **Mini restructure of Assets & Regeneration**

- Supports Organisational Development
- **Priority**: Must – the initiative must be done
- **Rationale**: To continue to provide revenue in the region of £25M per annum. This will increase year on year within a complex property portfolio which consists of different assets namely retail, industrial, office, residential. To protect this revenue stream, it is vital to have a robust and professional team.
- **Impact of 'do nothing':** Over time revenue will decline and capital assets decrease
- **GF revenue growth:** Growth request will be subject to reporting to CLT and Cttee. Provision of £100K for budgeting purposes only. A full business case will be provided when reported to Committee.

Runnymede BOROUGH COUNCIL

6

Planning Policy & Economic Development

- ED009 **Budget for Town Centre events**
- Supports delivery of Economic Development strategy action: *ED009 Development of the town centres*
- **Priority:** Should – the initiative should be done
- **Rationale:** Trading conditions within our town centres are extremely difficult and without support the vitality and viability of our centres is under threat. Recent town centre visitor and business surveys have highlighted the need for increased event activity within our towns to increase footfall and dwell time and improve vitality and viability. This is supported by national research which shows a changing role for town centres away from a pure retail function to leisure and entertainment destinations.
- Budget is requested to establish professional and engaging events in the town centres and to support and enhance existing activity. A detailed programme of events for each town will be developed by the Town Centre Manager in conjunction with the Town Teams with budget used to procure professional entertainers/providers and materials for marketing etc. The budget requested for 24/25 will also help support events within the local centres.
- **Impact if 'do nothing':** Without budget to establish a calendar of quality events, activity in our town centres will be limited and the quality impacted. The Council will have failed to fully implement one of the actions within its Economic Development Strategy, and an opportunity to support our town centre businesses and provide local and accessible entertainment for our residents will have been missed.
- **GF revenue growth**: £30K in 23/24, £5K in 24/25 (supplemented by SPF funding in 24/25), £15K per annum thereafter (aim for events to be part-funded through sponsorship from 25/26)

Runnymede BOROUGH COUNCIL

7

Planning Policy & Economic Development

- PPED002 **Appointment of an Infrastructure and Sustainable Transport Officer**
- Supports delivery of Climate Change and Economic Development strategy actions:

CC043: Facilitate & encourage active transport in the Borough: reduce traffic congestion, Improve air quality, Health & Wellbeing, Reduce vehicle emissions

ED014: Investing in sustainable infrastructure

- **Priority:** Should – the initiative should be done
- **Rationale:** Insufficient resource currently exists within Planning Policy and Climate Change teams to dedicate time to work in partnership with other stakeholders to help develop schemes and/or lobby for active and sustainable transport improvements in the Borough, secure the necessary funding and see schemes through to delivery.
- **Impact if 'do nothing':** Limits the ability of the Council to lobby for its best interests and develop and fund new active and sustainable transport schemes and initiatives which would help deliver the aspirations contained in the emerging Corporate Climate Change Strategy and Economic Development Strategy.
- **GF revenue growth**: Assume top of scale MMB incl on costs £70K per annum

Runnymede BOROUGH COUNCIL

8

Community Services & Development

- HWB018, CSCD002, ES006 **H&S upgrades to play areas across the borough**
- Supports Phase 1 delivery of a Health & Wellbeing Strategy Action:

Implement a play space improvement programme, modernising our play space offer to local children across the borough

- **Priority:** Must – the initiative must be done
- **Rationale:** Whilst routine reactive maintenance addresses "major" risks, a number of other moderate, yet significant risks remain across the Councils owned play areas.
- Phase 1 seeks consultancy to identify and prioritise all remaining risks and formulate the longer term replacement programme (Phase 2 which will be subject to a future business case).
- Following identification of risk, a budget of £100K is requested to deliver H&S upgrades during 23/24 to all 43 play areas (run as a project by Community Development).
- See separate growth bid from Env. Services regarding budget to maintain standards once the H&S works have been completed
- **Impact of 'do nothing':** Do nothing is not an option. Risks need to be mitigated to ensure equipment is safe and compliant and poor quality provision is addressed.
- **GF revenue growth:** £120K one-off in 23/24 in Community Development (from School Transport monies)

Runnymede BOROUGH COUNCIL

9

Environmental Services

- ES006 **Increase to budget for routine maintenance and repairs to leisure and recreational facilities in Parks and Open Spaces**
- Mitigates significant corporate risk
- **Priority**: Must – the initiative must be done
- **Rationale:** during 23/24, a survey of play areas followed by required H&S repairs and replacement will be conducted and implemented by Community Development. Once the play area standard has been addressed, the operational team in E&S will need to continue to maintain at that standard. This will require additional funding from 24/25.
- **Impact if 'do nothing':** Insufficient ongoing maintenance budget will lead to a decline on the standard of play areas and will not maintain the return on investment of the H&S works during 23/24.
- **GF revenue growth:** Additional £30K per annum from 24/25.

Runnymede BOROUGH COUNCIL

10

Environmental Services

- CC030 **Additional budget for fuel costs attributed to HVO**
- Delivers a Climate Change strategy action:

Review of implications from the transition of all fleet vehicles to HVO fuel

- **Priority:** Must – the initiative must be done
- **Rationale**: increased costs of HVO v diesel.

The price differential between diesel and HVO is now 40p/litre compared to 10p/litre last year. The additional revenue cost of the fuels switch is forecast to be £100,000 per annum for 2023/2024 based on current fuel usage.

- **Impact if 'do nothing':** cannot reduce carbon emissions of fleet vehicles if continue to use diesel fuel, cannot contribute to carbon net zero target, no return on investment of installation of separate fuel tank for HVO at depot
- **GF revenue growth:** £100K per annum

Runnymede BOROUGH COUNCIL

11

Environmental Services

- ES003, H002 **Procure and deliver a Borough-wide Tree survey**
- Mitigates significant corporate risk
- **Priority**: Must – the initiative must be done
- **Rationale:** Est. 45,000 - 50,000 trees on Council-owned land (Housing estates, open spaces and other council owned land). The Council have a legal obligation to ensure that trees located on their land are in a safe condition so that foreseeable damage or personal injury does not occur due to tree failure. Guidance recommends a regular survey be undertaken by a professional tree surveyor.
- A full tree survey of the Borough has not been carried out - tree works to date have been reactive addressing reported broken branches or fallen trees. The survey will risk assess and identify mitigation required.
- A separate business case will be provided in 23/24 once survey results are known in terms of the planned tree works required to address findings.
- Existing budget of £64K in 23/24 will need to be used for immediate works identified as part of reactive maintenance.
- **Impact if 'do nothing':** Do not meet legal duty. Corporate risk of compensation claims in cases of personal injury or due to damage to property is not mitigated
- **GF revenue growth:** £100K from General Fund in 23/24 for the survey work (additional £50K from HRA).

