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Runnymede BOROUGH COUNCIL

Overview and Scrutiny Select Committee

Wednesday, 13 December 2023 at 7.30 pm

Council Chamber - Civic Centre

Members of the Committee

Councillors: J Furey (Chairman), N Prescot (Vice-Chairman), A Balkan, T Burton, T Gates, L Gillham, A King, S Lewis and M Singh

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

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 **Democratic Services, Democratic Services Section, Law and Governance Business Centre, Runnymede Civic Centre, Station Road, Addlestone (Tel: Direct Line: 01932 425623). (Email: Democratic.Services@runnymede.gov.uk).**

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

4) In the unlikely event of an alarm sounding, members of the public should leave the building immediately, either using the staircase leading from the public gallery or following other instructions as appropriate.

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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

There are no exempt or confidential items on this agenda.

Runnymede Borough Council

Overview and Scrutiny Select Committee

Thursday, 5 October 2023 at 8.03 pm

Members of the Committee present:	Councillors N Prescot (Vice-Chair, in the Chair), A Balkan, T Burton, T Gates, L Gillham, E Kettle, A King, S Lewis and J Wilson (In place of J Furey).
Members of the Committee absent:	Councillors J Furey (Chairman).
In attendance:	Councillors S Jenkins.

5 **Minutes**

The Minutes of the meeting held on 6 July 2023 were confirmed and signed as a correct record.

6 **Apologies for Absence**

No apologies for absence were received.

7 **Declarations of Interest**

No declarations of interest were made.

8 **Treasury Management Outturn Report 2022/23**

The Council's Corporate Head of Finance advised that the report set out the Council's treasury performance during the past financial year against the regulations and economic background.

An update on the breach of counterparty limits which had been reported in accordance with treasury procedures in the year was given and officers had established new preventive controls and procedures to ensure that this did not happen again. Making changes to the software to provide additional controls was discounted as this would create the need for additional manual workarounds in other areas of the system which would create more scope for human error.

The Council's borrowing activity had increased substantially over the period, however no new loans were taken out to replace the £10m of maturing debt, instead investment balances and cash flows were utilised as a temporary measure whilst interest rates remained high. This was known as internal borrowing and the total such borrowing amounted to c£63m at the year end.

However, for the investment activity advantage had been taken of the high interest rates, which when combined with less actual borrowing had led to an end year betterment over the original estimates of £1.8m.

A Member asked about the impact of the mini budget on the council's treasury performance, and was advised that it had had little impact other than a small betterment in the council's investment income due to the impact on interest rates.

9 **Treasury Management Q1 Report 2023/24**

The Corporate Head of Finance advised that the report set out the treasury activity for the first three months of the financial year.

A requirement of the new treasury and prudential codes also required the reporting of non treasury investments, which in the Council's case means reporting on investments in companies and investment properties. As part of the property metrics approved by Members earlier in the year the reporting formed part of the capital investment strategy and asset management strategy.

On the Council's investment activity, the actual interest rate performance during Q1 2023/24 was 4.31%, which compared favourably with the average SONIA rates for the period, whilst a small portion of the annuity loan had been repaid against a backdrop of climbing PWLB rates.

In response to a member query on the terms of working capital loans, the Corporate Head of Finance advised these were either across ten or fifteen years, and the most recent had been in the first quarter, which had been drawn down from the working capital pot previously approved by Council for a loan to one of the Council's own companies.

10 **Work programme**

The potential topics discussed at the previous committee to form part of the work programme for 2023/24 had been refined, and the committee agreed to proceed with two topics and earmarked a third.

The prospect of inclusion of Integrated Care Partnership was discounted on the basis that the Council had minimal involvement in its operation, a review of the role of SAG was decided to be put on hold until the implementation of Martyn's Law, whilst the statistics to reveal more details on the reporting side of the website would be taken through the relevant member working party in the first instance.

The committee opted to proceed with the regulatory regime on Houses in Multiple Occupation (HMOs), and the policies which Runnymede currently operate, as well as the implementation and operation of the new inhouse grounds maintenance service.

Whilst the committee acknowledged that the scope of the HMO review would not involve questioning the national licensing situation, the attendance of officers from both a licensing and planning background was requested, whilst there was also a request to have representation from Royal Holloway University, and ideally a landlord of HMOs.

The committee were advised that there would likely be capacity for an additional topic for the municipal year, and a desire was expressed to cover the maintenance of the civic centre. This would be confirmed to officers in advance of the next scheduled meeting.

Resolved that –

The Committee confirmed its initial topics to cover for the 2023/24 year as part of its work programme.

(The meeting ended at 8.37 pm.) Chairman

Report title	**Treasury Management Report – Mid Year 2023/24**
Report author	A Ismailov - Senior Accountant
Department	Financial Services
Exempt?	No

Purpose of report:

For information

Synopsis of report:

This is the report on Council's treasury management activity and performance in the first half of the 2023/24 financial year focusing on financing and liquidity, cash management and risk management.

The report also reflects on the mid-year review of Council's treasury and investment strategies, along with prudential indicators, and compliance with the limits set for 2023/24.

1. Background Information

1.1. The Council's treasury management activity is underpinned by CIPFA's (Chartered Institute of Public Finance and Accountancy) Code of Practice on Treasury Management ("the Code"), and the CIPFA Prudential Code for Capital Finance in Local Authorities ("the Prudential Code"). These require local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. From 2023/24, the Code also recommends that members are informed of treasury management activities quarterly.

1.2. The Council's Treasury Management Strategy for 2023/24 was approved at Full Council on 09 February 2023. This report sets out the Council's performance against the criteria in this report in the first half of 2023/24.

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

1.4. No treasury management activity is without risk; 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 focuses on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

1.5. The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report, therefore, provides details of the treasury activities and highlights compliance with the Council's policies previously approved by the members.