Runnymede BOROUGH COUNCIL

12

Development Management & Building Control

- DM001 **Building Control Shared Services one-off set-up costs**
- Supports Organisational Development
- **Priority**: Must – the initiative must be done
- **Rationale**: To progress from the current Shared manager position to a full shared service for building control, one-off start up costs may be required for integration of the services. These are likely to primarily relate to IT, data integration and other initial costs. The exact figures will not be known until Nov '22 and this is a request for a placeholder based on likely maximum costs.
- **Impact if 'do nothing':** Continue with current arrangement only - shared Building Control Manager. This would avoid any set up costs in the short term. It would however potentially be at the cost of the benefits set out in the CMC report for a full partnership including revenue growth and increased resilience. It could also affect relations with Surrey Heath with whom RBC enjoys a close working relationship with if there wasn't a good reason for not continuing towards the shared service.
- **GF revenue growth:** Max £50K in 23/24 (more likely £20K)

Runnymede BOROUGH COUNCIL

13

Development Management & Building Control

- DM002 **Additional 0.5FTE Senior Planning officer post**
- Supports Organisational Development: workforce planning
- **Priority**: Should – the initiative should be done
- **Rationale:** In 2020 2 FTE Dev Mgmt vacant posts were used to appoint 2FTE Planning Enforcement Officers in 2020, as replacement for withdrawn approved growth for planning enforcement (due to covid budgetary pressures). Additional workload has been carried by the rest of the team for 18 months and cannot be sustained, particularly with Local Plan sites coming forward and 2 members of staff going on maternity leave in 2023.
- Growth bid is required to supplement a 0.5FTE vacant post to recruit a full-time permanent additional Senior Planning Officer (topping up 0.5 FTE from an existing vacant part time post). This only partly restores the 2 posts previously used to meet corporate enforcement objectives early.
- **Impact of 'do nothing':** Significant workload pressure on existing staff, impact on wellbeing and morale, impact on meeting statutory deadlines, impact on department performance and potential for reputational damage. Potential impact on pre-app service which could be suspended as the primary non-statutory area (this service generates £80k per annum)
- **GF revenue growth:** £30K additional salary costs (incl. on costs) per annum

Runnymede BOROUGH COUNCIL

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Summary of growth for General Fund – Other Revenue growth

			Revenue			
General Fund - Revenue Only			23/24	24/25	25/26	26/27
SAP ID	Service Area	Growth Title	£000	£000	£000	£000
HWB028	Assets & Regeneration	Budget for consultancy for independent surveys for SWPS/ Barrsbrook scheme if required	30	-	-	-
AR014	Assets & Regeneration	Valuation of property portfolio	15	15	15	15
AR011	Assets & Regeneration	Budget increase for 23/24 for operational assets pending production of 5 year plan during 2023	70	-	-	-
LG001	Legal & Governance	Uplift from 4/5 to 4/5/6 for Electoral Trainee post	3	3	3	3
CEX005	CEX Office	Uplift from 8 to 9 for PMO Officer to account for service review additional responsibility	5	5	5	5
CEX006	CEX Office	GrantsFinder software	5	5	5	5
ED010	Economic Development	Tourism work	5	-	-	-
ED009	Economic Development	Chertsey Masterplanning	20	-	-	-
CSCD001	Community Services	CCTV design consultancy for monitoring centre	5	-	-	-
HWB028	Community Services	Budget for sport/leisure consultancy to support SWPS/ Barrsbrook project	20	-	-	-
EC008	Community Services	Increased budget for core grants to voluntary organisations	15	15	15	15
EC010	Planning Policy	Neighbourhood Plan examination costs	20	20	20	20
OD046	Digital Services	Cyber Security Training	15	5	5	5
		General Fund - Revenue Only Growth	227	68	68	68

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Summary of growth for General Fund – Revenue growth associated with capital

			Revenue				Capital			
General Fund - Capital plus associated revenue			23/24	24/25	25/26	26/27	23/24	24/25	25/26	26/27
SAP ID	Service Area	Growth Title	£000	£000	£000	£000	£000	£000	£000	£000
AR016	Assets & Regeneration	Civic Centre replacement of failing components	-	-	-	-	1,100	-	-	-
AR018	Assets & Regeneration	Climate change initiatives for operational buildings	-	-	-	-	100	100	100	100
AR007	Assets & Regeneration	Add2 RIBA 0-2 Mixed Use Development	250	-	-	-	-	-	-	-
AR013	Assets & Regeneration	Egham Precinct RIBA 0-2	250	-	-	-	-	-	-	-
	Assets & Regeneration	Provision for feasibiilty work	150							
HWB020	Community Services & Development	Paddling pool replacement programme	15	8	-	-	200	150	150	-
CDCS004	Revenues	Welfare support and corporate debt software	2	2	2	2	20	-	-	-
002	Revenues	Revenues legislative requirements - CTAX and Business rates	5	5	5	5	10	-	-	-
CDCS008	Digital Services	Waste & recycling hardware and software improvements	30	30	30	30	50	-	-	-
OD060	Digital Services	Meeting Rooms Video Conferencing	2	2	2	2	30	-	-	-
CDCS009	Parking Services	Replacement pay & display machines	5	5	5	5	50			
AR004/	Parking Services	ANPR in car parks	43	(56)	(56)	(56)	250	-	-	-
		General Fund - Capital plus associated revenue (growth)	752	(4)	(12)	(12)	1,360	150	150	-
		General Fund - Capital to be funded from existing budgets					450	100	100	100

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GENERAL FUND REVENUE RESERVES

CALCULATION OF MINIMUM PRUDENT BALANCE

The Local Government Act 2003 requires the Chief Finance Officer to report on the adequacy of financial reserves when consideration is given to the General Fund budget requirement for the year.

The minimum recommended level of unallocated General Fund reserves is based on an assessment of the following risks and uncertainties using 2023/24 estimates as the basis of the calculations:

Item	**Description**	Calculation basis Base £000	%	Total	Total £000
1	**Shortfall in major income budgets**				
	Arising from, for example, economic downturn:				
	Planning Fees	740	15	111	
	Building Control Fees	344	15	52	
	Local land charges	255	15	38	
	Car Park income	397	10	40	
	Corporate property - additional allowance for lost income	28,562	3	857	
	(A 6% reduction has already been applied to this figure in the budget)				
	Green waste collection income	555	10	56	
	Trade refuse collections (net of disposal cost)	239	15	36	
		31,092		1,189	1,189
2	**Additional 2% cost inflation**				
	Including energy costs, staff costs				560
3	**Uninsured risks**				
	Tightening insurance market leading to higher excess levels				200
4	**Emergency Planning/Business Continuity**				
	Cost of major incident (not covered by Bellwin scheme reimbursement)				100
	Business contingencies (disaster recovery)				250
5	**Planning appeals and enquiries**				
	Estimated cost of a major inquiry				150
6	**Potential additional service expenditure (not provided for in base budget)**				
	Pressure on Homelessness budget due to cost-of-living crisis				200
	Additional cost-of-living support measures				200
	Corporate property - holding costs of void properties	28,562	4		1,142
	Support for Leisure Provision in the face of rising costs				500
	Other supplementary estimates in year				500
					4,991

General Fund Summary Revenue Account

Council Budget for the Year Ending 31 March 2024

	2021/22 Actual £	2022/23 Estimate £	2022/23 Probable £	2023/24 Estimate £
Expenditure on Services				
Housing Committee	1,804,913	2,229,070	2,292,734	2,352,235
Community Services Committee	3,354,710	4,870,489	5,386,244	5,115,372
Environmental and Sustainability Committee	3,532,451	4,453,171	4,965,037	5,418,504
Licensing Committee	19,216	25,429	25,429	25,962
Regulatory Committee	76,272	105,325	101,089	114,646
Planning Committee	508,106	2,047,735	2,072,301	2,300,276
Corporate Management Committee	(19,906,913)	(17,651,960)	(17,190,976)	(14,716,553)
Growth Bids to be agreed - Revenue	0	0	0	820,000
Growth Bids to be agreed - Capital (revenue consequ	0	0	0	752,000
Net Expenditure on Services	**(10,611,245)**	**(3,920,741)**	**(2,348,142)**	**2,182,442**
Transfers and Financing Adjustments				
Accounting and Other Adjustments:				
Reversal of Depreciation Charge	(1,905,027)	(2,178,067)	(2,178,067)	(2,178,067)
Cost of Capital Charge to HRA	(43,000)	(43,000)	(43,000)	(43,000)
Other accounting adjustments	142,200	0	0	0
Transfer to/(from) Reserves:				
Business Rates Equalisation Reserve	4,120,000	(3,147,000)	(2,225,000)	0
Car Park reserve	180,000	0	0	(180,000)
Equipment repairs and renewals reserve	750,000	750,000	750,000	750,000
Property repairs and renewals reserve	950,000	1,345,000	1,345,000	750,000
Infrastructure Feasibility Study Reserve	(20,000)	(162,000)	(162,000)	0
Investment Property income equalisation reserve	950,000	750,000	750,000	750,000
Tennis Court Replacement reserve	0	0	0	14,400
Financing and Investment Income:				
Investment Income	(240,496)	(440,000)	(2,300,000)	(3,600,000)
Interest on loans to RBC companies	(1,484,043)	(1,862,000)	(1,812,000)	(2,036,000)
Capital financing costs	12,837,047	13,480,000	13,044,000	13,351,000
Minimum Revenue Provision	4,125,958	4,586,000	4,324,000	4,612,000
Taxation and Non-Specific Grant Income:				
Council Tax income	(5,832,004)	(6,198,784)	(6,198,784)	(6,447,162)
Council Tax surplus/deficit	(137,107)	(165,770)	(121,000)	(228,000)
Business Rates Retention (net)	(4,263,802)	(1,383,000)	(2,105,000)	(2,497,000)
New Homes Bonus	(599,418)	(907,260)	(907,260)	(609,806)
Services Grant	0	(127,777)	(127,777)	(72,000)
Lower Tier Services Grant	(756,085)	(125,888)	(125,888)	0
Revenue Support Grant	0	0	(295)	(82,668)
Other Grants	(1,169,816)	0	(37,084)	(506,389)
Use of / (Contribution to) Working Balance	**(3,006,838)**	**249,713**	**(478,297)**	**3,929,751**

Council Tax Income Calculation

Council Tax Base (note 1)	33,404	34,524	34,524	34,864.6
Basic Amount of Council Tax (note 2)	£174.59	£179.55	£179.55	£184.92

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.

GENERAL FUND SUBJECTIVE ANALYSIS

	2021/22 Actual £	2022/23 Estimate £	2022/23 Probable £	2023/24 Estimate £
EXPENDITURE				
Employees	18,175,127	20,742,717	20,611,951	23,863,142
Premises & Grounds Related Expenditure	5,743,938	5,538,661	6,420,629	6,503,540
Transport Related Expenditure	1,040,972	1,363,412	1,260,057	1,347,993
Supplies and Services	4,355,354	5,616,565	7,033,892	6,885,351
Direct Capital Financing Charges	1,898,206	2,183,267	2,178,067	2,178,067
Housing and Council Tax Benefits	14,910,361	14,335,000	14,335,000	14,335,000
Growth Bids to be agreed	0	0	0	1,572,000
Gross Expenditure	**46,123,958**	**49,779,622**	**51,839,596**	**56,685,093**
INCOME				
Housing Benefits Subsidy	14,875,536	14,373,800	14,373,800	14,373,800
Government Grants	1,083,415	503,585	625,682	501,140
Grants, Contributions, Donations and Sponsorship	4,312,564	2,522,919	2,781,907	2,573,622
Fees and Charges	6,526,107	6,977,197	6,283,938	6,625,958
Rents and Leases	27,625,420	27,082,020	27,805,569	27,999,689
Recycling Scheme	155,276	93,040	119,230	93,140
Recharges to Other Services	1,932,365	2,086,752	2,136,562	2,220,852
Other Income	224,520	61,050	61,050	114,450
Gross Income	**56,735,202**	**53,700,363**	**54,187,738**	**54,502,651**
Net Expenditure on Services	**(10,611,245)**	**(3,920,741)**	**(2,348,142)**	**2,182,442**

Movement in General Fund Working Balance

	2021/22 Actual £	2022/23 Estimate £	2022/23 Probable £	2023/24 Estimate £
Movement in reserves (above)	**(10,611,245)**	**(3,920,741)**	**(2,348,142)**	**2,182,442**
Accounting and Other Adjustments	(1,805,827)	(2,221,067)	(2,221,067)	(2,221,067)
Transfer to/(from) earmarked reserves	6,930,000	(464,000)	458,000	2,084,400
Financing and Investment Income	15,238,466	15,764,000	13,256,000	12,327,000
Taxation and Non-Specific Grant Income	(12,758,232)	(8,908,479)	(9,623,088)	(10,443,025)
Use of / (Contribution to) General Fund Working Balance	**(3,006,838)**	**249,713**	**(478,297)**	**3,929,751**