1.6. This report was also presented to the Corporate Management Committee on 23 November 2023.

2. Prudential and Treasury Indicators and Compliance

2.1. In compliance with the requirements of the Code this report provides members with a summary report of the treasury management activity during the first half of financial year of 2023/24 (“H1 2023/24”). Officers can confirm that during H1 2023/24, the Council complied with all its legislative and regulatory requirements and its Treasury Management Strategy Statement and Treasury Management Practices.

2.2. There are no proposed changes to the current Treasury Management Strategy.

2.3. During the first half of the year the Council operated within the treasury and prudential indicators set out in the Council’s Treasury Management Strategy and in compliance with the Council's Treasury Management Practices and a prudent approach was taken in relation to all investment activity with priority being given to security and liquidity over yield.

2.4. A full set of prudential and treasury indicators for H1 2023/24 are set out in Appendix A

3. Risk management

3.1. The Council aims to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. The Treasury Management Strategy Statement (“TMSS”) for 2023/24, which includes the Annual Investment Strategy, sets out the Council’s investment priorities as being:

<u>Credit risk</u>
Counterparty credit quality is assessed and monitored with reference to credit ratings including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

<u>Liquidity risk</u>
In keeping with the DLUHC Guidance on Investments, the Council maintains a sufficient level of liquidity using Money Market Funds and call accounts.

<u>Yield</u>
The Council seeks to optimise returns commensurate with its objectives of security and liquidity.

4. Economic update

4.1. The following section was provided by the Council’s Treasury Advisors, Link Group and reflects the market position in October 2023:

4.2. The first half of 2023/24 saw:

- Interest rates rise by a further 100 basis points, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.
- Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.
- A 0.5% month on month decline in real GDP (Gross Domestic Product) in July, mainly due to more strikes.
- CPI (Consumer Price Index) inflation falling from 8.7% in April to 6.7% in August, its lowest rate since February 2022, but still the highest in the G7.
- Core CPI inflation declining to 6.2% in August from 7.1% in April and May, a then 31 years high.

- A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3-month year on year growth of average earnings rose to 7.8% in August, excluding bonuses).

4.3. The 0.5% month on month fall in GDP in July suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.

4.4. The fall in the composite Purchasing Managers Index from 48.6 in August to 46.8 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021. At face value, it is consistent with the 0.2% q/q rise in real GDP in the period April to June, being followed by a contraction of up to 1% in the second half of 2023.

4.5. The 0.4% month on month rebound in retail sales volumes in August is not as good as it looks as it partly reflected a pickup in sales after the unusually wet weather in July. Sales volumes in August were 0.2% below their level in May, suggesting much of the resilience in retail activity in the first half of the year has faded.

4.6. As the growing drag from higher interest rates intensifies over the next six months, we think the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of- living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. We expect the Bank of England to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.

4.7. The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. The further decline in the number of job vacancies from 1.017mln in July to 0.989mln in August suggests that the labour market has loosened a bit further since July. That is the first time it has fallen below 1m since July 2021. At 3.0% in July, and likely to have fallen to 2.9% in August, the job vacancy rate is getting closer to 2.5%, which would be consistent with slower wage growth. Meanwhile, the 48,000 decline in the supply of workers in the three months to July offset some of the loosening in the tightness of the labour market. That was due to a 63,000 increase in inactivity in the three months to July as more people left the labour market due to long term sickness or to enter education. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.

4.8. But the cooling in labour market conditions still has not fed through to an easing in wage growth. While the monthly rate of earnings growth eased sharply from an upwardly revised +2.2% in June to -0.9% in July, a lot of that was due to the one-off bonus payments for NHS staff in June not being repeated in July. The headline 3-month year on year rate rose from 8.4% to 8.5%, which meant UK wage growth remains much faster than in the US and in the Euro-zone. Moreover, while the Bank of England's closely watched measure of regular private sector wage growth eased a touch in July, from 8.2% 3-month year on year in June to 8.1%, it is still well above the Bank of England's prediction for it to fall to 6.9% in September.

4.9. CPI inflation declined from 6.8% in July to 6.7% in August, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.2%. That reverses all the rise since March and means the gap between the UK and elsewhere has shrunk (US core inflation is 4.4% and, in the Euro,-zone it is 5.3%). Core goods inflation fell from 5.9% to 5.2% and the further easing in core goods producer price inflation, from 2.2% in July to a 29-month low of 1.5% in August, suggests it will eventually fall close to zero. But the really positive development was the fall in services inflation from 7.4% to 6.8%. That also reverses most of the rise since March and takes it below the forecast of 7.2% the Bank of England published in early August.

4.10. In its latest monetary policy meeting on 20 September, the Bank of England left interest rates unchanged at 5.25%. The weak August CPI inflation release, the recent loosening in the labour market and the downbeat activity surveys appear to have convinced the Bank of England that it has already raised rates far enough. The minutes show the decision was "finely balanced". Five MPC members voted for no change and the other four voted for a 25bps hike.

4.11. Like the US Federal Reserve, the Bank of England wants the markets to believe in the higher for longer narrative. The statement did not say that rates have peaked and once again said if there was evidence of more persistent inflation pressures "further tightening in policy would be required". Governor Bailey stated, "we'll be watching closely to see if further increases are needed". The Bank also retained the hawkish guidance that rates will stay "sufficiently restrictive for sufficiently long".

4.12. This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates at the next meeting on 2nd November, or even pause in November and raise rates in December.

4.13. The yield on 10-year Gilts fell from a peak of 4.74% on 17th August to 4.44% on 29th September, mainly on the back of investors revising down their interest rate expectations. But even after their recent pullback, the rise in Gilt yields has exceeded the rise in most other Developed Market government yields since the start of the year. Looking forward, once inflation falls back, Gilt yields are set to reduce further. A (mild) recession over the next couple of quarters will support this outlook if it helps to loosen the labour market (higher unemployment/lower wage increases).

4.14. The pound weakened from its cycle high of $1.30 in the middle of July to $1.21 in late September. In the first half of the year, the pound bounced back strongly from the Truss administration last autumn. That rebound was in large part driven by the substantial shift up in UK interest rate expectations. However, over the past couple of months, interest rate expectations have dropped sharply as inflation started to come down, growth faltered, and the Bank of England called an end to its hiking cycle.

4.15. The FTSE 100 has gained more than 2% since the end of August, from around 7,440 on 31st August to 7,608 on 29th September. The rebound has been primarily driven by higher energy prices which boosted the valuations of energy companies. The FTSE 100's relatively high concentration of energy companies helps to explain why UK equities outperformed both US and Euro-zone equities in September. Nonetheless, as recently as 21st April the FTSE 100 stood at 7,914.

5. Borrowing Activity in H1 2023/24

5.1. The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement ("CFR"). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the H1 2023/24 unfinanced capital expenditure, and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

5.2. Part of the Council's treasury activities is to monitor cash position and organise financing against the borrowing needs. Financing sourced through combination of external borrowing from external bodies, such as the Government, through the Public Works Loan Board ("PWLB"), or the money markets, or utilising temporary cash resources within the Council.

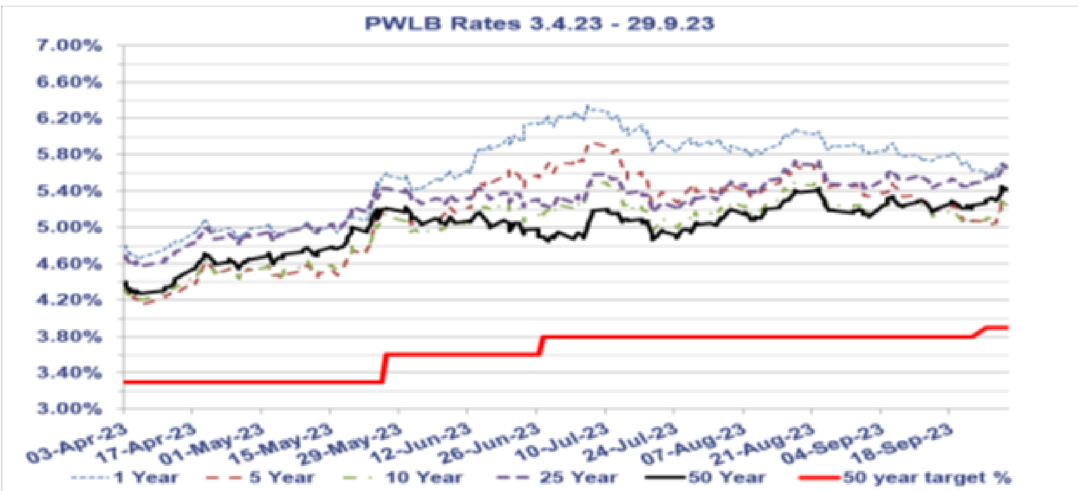
5.3. No new borrowing was undertaken during H1 2023/24 meaning that the Council continued to maintain an under-borrowed position. This meant that the capital borrowing need, the CFR, was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure in the sharply rising interest rates environment and the period of low capital spend.

5.4. Table 1 sets out the borrowing activity in H1 2023/24.

Table 1 – Borrowing activity in H1 2023/24				
	Opening Balance £'000	New borrowing £'000	Borrowings repaid £'000	Closing balance £'000
HRA – PWLB	100,000	0	0	100,000
General Fund - PWLB	499,000	0	0	499,000
General Fund – Other	44,181	0	281	43,900
	643,181	**0**	**281**	**642,900**

5.5. PWLB rates are based on gilt (UK Government bonds) yields through HM Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Gilt yields and PWLB certainty rates were on a rising trend throughout the first half of 2023/24. At the beginning of April, the 5-year rate was the cheapest part of the curve and touched 4.14% whilst the 25-year rate was relatively expensive at 4.58%.

5.6. July saw short-dated rates peak at their most expensive. The 1-year rate spiked to 6.36% and the 5-year rate to 5.93%. Although, in due course, short-dated rate expectations fell, the medium dates shifted higher through August and the 10-year rate pushed higher to 5.51% and the 25-year rate to 5.73%. The 50-year rate was 4.27% on 5th April but rose to 5.45% on 28th September. The actual PWLB rates during H1 2023/24 were as follows:



5.7 The Department for Levelling Up, Housing and Communities (DLUHC) has policy responsibility for the Prudential Framework under which local authorities borrow and invest.

In May 2022, the Government introduced The Levelling Up and Regeneration Bill (LUR Bill), which includes new provisions that expand the government's statutory powers to directly tackle excessive risk within local government capital system. A local authority comes into scope of the new powers when a 'trigger point' is breached with respect to either of the four capital risk metrics as set out in the LUR Bill.

5.8 DLUHC's consultation process on how the capital risk metrics are calculated was completed at the end of September 2023 but as yet officers are not aware of the outcomes or what it means for the Council. The 2024/25 Treasury Management Strategy will discuss the impact of the capital risk metrics resulting from the new regulations, along with any additional affordability and borrowing capacity constraints that may be placed on the Council as a result.

6. Interest rates in H1 2023/24

6.1. Bank rates continued to rise during H1 2023/24 (by further 100basis points). At the start of August, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 25 basis points to 5.25%.

6.2. Despite the tighter monetary policy, the UK economy surprised to the upside during in the second quarter of 2023, as GDP rose by 0.2%. The market expected a further 25 basis points interest rate hikes (from 5.25% to 5.50%) at the most recent Bank of England's policy meeting at the end of September, however, the bank has held the rate.

6.3. Overall, with economic activity still resilient, and wage growth and services inflation (a key consideration for the Bank of England) both stronger than originally expected, markets still anticipate further monetary policy tightening in the pipeline.