Housing Committee

Budget for the year ending 31 March 2024

	2021/22 Actual £	2022/23 Estimate £	2022/23 Probable £	2023/24 Estimate £
Summary				
Runnymede renewal				
Private sector renewal assistance	44,100	51,700	51,700	51,800
Care and repair service	56,017	91,879	101,879	127,579
Housing enforcement	72,919	138,250	134,150	155,200
Homes first				
Housing strategy and enabling	72,905	60,450	60,450	96,650
Housing advice and register	409,034	543,870	537,449	555,450
Property leases, working with partners	32,032	34,500	34,500	39,735
Homelessness	276,192	245,704	257,304	227,304
Magna Carta Lettings	103,967	271,730	275,680	285,530
Benefits service				
Housing and Council Tax benefits	737,747	790,987	839,622	812,987
Net expenditure	**1,804,913**	**2,229,070**	**2,292,734**	**2,352,235**

Housing Committee

Subjective analysis

	2021/22 Actual £	2022/23 Estimate £	2022/23 Probable £	2023/24 Estimate £
Expenditure				
Employees	1,453,769	1,818,100	1,854,500	1,955,200
Premises and grounds related expenditure	814,936	836,340	941,340	995,675
Transport related expenditure	18,920	19,800	19,750	19,750
Supplies and services	348,347	261,380	302,825	302,110
Support services	687,100	697,800	698,150	705,150
Capital charges	14,422	41,521	41,521	41,521
Revenue expenditure	**3,337,494**	**3,674,941**	**3,858,086**	**4,019,406**
Housing benefits granted	14,910,361	14,335,000	14,335,000	14,335,000
Total expenditure	**18,247,855**	**18,009,941**	**18,193,086**	**18,354,406**
Income				
Housing benefits subsidy	14,875,536	14,373,800	14,373,800	14,373,800
Government grants	335,513	241,140	241,140	241,140
Grants and contribution to costs	414,338	368,231	399,712	431,731
Fees and charges	817,555	797,700	885,700	955,500
Gross income	**16,442,942**	**15,780,871**	**15,900,352**	**16,002,171**
Net expenditure	**1,804,913**	**2,229,070**	**2,292,734**	**2,352,235**

Community Services Committee

Budget for the year ending 31 March 2024

	2021/22 Actual £	2022/23 Estimate £	2022/23 Probable £	2023/24 Estimate £
Summary				
Older people services				
Older people services administration	(261,618)	(46,861)	(52,626)	(8,101)
Centres for older people	647,862	608,773	721,083	778,018
Community meals service	151,542	82,475	172,249	173,841
Community alarm (Careline)	(41,374)	(33,716)	(34,759)	(70,594)
Community transport services				
Runnymede community transport	131,216	603,161	419,193	356,831
Community Safety				
Safer Runnymede	501,131	372,215	600,073	479,263
Community Safety Partnership	61,516	66,900	71,400	138,502
Assistance to voluntary organisations				
Grant aid	327,647	364,987	426,850	373,777
Cultural and related services				
Leisure and sports development	735	546,831	490,125	732,074
Chertsey Museum service	174,190	238,689	224,195	255,292
Allotments	22,385	32,943	32,129	33,067
Community halls	242,699	325,688	341,999	333,169
Parks and open spaces	1,371,580	1,626,523	1,982,146	1,487,123
Environmental and regulatory services				
Cemeteries and closed churchyards	25,200	81,881	(7,813)	53,110
Net expenditure	**3,354,710**	**4,870,489**	**5,386,244**	**5,115,372**

Community Services Committee

Subjective Analysis

	2021/22 Actual £	2022/23 Estimate £	2022/23 Probable £	2023/24 Estimate £
Expenditure				
Employees	3,757,433	4,547,547	4,429,903	4,444,378
Premises and grounds related expenditure	1,337,144	1,300,902	1,492,186	1,449,049
Transport related expenditure	302,593	492,975	391,137	418,031
Supplies and services	1,113,590	1,314,365	1,618,987	1,682,478
Support services	1,112,479	1,175,580	1,165,080	1,120,080
Depreciation and impairments	816,675	826,684	826,684	826,684
Gross expenditure	**8,439,915**	**9,658,053**	**9,923,977**	**9,940,700**
Income				
Government grants	216,226	0	0	0
Grants, donations and sponsorship	1,260,656	935,018	1,090,975	948,138
Sales, fees and charges	1,688,250	2,426,568	1,976,409	2,419,094
Rents and leases	1,420,579	924,248	988,299	976,046
Recharges to other services	489,780	494,980	475,300	475,300
Other income	9,715	6,750	6,750	6,750
Gross income	**5,085,206**	**4,787,564**	**4,537,733**	**4,825,328**
Net expenditure	**3,354,710**	**4,870,489**	**5,386,244**	**5,115,372**

Environment and Sustainability Committee

Budget for the year ending 31 March 2024

	2021/22 Actual £	2022/23 Estimate £	2022/23 Probable £	2023/24 Estimate £
Summary				
Environmental and regulatory services				
Environmental administration	(1,059)	590	1,090	(163)
Environmental enforcement	(877)	59	85	(20)
Grounds Maintenance	0	0	119,500	384,700
Pollution control	245,860	296,617	289,510	322,231
Local air pollution	48,621	56,812	54,232	55,093
Occupational health, safety and welfare	95,186	113,250	112,940	119,150
Food safety and hygiene	153,297	194,818	194,538	216,155
Pest control and dog warden service	22,225	22,200	21,950	23,325
Animal welfare licensing	2,870	11,850	10,570	12,650
Recycling and environmental initiatives	1,371,117	1,550,496	1,547,560	1,617,073
Green waste collection	(250,030)	(222,926)	(175,456)	(162,974)
Refuse collection - domestic	914,106	1,120,001	1,135,194	1,169,989
Refuse collection - trade waste	(156,867)	(117,280)	(110,391)	(79,462)
Street cleansing	911,338	1,013,761	1,013,503	1,074,752
Public conveniences	22,761	19,793	21,965	21,170
Flood mitigation	195,833	228,634	226,120	232,454
Energy management and climate change	41,145	71,695	131,695	72,915
Highways and transport services				
Car parks	(215,265)	(236,232)	(12,744)	174,931
On street car parking enforcement	(464)	5,015	49,049	0
Environmental maintenance	67,137	90,898	90,848	90,439
Borough highways functions	56,554	222,757	231,816	62,306
Markets and street trading	10,700	11,718	11,718	11,700
Engineering services	(1,737)	(1,355)	(255)	90
Net expenditure	**3,532,451**	**4,453,171**	**4,965,037**	**5,418,504**