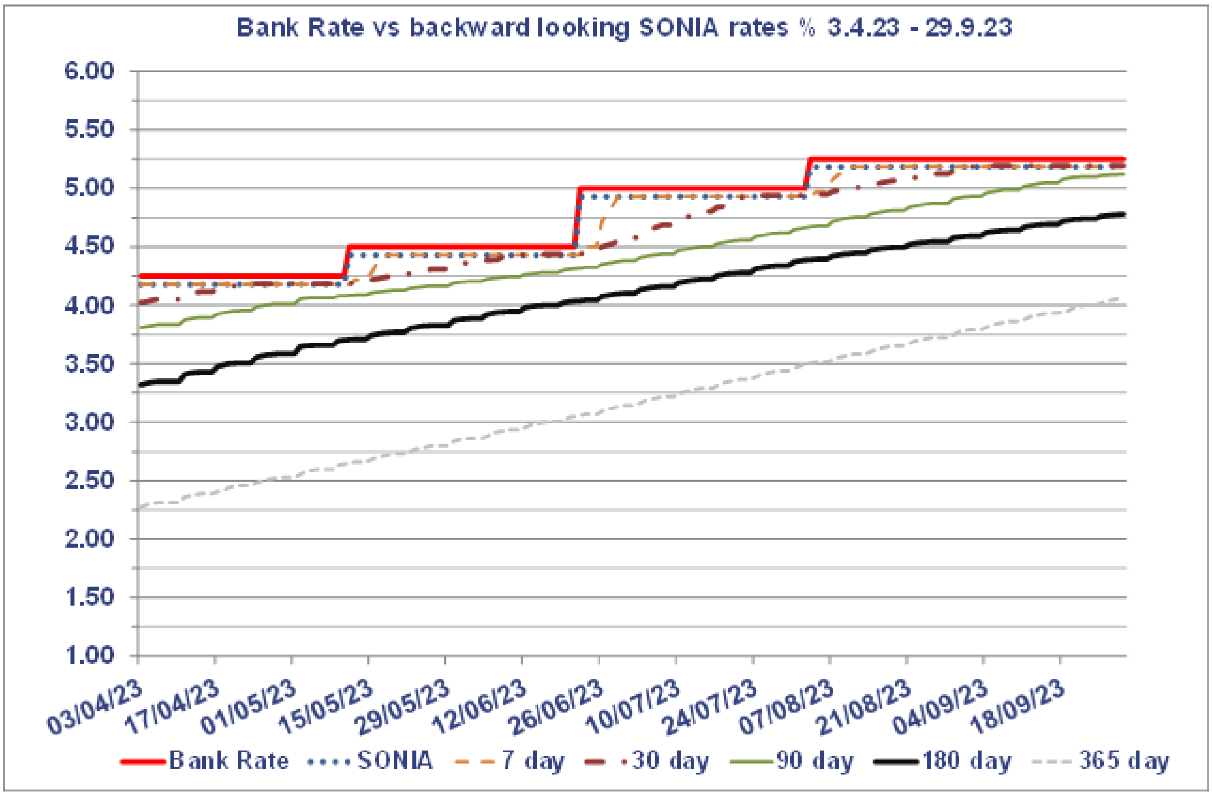
6.4. While the Council continues to take a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

6.5. Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates. This also provides benefits of reducing counterparty risk exposure, by fewer investments in the financial markets.

<u>Interest rate benchmark</u>

6.6. The Council uses the Sterling Overnight Index Average ("SONIA") as a benchmark interest rate. This is published daily and measures the cost of overnight borrowing on a backward-looking basis.

6.7. The SONIA (backward-looking) rates during the H1 2023/24 were as follows:



	Bank Rate	SONIA	7 day	30 day	90 day	180 day	365 day
High	5.25	5.19	5.19	5.20	5.12	4.78	4.06
High Date	03/08/2023	29/09/2023	04/09/2023	27/09/2023	29/09/2023	29/09/2023	29/09/2023
Low	4.25	4.18	4.18	4.02	3.81	3.32	2.27
Low Date	03/04/2023	04/04/2023	11/04/2023	03/04/2023	03/04/2023	03/04/2023	03/04/2023
Average	4.81	4.74	4.71	4.64	4.44	4.10	3.16
Spread	1.00	1.01	1.01	1.17	1.31	1.46	1.79

6.8. The Council's actual interest rate performance during H1 2023/24 was 4.63%. The Council's overall performance compares favourably with the average SONIA rates (given the current environment of continuous bank rate increases) as can be seen in the above table.

6.9. The Council's Treasury Management Strategy sets out a lower rate of interest for the Housing Revenue Account based on the risk-free nature of the account. This lower rate is achieved by deducting the credit risk margin from the actual rate achieved by the Council. The resulting interest rate applicable to the HRA during H1 2023/24 was 4.43%.

6.10. The Council invests in two Pooled Funds (operated by CCLA (Churches, Charities and Local Authorities) Investment Management Limited). These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Investments in these funds are long term in nature and over long-term horizons they provide investors with relatively strong levels of interest (in the form of dividends). However, the capital values of these assets can be subject to large fluctuations (both up and down) over relatively short time frames.

6.11. The movement of the Council's two CCLA pooled funds is as follows:

Table 2 – Pooled Funds in H1 2023/24				
	Original Investment £	**Value 31 Mar 2023 £**	**Value 30 Sep 2023 £**	**Annualised Return %**
CCLA Property Fund	2,000,000	2,263,467	2,233,866	5.26

CCLA Diversified Income Fund	2,000,000	1,894,514	1,865,384	3.35

The differences between the Original Sums invested and the Values on 30 September 2023 are held on the Council's Balance Sheet in the Pooled Investments Adjustment Account.

7. Investments in H1 2023/24

7.1. The Council's investment policy is governed by DLUHC investment guidance and is reflected in the Annual Investment Strategy approved by the Council each year. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.). The investment activity during the first half of financial year of 2023/24 conformed to the approved strategy, and the Council had no liquidity difficulties.

7.2. Investments of £76.0million were held by the Council as of 30 September 2023 with investment turnover principally driven by the availability of counterparties that meet the criteria set out in the Annual Investment Strategy. Table 3 below summarises investment activity during the first half of the year , split between the sectors of the counterparties that the funds were invested with.

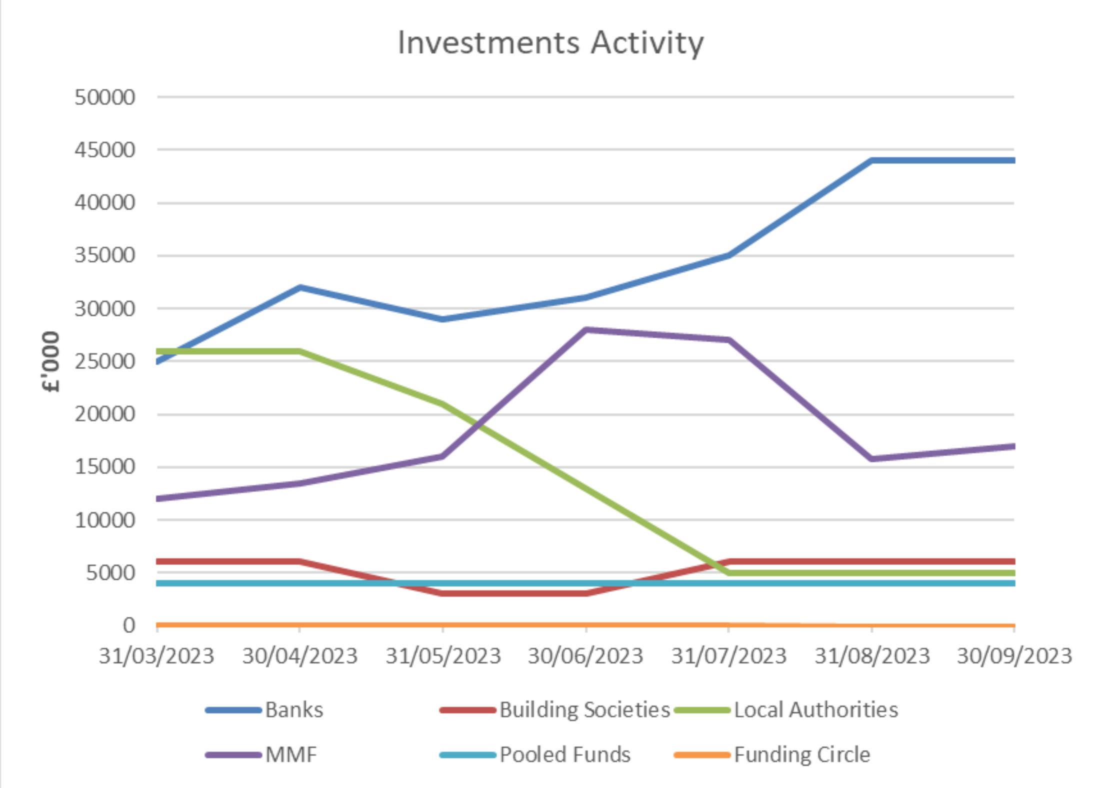
Table 3 - Investment activity in H1 2023/24

	Opening Balance	New Investments	Investments Recalled	Closing Balance
	£000	£000	£000	£000
Specified Investments				
Banking sector	25,000	53,000	34,000	44,000
Building societies	6,000	9,000	9,000	6,000
Local Authorities	26,000	8,000	29,000	5,000
Money Market Funds	12,000	74,000	69,000	17,000
Unspecified Investments				
Pooled Funds & Investment Schemes	4,000	0	0	4,000
Funding Circle	42	0	14	28
	73,042	**144,000**	**141,014**	**76,028**

7.3. Aside from the parameters set in the Annual Investment Strategy, the main factors that determine the amount of investment income are the level of interest rates, cash flow and the level of reserves and balances. The impact of capital cash flows – receipts from sales and timing of capital projects – also has a significant impact on cash flows.

7.4. The monthly movement in balances between these categories during H1 2023/24 is set out in Table 4 below and reflects the available counterparties and investment rates at that time.

Table 4 - Movement between investments during H1 2023/24



7.5. A full list of investments held as of 30 September 2023 is set out in Appendix C.

8. Non-treasury Investments

8.1. 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).

The Council owns a significant investment property portfolio which is now managed through its developing Asset Management Strategy and provided loans to its wholly owned companies and local community groups.

Commercial Loans

8.2. The Council has funded its three wholly owned companies via Loan Facilities (that have been approved by the Full Council at rates set in accordance with the competition rules) which enabled them 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. The table below sets out the list of loan facilities and movements in their balances in H1 2023-24.

Loan Type	31/03/2023 Investment £'000	H1 2023/24 Movement £'000	30/09/2023 Investment £'000	Interest Rate %
Development Loans - Addlestone One	25,326		25,326	5.04
Development Loans – Magna Square	11,838		11,838	4.22
Development Loans - Other	1,000		1,000	4.86

Working Capital Loans	445		445	7.54
Working Capital Loans	300		300	7.36
Working Capital Loans	2,100	400	2,500	7.40
Totals	**41,009**	**400**	**41,409**	

8.3. The Working Capital Loan Facilities approved in October 2020 allowed a sum of £3m available to draw down as required. Of this amount £500,000 is still available to drawdown. It is anticipated that this will be required before the end of this financial year.

Property performance measurement

8.4. To better describe the role the investment property portfolio plays in the Council's capital and revenue strategies a set of performance reporting measures were approved as part of both the Annual Asset Management Strategy and the Capital & Investment Strategy.