Environment and Sustainability Committee

Subjective analysis

	2021/22 Actual £	2022/23 Estimate £	2022/23 Probable £	2023/24 Estimate £
Expenditure				
Employees	3,111,972	3,556,836	3,688,851	4,043,971
Premises and grounds related expenditure	570,019	611,448	603,183	509,564
Transport related expenditure	729,310	843,162	856,650	900,479
Supplies and services	576,776	804,682	935,730	743,996
Support services	802,460	844,860	849,860	847,260
Depreciation and impairment losses	516,259	520,517	520,517	520,517
Gross expenditure	**6,306,796**	**7,181,505**	**7,454,791**	**7,565,787**
Income				
Government grants	104,515	0	0	0
Other grants and contributions	193,849	125,273	129,073	28,352
Sales, fees and charges	1,921,537	2,095,479	1,816,109	1,587,749
Recycling credits	3,361	1,100	1,100	1,200
Recycling scheme	151,915	91,940	118,130	91,940
Recharges to services	399,168	414,542	425,342	438,042
Gross income	**2,774,345**	**2,728,334**	**2,489,754**	**2,147,283**
Net expenditure	**3,532,451**	**4,453,171**	**4,965,037**	**5,418,504**

Licensing Committee

Budget for the year ending 31 March 2024

	2021/22 Actual £	2022/23 Estimate £	2022/23 Probable £	2023/24 Estimate £
Summary				
Alcohol and related licensing	19,216	25,429	25,429	25,962
Net expenditure	**19,216**	**25,429**	**25,429**	**25,962**

Licensing Committee

Subjective analysis

	2021/22 Actual £	2022/23 Estimate £	2022/23 Probable £	2023/24 Estimate £
Expenditure				
Employees	41,100	45,500	45,500	45,700
Transport related expenditure	800	825	825	828
Supplies and services	733	1,604	1,604	1,734
Support services	42,500	45,500	45,500	45,700
Gross expenditure	**85,133**	**93,429**	**93,429**	**93,962**
Income				
Government grants	3,765	0	0	0
Fees and charges	62,152	68,000	68,000	68,000
Gross income	**65,917**	**68,000**	**68,000**	**68,000**
Net expenditure	**19,216**	**25,429**	**25,429**	**25,962**

Regulatory Committee

Budget for the year ending 31 March 2024

	2021/22 Actual £	2022/23 Estimate £	2022/23 Probable £	2023/24 Estimate £
Summary				
Gambling	9,110	8,865	8,865	9,365
Taxi licensing	64,572	79,590	81,971	88,091
Other licences	2,590	16,870	10,253	17,190
Net expenditure	**76,272**	**105,325**	**101,089**	**114,646**

Regulatory Committee

Subjective analysis

	2021/22 Actual £	2022/23 Estimate £	2022/23 Probable £	2023/24 Estimate £
Expenditure				
Employees	92,900	99,810	99,810	102,210
Premises and grounds related expenditure	4,970	5,580	5,080	5,080
Transport related expenditure	2,000	2,040	2,040	2,040
Supplies and services	2,297	6,745	5,796	5,931
Support services	57,400	59,500	59,500	59,800
Gross expenditure	**159,567**	**173,675**	**172,226**	**175,061**
Income				
Government grants	16,916	0	3,017	0
Costs recovered	2,705	3,000	3,000	3,000
Sales, fees and charges	63,674	65,350	65,120	57,415
Gross income	**83,295**	**68,350**	**71,137**	**60,415**
Net expenditure	**76,272**	**105,325**	**101,089**	**114,646**

Planning Committee

Budget for the year ending 31 March 2024

	2021/22 Actual £	2022/23 Estimate £	2022/23 Probable £	2023/24 Estimate £
Summary				
Planning Policy and Strategy	570,080	797,190	800,774	858,377
Development Management	(378,401)	1,112,972	1,133,454	1,156,961
Building Control:				
Non Fee Related	297,828	163,318	163,318	212,459
Fee Related	18,599	(25,745)	(25,245)	72,479
Net Expenditure	**508,106**	**2,047,735**	**2,072,301**	**2,300,276**

Planning Committee

Subjective Analysis

	2021/22 Actual £	2022/23 Estimate £	2022/23 Probable £	2023/24 Estimate £
Expenditure				
Employees	1,990,423	2,185,270	2,239,917	2,361,590
Premises Related Expenses	1,300	1,900	1,900	1,900
Transport Related Expenditure	33,300	36,650	36,650	36,785
Supplies and Services	188,727	476,770	391,389	550,556
Support Services	840,020	689,320	689,320	742,720
Depreciation and Impairments	2,725	10,125	10,125	10,125
Gross Expenditure	**3,056,495**	**3,400,035**	**3,369,301**	**3,703,676**
Income				
Government grants	33,752	75,000	65,000	43,000
Contributions / Costs Recovered	776,693	-	10,200	10,200
Sales, Fees and Charges	1,525,844	1,226,000	1,170,500	1,245,500
Other income and recharges	212,100	51,300	51,300	104,700
Gross Income	**2,548,389**	**1,352,300**	**1,297,000**	**1,403,400**
Net Expenditure	**508,106**	**2,047,735**	**2,072,301**	**2,300,276**

Corporate Management Committee

Budget for the year ending 31 March 2024

Summary	2021/22 Actual £	2022/23 Estimate £	2022/23 Probable £	2023/24 Estimate £
Corporate and democratic services				
Corporate management	857,540	949,531	1,113,491	1,097,374
Democratic representation and management	953,835	1,028,423	1,032,132	1,042,581
Central services to the public				
Council tax collection	635,972	706,654	707,454	721,349
National non domestic rate	(110,605)	79,801	53,221	88,462
Registration of electors	179,165	181,900	182,815	204,680
Elections	148,873	230,306	227,444	230,900
Communications service	159,521	215,500	231,200	231,180
Local land charges	8,359	4,013	6,375	2,013
Contingencies planning	182,094	218,059	267,996	212,896
Business services				
Corporate land and property holdings - current portfolio	(23,273,727)	(22,756,176)	(22,497,296)	(22,791,978)
Corporate land and property holdings - development	316,991	344,917	415,267	434,230
Control and establishment budgets				
Civic Centre	(282,954)	(155,134)	(28,336)	99,877
Chertsey Depot	(19,254)	(24,332)	(14,076)	12,015
Staff costs	(163,200)	(94,500)	(263,500)	1,546,700
Employers costs	984,385	943,298	755,128	1,344,810
Staff training and recruitment	7,433	(42,500)	7,517	8,250
Car allowances	25	0	0	0
Financial services	(255,018)	(55,703)	(4,138)	12,539
Computer services	78,412	297,290	295,587	393,394
Corporate document management system	(29,765)	(22,661)	(24,788)	(31,712)
Post room management services	(16,727)	890	1,090	(5,510)
Runnymede web	(45,869)	733	12,183	19,833
Human resources	(28,945)	31,627	39,611	110,176
Projects and procurement services	8,667	130,556	145,120	155,442
Customer services	(99,046)	57,152	56,416	44,171
Law and governance services	(94,898)	75,271	91,486	89,254
Geographical information service	(4,229)	5,128	5,128	(126)
Runnymede direct services	(3,904)	(10,263)	(15,203)	(3,813)
Radio station	(160)	1,100	1,100	1,200
Transport overheads	116	7,160	8,600	13,260
Net expenditure (income)	**(19,906,913)**	**(17,651,960)**	**(17,190,976)**	**(14,716,553)**

Corporate Management Committee

Subjective analysis

	2021/22 Actual £	2022/23 Estimate £	2022/23 Probable £	2023/24 Estimate £
Expenditure				
Employees	7,727,528	8,489,654	8,253,470	10,910,093
Premises related expenditure	3,015,569	2,782,491	3,376,940	3,542,272
Transport related expenditure	(45,951)	(32,040)	(46,995)	(29,920)
Supplies and services	1,903,870	2,503,819	3,505,316	3,306,461
Third party payments	221,014	247,200	272,245	292,085
Support services	3,899,893	4,034,020	4,034,180	3,976,480
Depreciation and impairment losses	548,125	784,420	779,220	779,220
Gross expenditure	**17,270,048**	**18,809,564**	**20,174,376**	**22,776,691**
Income				
Government grants	372,728	187,445	316,525	217,000
Costs and penalties recovered - includes other grants & contribut	1,667,028	1,094,397	1,151,947	1,155,201
Other fees and charges	211,924	53,100	57,100	38,100
Rents and leases	26,204,841	26,157,772	26,817,270	27,023,643
Land charges search fees	235,171	245,000	245,000	254,600
Recharges to other services	8,485,269	8,723,810	8,777,510	8,804,700
Gross income	**37,176,961**	**36,461,524**	**37,365,352**	**37,493,244**
Net expenditure	**(19,906,913)**	**(17,651,960)**	**(17,190,976)**	**(14,716,553)**

Note: Service Committee net expenditure totals will vary slightly to indivudual Committee lines on the GF Summary due to allocations and recharges between services.

Statement of the Chief Financial Officer, (Amanda Fahey, Assistant Chief Executive)

1. **Introduction**

1.1 Section 25 of the Local Government Finance Act 2003 places a statutory duty on the Chief Financial Officer to report to the authority, at the time the budget is considered, and the council tax is set, on:
- the robustness of the estimates included in the budget and
- the adequacy of the proposed financial reserves

1.2 The Act requires councillors to have regard to the report in making decisions at the Council's budget setting and council tax setting meeting(s).

1.3 In expressing this opinion, I have considered the financial management arrangements of the Council, the overall financial and economic environment, the financial risk facing the Council, the budget assumptions, the level of reserves, and the Council's overall financial standing.

2 Financial Management Arrangements

2.1 The Council has a rigorous system of budget monitoring and financial control in place, with regular reporting at Committee level. Comprehensive financial regulations sit within the Council's Constitution, providing a transparent framework for budget management, supplemented by Contract Standing Orders which support the procurement of value-for-money goods and services. A project management ethos is embedded within the organisation and key performance indicators are used to monitor outcomes.

2.2 The Council's committee system of governance and decision-making is supplemented by Member working groups where detailed proposals and new ideas can be thoroughly explored before recommendations come forward, including their financial impact. Mirroring this framework, are a number of Officer working groups, designed to support each of the five strands of the Corporate Business Plan, with the addition of a Service Review and Transformation Group to support the delivery of efficiencies, and an Assets and Regeneration group to maintain focus on maintenance of the Council's assets, continued regeneration of the Borough, and optimisation of the major income stream flowing from the Council's commercial property portfolio.

2.3 In January 2022, a report was presented to Standards and Audit Committee, on the Council's self-assessment of its compliance with Cipfa's Financial Management Code. The Code requires all Councils to demonstrate the processes they have in place to satisfy the principles of good financial management, which is an essential part of ensuring that public sector finances are sustainable. It focuses on value for money, governance and financial management styles, financial resilience and financial sustainability. The Code identifies risks to financial sustainability and introduces an overarching framework of assurance which builds on existing financial management good practice.

2.4 The self-assessment concluded that the Council was compliant with all 17 standards set out in the Code, highlighting a number of areas for improvement in the short term, which have been delivered, and for enhancement over the medium term, which are in progress.

2.5 The budget has been prepared within the terms of the Medium-Term Financial Strategy and in consideration of the key financial risks identified therein, particularly the effects of the current economic climate and high levels of inflation. The budget is built up from detailed returns by individual budget holders who have the knowledge of the costs, commitments and anticipated income for their areas, supported by their accountants. Member scrutiny is provided at individual committee level for fees and charges; by the Housing Committee for the HRA estimates; and the Corporate Management Committee for the General Fund estimates before the overall budget is considered by all Members at full Council.

2.6 A budget briefing was held for all Members in December, to provide an outline of the process for building the budget and to set out the particular challenges facing the Council at the current time.

2.7 The Council continues to meet requirements to produce what has now become a suite of financial management reporting, including the budget estimates for both the General Fund and the Housing Revenue Account, the Medium-Term Financial Strategy, Treasury Management and Investment Strategies and Capital Strategy, which together form the framework for financial decision-making in the Council.

2.8 In addition, the Council has due regard to both statutory and non-statutory guidance including the Prudential Code for Capital Finance in Local Authorities, and related Investment Guidance and seeks to understand the effects of potential changes in legislation resulting from new Acts of Parliament, which may impact the way it manages its finances, such as the Levelling up and Regeneration Bill, which is currently under consideration.

2.9 The Council's internal audit service provides assurance over the main financial system and processes, which consistently achieve a "substantial" rating and provided an overall opinion for 2021/22 that the Council has adequate and effective management, control and governance processes in place to manage the achievement of its objectives.

2.10 A factor beyond the Council's control, but one which may create a perceived weakness in its financial arrangements, is the severe delays in local authority external auditing. In December 2022, Steven Freer, the Chair of Public Sector Audit Appointments (PSAA), the body authorised by Government to appoint auditors for the sector, said:

"The scale of the backlog of outstanding opinions is such that it is beginning to seriously undermine the financial management, governance and accountability of local government bodies. As 2023 approaches more than 160 bodies are still awaiting audit opinions for both 2020/21 and 2021/22 and for some even earlier years. As a result they are making decisions, managing multiple financial challenges and laying plans for the future with limited assurance about their underlying financial positions. The local audit system desperately needs to find a way of clearing the backlog and restoring the norm of timely opinions as quickly as possible."