8.5. Appendix D sets out the key performance indicators in H1 2023-24. These will be further developed during 2023-24 using benchmarking analysis relative to the broader market, based on frequent data via a subscription to MSCI Analytics. Work on uploading data to MSCI is currently being undertaken.

8.6. As with the treasury information, the provision of economic data helps to put some of the above metrics into perspective. An update on property related economic matters provided by Montagu Evans LLP reflecting the market position in September 2023 is set out in Appendix D.

9. Legal Implications

9.1. The powers for a local authority to borrow and invest are governed by the Local Government Act 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, the Government Investments Guidance and the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out their treasury management functions.

10. Environmental/Sustainability/Biodiversity implications

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

10.2. The Council does not invest directly in any companies – other than our own - and our investments are limited to investments with the banking sector (term deposits etc) and investments in property (our investment properties). We have £4million split between two pooled funds both managed by the CCLA and their approach to ESG can be found on their website.

11. Council Policy

11.1. This is set out in the Treasury Management Policy Statement, the Annual Investment Strategy, and associated Practices and Schedules.

11.2. The Council’s treasury management policy statement states:

“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.”

11.3. It is the security of investments that has always been the main emphasis of our treasury strategy. In balancing risk against return, Officers continue to place emphasis on the control of risk over yield following investment guidance, both statutory and from CIPFA, which make it clear that all investing must adopt SLY principles – security, liquidity and yield in that order.

12. Risk Implications

12.1. The risks associated with Treasury Management activities are set out in the Council’s Treasury Management Strategy approved in February 2023 and in the Councils Statement of Accounts.

12.2. The risks associated with Non-Treasury Investments are set out in the Council’s Capital and Investment Strategy approved in February 2023 and also in the Annual Asset Management Strategy.

13. Conclusions

13.1. The first half of 2023/24 continued the challenging investment environment with counterparty risk remaining our primary treasury management priority. The criteria in the Annual Investment Strategy are continuously reviewed to minimise risk as much as practicable whilst retaining the ability to invest with secure institutions.

13.2. During the half year ended 30th September 2023, the Council has operated within the treasury and prudential indicators set out in the Council’s Treasury Management Strategy Statement for 2023/24. The Corporate Head of Finance reports that no difficulties are envisaged for the current or future years in complying with these indicators.

13.3. All treasury management operations have been conducted in full compliance with the Council's Treasury Management Practices.

14. Appendices

- Appendix A: Treasury and Prudential Indicators 2023/24 as of 30 September 2023
- Appendix B: Borrowings as of 30 September 2023
- Appendix C: Investments as of 30 September 2023
- Appendix D: Property Performance Indicators as of September 2023
- Appendix E: Economic commentary for property as of 30 September 2023

Treasury and Prudential Indicators 2023/24 as of 30 September 2023

Treasury Indicators	2023/24 Budget (Year End) £'000	30.09.23 Actual £'000
Authorised limit for external debt	700,613	700,613
Operational boundary for external debt	675,613	675,613
Gross external debt	650,613	642,900
Investments	53,756	76,028
Net borrowing	596,857	566,872

Maturity structure of fixed rate borrowing - upper and lower limits		
Under 12 months	25%	2.42%
12 months to 2 years	25%	3.20%
2 years to 5 years	25%	4.03%
5 years to 10 years	50%	11.59%
10 years to 20 years	100%	10.69%
20 years to 30 years	100%	3.36%
30 years to 40 years	100%	17.42%
40 years to 50 years	100%	47.29%

Upper limit for principal sums invested over 365 days *(split by financial years beyond current year end):* **Year 1**	5,000	0

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.

The authorised limit for external borrowing. – 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.

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). This was not required during the quarter.

Maturity structure of fixed interest rate borrowing (Upper Limit) As the Council does not borrow at variable rates of interest, the upper limit on this type of debt will always be nil, therefore no table has been produced for variable interest rate borrowing.

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.

There were no investments made for a period of greater than 365 days as of 30 September 2023.

Prudential Indicators	2023/24 Budget £’000	30.09.23 Actual £’000
Capital expenditure – Original **Capital expenditure – Revised**	46,479 29,450	4,738
Capital Financing Requirement (CFR)	703,066	703,066
In-year borrowing requirement	7,603	7,603

Capital Expenditure – This prudential indicator is a summary of the Council’s capital expenditure plans, and financing requirements. Any shortfall of resources results in a funding borrowing need.

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, 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 asset’s life and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council’s borrowing requirement, these types of 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.

In-year borrowing requirement for non-financial investments is any capital expenditure that has not been financed in the year.