2.11 At the time of writing this statement, the Council's audit for the years 2019/20, 2020/21 and 2021/22 are all outstanding. While there remains an underlying risk until such time as the audit profession is able to deliver to more appropriate timescales, this risk is mitigated by the Chief Financial Officer's sign off of the annual statements as a true and fair view of the Council's financial position, and by the robust financial controls mentioned in earlier paragraphs.

2.12 I consider the financial management arrangements of the Council to be sufficiently robust to maintain adequate and effective control of the budget for 2023/24.

3 Financial and Economic Environment, Risks and Assumptions.

3.1 As noted earlier, the budget has been prepared in consideration of the key financial risks identified in the MTFS including the exceptional economic landscape and high inflation levels. Assumptions have been made within the budget of the effect of inflation on costs and income projections, taking into account not only the rising costs of goods and services that the Council purchases but also the affordability of fees and charges to the ultimate consumer. The accuracy of these assumptions has an important interaction with the level of reserves it is felt appropriate to hold. No budget will ever be 100% accurate, as both costs and demand change over time, and it is essential therefore to hold a sufficient buffer to allow for variation in the estimates.

3.2 The budget allows for a 3% pay award in July 2023, remodelling of the pay scales to encompass the increase to the National Living Wage, and a one-off lump sum to support staff with the rising cost of living. This provides a balance between rewarding staff appropriately while having due regard to the Council's overall financial position.

3.3 While the Provisional Local Government Finance Settlement has provided additional funding to that previously expected for 2023/24, and has set out some parameters for 2024/25, there still remains some considerable uncertainty as to future funding, with the Review of Relative Needs still looming on the horizon, alongside the future for New Homes Bonus and the timing of Business Rates resets. However, the Council uses a range of sources to support its financial modelling and assumptions for future funding, in order to plan its resources for the future and make prudent estimates in its budget plans.

3.4 Growth has been included in the revenue budget, despite the need for corrective action to address the underlying budget deficit. All growth proposals have been carefully considered and only recommended where they support Council priorities or add necessary information to plan future spending (e.g., condition surveys, feasibility studies).

3.5 Growth in future years will need to be considered alongside achievement of savings and efficiencies to rebalance the budget, and in-year Supplementary Estimates will need to be carefully monitored and only agreed where essential e.g., for health and safety reasons, for invest-to-save initiatives, or to progress a key corporate priority. This is particularly relevant where on-going expenditure is approved in year, which will be at the expense of increasing the on-going budget deficit.

3.6 I consider that these budget proposals take due regard to risk, including the financial and economic environment, and that the assumptions within the budget are reasonable and the estimates used are robust.

4 Level of Reserves and overall Financial Standing

4.1 At the current time, there is an increasing focus on the financial sustainability of local government. The past few years have seen an upsurge in the number of s114 reports being issued, where Chief Financial Officers formally record the likelihood that the Council's expenditure will exceed its available resources. In addition, the audit regime is tightening, with an increased focus on the "value for money" conclusion where the auditor reports on the Council's use of its resources.

4.2 Regulatory requirements have also been amended, via the Prudential code for Capital Finance and associated Investment guidance, revised Treasury Management Code, the Financial Management code and potentially further through measures designed to mitigate financial risk that may be implemented under the Levelling up and Regeneration Bill, once enacted.

4.3 As part of its policy statement on local government funding, the Government encouraged Councils to use their reserves to manage the inflationary pressures they are facing, and also set out an intention to better understand the quantum of reserves held at each authority. Much of this information is already returned via the annual statutory Revenue Outturn and Revenue Estimates forms that Councils are required to complete, and which already form the basis of Cipfa's Financial Resilience Index.

4.4 The Resilience Index is a comparative analytical tool that may be used to support good financial management and provide a common understanding of a council's financial position. The Index shows the council's position on a range of measures associated with financial risk with a considerable focus on the level of reserves and movement on reserves, over a four-year period. This does however mean that the Index was severely impacted by the significant covid-related payments made to councils at the end of 2020/21.

4.5 An updated Index has not yet been produced to include data for 2021/22 but the last published Index showed Runnymede in a reasonable position for financial sustainability, against a comparator group of other non-Metropolitan Districts, scoring low risk for sustainability of reserves, level of reserves, change in reserves and ratio of council tax to net revenue expenditure but with higher risk scores for the ratio of interest payable to net revenue expenditure, level of gross external debt, ratio of fees and charges to total service expenditure and business rates growth above baseline funding levels. These financial risks are covered in the MTFS and in the budget, through risk mitigation measures such as:

- holding earmarked reserves to support fluctuations in commercial property income and to maintain assets in a lettable condition
- adequate provision for bad debts
- provision for debt repayment (minimum revenue provision) and interest payments
- sound governance of the property portfolio
- production of the new Asset Management Strategy planned for early in the new year

4.6 In addition to earmarked reserves for specific purposes, the Council holds a General Fund "Woking Balance" to support the Revenue Account. The balance at the start of the current financial year was £18.2m. Without corrective action this is forecast to fall to £7.7m by the end of 2025/26. Using reserves to cover budget shortfalls in the near term, especially during a turbulent economic period, is an acceptable use of this contingency, but care must be taken not to be over-reliant on reserves. The Council must maintain a sufficient level of reserves moving forward to continue to support its financial sustainability into the future. To this end, the budget report recommends increasing the minimum threshold for the working balance from £3m to £5m, whilst recognising that balances will fluctuate year on year.

4.7 I consider the level of reserves presented in the budget estimates to be adequate to support the on-going financial sustainability of the Council.

5 Conclusions

5.1 The Council faces a challenging financial period as it uses reserves to support its budget in the short term while developing plans for addressing the underlying budgetary pressures over the medium term. The Council will need to maintain robust control over costs, maximise income, and continue to seek savings and efficiencies whilst managing risks through the holding of adequate levels of reserves. This will require Members and officers to continue to practice strong financial discipline including recognising the financial restrictions the Council may face, as a consequence, for example, of the economic climate and further regulatory control. It must also be ready to embrace new opportunities as they arise, including technological change.

5.2 Taking all of the above into account, as the Council's Chief Financial Officer, I am satisfied that the budget proposals set out in this report are robust and sustainable and that the level of reserves is adequate to address the financial risk facing the Council.

Amanda Fahey
Assistant Chief Executive & s151 Officer

ASSISTANT CHIEF EXECUTIVE – ESTABLISHMENT OF APPOINTMENTS PANEL (CHIEF EXECUTIVE - PAUL TURRELL)

Synopsis of report:

To agree the procedure to be adopted for the recruitment of a second Assistant Chief Executive.

Recommendations:

a) That an Appointments Sub-Committee be established in accordance with the proposed arrangements set out in this report.

b) That the membership of the Appointments Sub-Committee be agreed, in accordance with the proportionality calculations set out in paragraph 2.9.

c) That the Committee request the Constitution Member Working Group review proposals for a standing Appointments Sub-Committee for subsequent consideration at Annual Council in May 2023.

1. **Context of report**

1.1 In order to provide greater capacity at senior management level to support the Chief Executive in the overall management of the authority, the creation of a second Assistant Chief Executive position was agreed by the Corporate Management Committee on 15 December 2022. It is anticipated that this role will have oversight of Planning service areas, Environmental Services and Housing but this portfolio may be varied according to the skills of the successful candidate.

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

2.1 Current Personnel Policies and Standing Orders require in the case of a Chief Officer appointment that-

This Council must appoint an Appointments Committee (Current legislation prohibits “alternative arrangements” authorities such as Runnymede from appointing more than five policy Committees. Runnymede already has this number. The simplest way to comply whilst fulfilling the appointments procedure is to constitute an Appointments Sub-Committee of this Committee).

2.2 The Council’s Constitution is clear that only full Council may create a sub-committee (Constitution – Committee Responsibilities – Para 1.5 – Page 29), so where time permits, this Committee would look to recommend to Full Council the creation of an Appointments Sub-Committee at its next scheduled meeting.

2.3 The Chief Executive, Chairman and Vice Chairman of this Committee are however of the opinion that the establishment of an Appointments Sub-

Committee cannot be reasonably delayed until the next meeting of Council on 9 February 2023. This is because of the urgent need for capacity in the Council's corporate leadership team to address current and anticipated financial and service related challenges. It is for this reason that this Committee is invited to exercise the powers of Full Council in accordance with the Constitution where a decision "…*is needed so urgently that it cannot reasonably be delayed until the next meeting of the Council, the matter in question shall become a delegated function for the purposes of that decision only"* (Constitution – Committee Responsibilities – Para 1.3 – Page 29).

2.4 Once created, the Appointments Sub-Committee shall continue to exist until it is disestablished or ceases to exist after the delivery of its purpose i.e. the appointment and commencement in post of the newly created role of Assistant Chief Executive. Separately, it is the recommendation of officers that a standing Appointments Sub-Committee be created at Annual Council in May 2023 to deal with such senior appointments to avoid the need to create role-specific Appointments Sub-Committees such as this one. This will be considered by the Constitution Member Working Party with recommendations brought forward alongside other proposed updates to the Constitution in early 2023.

2.5 The Appointments Sub-Committee would be asked to agree the candidates to be invited for an interview, conduct interviews, and make a recommendation to the Corporate Management Committee.

2.6 For the urgency reasons set out above, Full Council on 2 March 2023 will be asked to delegate authority to the Corporate Management Committee to make the formal offer of appointment to the preferred candidate.

An indicative timetable for this process has been set out below:

- **21 February 2023** – members of the Appointments Sub-Committee provided with the 'longlist' of candidates and asked to agree the candidates for interview i.e. the agenda for the 1 March 2023 meeting is published.
- **1 March 2023 at 7.30pm** – the Appointments Sub-Committee to meet to agree the list of candidates for interview.
- **2 March 2023** – Full Council asked to agree a delegation to the Corporate Management Committee.
- **6 March 2023** – Appointments Sub-Committee agenda published.
- **14 March 2023 (all day)** – Appointments Sub-Committee conducts interviews and agrees which candidate it would like to recommend to the Corporate Management Committee for appointment.
- **23 March 2023 (7.30pm)** – Corporate Management Committee considers the Appointment Sub-Committee's recommendation.

2.7 The Chief Executive and Corporate Head of HR have prepared a recruitment pack. A suitable consultant will be appointed in accordance with the Council's Contract Standing Orders. This consultant will be asked to draw up a longlist of candidates and make recommendations for interview by the Appointments Sub-Committee. The Council uses a range of psychometric assessments tools as standard practice for this level of appointment and these tools will be used again as part of the assessment process.

2.8 The membership of the Appointments Sub-Committee has to be drawn from the membership of the Corporate Management Committee and must reflect the political balance rules which apply to the membership of Committees. When this previously occurred in 2021, in order to secure compliance with those rules, the membership of the Appointments Sub-Committee was made up as follows:

4 x Conservative Group
1 x RIRG
1 x Liberal Democrats
1 x Labour

2.9 The calculations informing these allocations to groups have altered slightly following the election results in May 2022. The Committee is therefore invited to reconsider the political makeup of the Appointments Sub-Committee. Up to date calculations for a sub-committee of 7 have been provided below:

Group	**Calculated share of 7 seats**
Conservative	4.098
RIRG	1.024
Independent Group	0.512
Labour and Co-Op	0.512
Liberal Democrat	0.512
Green and Independent Alliance	0.341

2.10 To ensure the effective use of the Committee's time when this matter is considered, officers encourage political Group Leaders to liaise with each other in advance of the Corporate Management Committee in order to discuss their preferences around the seats to be allocated to political groups and to identify appropriate Members to join the sub-committee.

3. **Policy framework implications**

3.1 The Council is required by virtue of the provisions of the Local Government Act 1972 to determine what number of staff it requires in order to discharge its various functions.

4. **Resource implications**

4.1 The costs of this process will be met from a combination of existing budgets and the growth bid for the financial year 2023/4.

5. **Legal implications**

5.1 Appointments to the post of Assistant Chief Executive are governed by the provisions of Section 7 of the Local Government and Housing Act 1989 (the 1989 Act) (requiring all appointments to be on merit) and the Standing Orders and procedures referred to above.

5.2 Under the 1989 Act and relevant regulations, the Appointments Sub-Committee will need to be politically balanced and have sufficient seats to allow for this. The numbers proposed at paragraph 2.13-2.15 satisfy the political balance requirements.

6. **Equality implications**

6.1 Any recruitment exercise undertaken by the Council has to comply with national legislation in respect of equalities legislation.

7. Environmental/Sustainability/Biodiversity implications

7.1 None

8. **Other implications (where applicable)**

8.1 None

(To resolve)

Background papers

None stated

Exclusion of Press and Public
Officers' Recommendation that –

the press and public be excluded from the meeting during discussion of the following report under Section 100A(4) of the Local Government Act 1972 on the grounds that the report in question would be likely to involve disclosure of exempt information.

(To resolve)

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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