Borrowings as of 30 Sep 2023

	Principal Sum £'000	Original Term (Years)	Annual Interest £	MATURITY	%
Housing Revenue Account					
PWLB - 500495	10,000	15	301,000	28 Mar 2027	3.01%
PWLB - 500498	10,000	20	332,000	29 Mar 2032	3.32%
PWLB - 500500	10,000	20	332,000	29 Mar 2032	3.32%
PWLB - 500501	10,000	20	332,000	29 Mar 2032	3.32%
PWLB - 500493	10,000	25	344,000	27 Mar 2037	3.44%
PWLB - 500496	10,000	25	344,000	27 Mar 2037	3.44%
PWLB - 500503	10,000	25	344,000	27 Mar 2037	3.44%
PWLB - 500494	10,000	30	350,000	28 Mar 2042	3.50%
PWLB - 500497	10,000	30	350,000	28 Mar 2042	3.50%
PWLB - 500499	10,000	30	350,000	28 Mar 2042	3.50%
	100,000		**3,379,000**	**Average Rate:**	**3.38%**
General Fund					
PWLB - 507919	10,000	5	195,000	17 Oct 2023	1.95%
Sheffield Combined Authority	5,000	2	25,000	19 Oct 2023	0.50%
PWLB - 507920	10,000	6	205,000	17 Oct 2024	2.05%
PWLB - 504312	10,000	10	256,000	17 Aug 2025	2.56%
PWLB - 506855	10,000	10	219,000	23 Jan 2028	2.19%
PWLB - 505012	4,000	12	86,400	08 Jun 2028	2.16%
PWLB - 507919	6,000	9	150,000	22 Dec 2028	2.50%
PWLB - 504520	15,000	15	414,000	04 Dec 2030	2.76%
PWLB - 176998	10,000	11	226,000	30 Mar 2031	2.26%
PWLB - 410351	10,000	11	167,000	28 Sep 2032	1.67%
PWLB - 505233	10,000	30	244,000	12 Jul 2046	2.44%
Phoenix Life Limited	38,900	40	1,125,858	02 May 2061	2.88%
PWLB - 505335	20,000	45	376,000	01 Sep 2061	1.88%
PWLB - 508328	10,000	43	247,000	31 Dec 2061	2.47%
PWLB - 508377	10,000	43	249,000	18 Jan 2062	2.49%
PWLB - 505968	15,000	45	351,000	04 Apr 2062	2.34%
PWLB - 505969	15,000	45	351,000	04 Apr 2062	2.34%
PWLB - 505972	20,000	46	470,000	05 Apr 2063	2.35%
PWLB - 505433	10,000	47	207,000	29 Sep 2063	2.07%
PWLB - 508192	10,000	45	243,000	12 Dec 2063	2.43%
PWLB - 508226	10,000	45	239,000	13 Dec 2063	2.39%
PWLB - 505434	14,000	48	289,800	29 Sep 2064	2.07%
PWLB - 505668	20,000	48	514,000	20 Jan 2065	2.57%
PWLB - 507420	40,000	47	980,000	29 May 2065	2.45%
PWLB - 507145	10,000	48	228,000	27 Mar 2066	2.28%
PWLB - 507416	40,000	48	984,000	25 May 2066	2.46%
PWLB - 505611	20,000	50	524,000	16 Dec 2066	2.62%
PWLB - 506991	10,000	50	240,000	05 Mar 2067	2.40%
PWLB - 507425	20,000	49	480,000	30 May 2067	2.40%
PWLB - 506125	10,000	50	230,000	12 Jun 2067	2.30%
PWLB - 506887	15,000	50	367,500	08 Feb 2068	2.45%
PWLB - 506888	15,000	50	367,500	08 Feb 2068	2.45%
PWLB - 507407	20,000	50	490,000	23 May 2068	2.45%
PWLB - 177081	40,000	50	932,000	30 Mar 2070	2.33%
PWLB - 434500	10,000	50	167,000	09 Nov 2071	1.67%
	542,900		**12,673,058**	**Average Rate:**	**2.33%**
Total Borrowings	**642,900**		**16,052,058**	**Annual Interes**	**2.50%**
	£'000				
Authorised Borrowing Limit 2022/23	700,613	(approved 09 Feb 2023 - Full Council)			
Borrowing to date	(642,900)				
Authorised Borrowing remaining	**57,713**				

APPENDIX C

Investments as of 30 Sep 2023					
	£'000		ORIGINAL TERM	MATURITY	%
Banks					
Term Deposits					
Sumitomo Mitsui Banking Corp (SMBC)	4,000		3 mth	04 Oct 2023	5.460
Qatar National Bank	1,000		6 mth	06 Oct 2023	5.020
GoldmanSachs International Bank	5,000		6 mth	11 Oct 2023	4.700
Handelsbanken	5,000		3 mth	17 Oct 2023	5.370
DBS Bank	1,000		9 mth	20 Nov 2023	4.450
National Bank of Kuwait	5,000		3 mth	29 Dec 2023	5.400
Overseas-Chinese Banking Corp (OCBC)	3,000		5 mth	08 Jan 2024	5.600
National Bank of Canada	1,000		6 mth	08 Feb 2024	5.620
Al Rayan Bank	5,000		6 mth	09 Feb 2024	5.410
Certificates of Deposit					
NatWest Bank	1,000		9 mth	17 Nov 2023	4.340
Lloyds Bank Plc	5,000		5 mth	11 Dec 2023	5.950
Danske Bank A/S	1,000		4 mth	08 Jan 2024	5.740
Toronto Dominion Bank	2,000		1 yr	12 Apr 2024	5.100
Standard Chartered Bank	3,000		1 yr	12 Apr 2024	5.040
Skandinaviska Enskilda Banken (SEB)	2,000		1 yr	12 Apr 2024	5.040
Total Banks	**44,000**	**58%**			
Building Societies					
Nationwide BS	3,000		3 mth	25 Oct 2023	5.270
Leeds BS	3,000		3 mth	17 Nov 2023	5.310
Total Building Society	**6,000**	**8%**	(50% Limit)		
Local Authorities					
London Borough of Newham	5,000		3 mth	17 Nov 2023	5.350
Total Local Authorities	**5,000**	**7%**			
Money Market Funds					
Aberdeen Liquidity Sterling Fund	3,000		********** On Call **********		Variable
Aviva Investors Sterling Liquidity Fund - Class 3	10,000		********** On Call **********		Variable
Insight Liquidity Fund PLC	4,000		********** On Call **********		Variable
Total Money Market Funds	**17,000**	**22%**			
Pooled Funds & Collective Investment Schemes					
CCLA Property Fund	2,000		**** 3 mth settlement ****		Variable
CCLA Diversified Income Fund	2,000		**** 3 mth settlement ****		Variable
Total Pooled Funds	**4,000**	**5%**			
Funding Circle					
Lending to small and medium sized companies	28		**** up to 5 years ****		Variable
Total Other Investments	**28**	**0%**	(with the ability to sell loans)		
Total Investments	**76,028**				

Investment Property Performance Indicators 2023/24 as of 30 September 2023

Revenue and Tenancy Management Performance

The following indicators measure the revenue performance and tenancy management performance of the Council's investment Properties.

KPI	Metric Description	YTD 30/09/2023 £
Investment Property budget variance	Increased Income Increased Expenditure	152,000 (107,000)
	Net Surplus / (Deficit)	45,000

KPI	Metric Description	YTD 30/09/2023
Income Return (Proportionality)	Investment income as a percentage of all general fund income (excluding Taxation)	42%
Investment Property Rent Arrears	As a percentage of the total portfolio income – taken prior to Quarterly due dates	3.31%
Vacancy Rates	As a percentage of the total portfolio area in SQ FT	7.54%
Tenant Retention	Number of renewals completed, and tenant breaks not exercised	78%

A breakdown of the changes in income and expenditure changes can be found in the Financial Monitoring Statement report to on the November 2023 Corporate Management Committee agenda.

Capital & Treasury Performance

KPI	Metric Description	31 March 2023
Capital Values	Difference in Capital Valuations annually. (March 2022 – March 2023)	- £24.8m
	Difference in Capital Valuations since purchase/construction	+ £13.3m
Loan to Value ratio	Amount of debt compared to the total asset value	97.5%
Interest cover ratio	The total net income from property investments compared to the total interest on associated borrowings	2.45 times
Debt cover ratio	The total net income from property investments compared to the total annual MRP and interest on associated borrowings	1.84 times
Average return on investments	Rental income divided by Capital Value	5.1%

There have been no changes to borrowing or interest payments during the first half of the year.

With regard to the Capital Values; the figures of -£24.8M reflects the fact that our investment property portfolio is heavily weighted in the office sector (approximately 64%), the majority of which have a shortening income profile which in turn leads to a yield swing affecting the capital return. The office sector has undergone a significant shift since

October 2022 with persistent high inflation, interest rate hikes and volatility in the financial sector causing investor caution which adds to cautious valuations. In addition to the challenging market conditions particularly in the Southeast office sector, occupation activity remains sensitive to economic headwinds which include rising energy costs, the new rates revaluation, and ongoing build-cost inflation which have impacted the all-in occupational cost of space which has resulted in occupiers taking less space.

Economic Commentary provided by Montagu Evans LLP

HIGH-STREET RETAIL

The High Street sector's difficult set of challenges during, and off the back of the pandemic were well-documented as many retailers on the high street were not able to trade during the mandatory national lockdowns, revenues dramatically decreased. Retailer's online platforms boomed throughout this period as a result of changing consumer patterns which have now settled into an established alternative to in-store retail with a broader consumer base.

The road to recovery, since the Covid era, has not been easy with retailers facing a combination of new challenges including the cost-of-living crisis, high wage inflation, industrial action and rapidly increasing energy bills with weaning government support. The combination of these challenges in addition to decreased consumer confidence has led to considerable volatility in the relationship between in-store and online retail.

Wilko went into administration in August this year, which is the first major insolvency for the sector since M&Co in early February. The discount retailer employed 12,500 staff across 400 stores and two distribution warehouses. However, B&M have recently announced they will take on up to 51 of Wilko's stores.

Whilst the Christmas trading period proves to be an inkling of reassurance, the agility of retailers is being tested as to how effectively and quickly they can adapt to the cost-of-living crisis and bolster cash flow strength. Retailers are being forced to diversify and make strategic decisions, focussing on customers, going green and adapting to other new market trends.

Key Statistics

- In July 2023, UK retail footfall was 2.1% higher than the same month in 2022, according to MRI Springboard data.
- Retail investment volumes totalled £6.4 billion in the year to Q2 2023, compared to £7.2 billion in the year to Q1 2023
- Retail capital values declined in July 2023 with the MSCI index falling by 0.32% month-on-month, compared to a fall of 0.11% in June 2023.
- Retail capital values declined in July 2023 with the MSCI index falling by 0.32% month-on-month, compared to a fall of 0.11% in June 2023.

RETAIL WAREHOUSES

The UK retail warehouse market has shown resilience despite economic challenges. Consumer demand for big-ticket items has decreased. However, the market has shifted away from bulky goods, with grocery now occupying a significant share of retail warehouse stock. Discount homeware brands and value-oriented operators have grown, making the market less vulnerable to economic downturns. Essential product categories are the focus, mitigating the impact of reduced discretionary spending. Consumers are cutting non-essential spending and opting for value products, with essential spend rising. Grocery, an essential sub-category, has seen consistent spending growth.

The UK's retail warehouse investment market has recently witnessed fluctuations in yields, primarily attributed to the escalation of interest rates and shifts in investor sentiment. The market's stability hinges on the robustness of the occupational sector, which has demonstrated impressive resilience despite disruptions caused by events like the pandemic and the Ukraine conflict.

Factors such as low vacancy rates, strong retailer performance, and consistent net effective rents averaging around £18 per square foot contribute to this stability. There is also discussion over whether market rents on prime assets are artificially low, as retailers prefer lease renegotiations over vacating premises. Furthermore, competitive tension persists, but some investors may not fully appreciate the fundamental strength of the occupational market, resulting in yield movements that align with changes in interest rates and UK Bond yields.

The outlook for the future is looking more stable and the sector has repriced to a sensible level following the rise in debt costs over the last year and is once more seemingly well-priced versus other asset classes. The occupational market remains strong in so much as it is broadly fully let despite the recent Wilko administration in August 2023.

Key Statistics

- Vacancy rates were 5.4% in the summer months of 2022 and have fallen to 4.7% despite seeing Wilko go into administration.
- Prime Open A1 yields started the year at 5.50%. Currently, they sit at 5.75%.

- H1 has seen a total of £1.1bn in retail warehouse transactions, -13.5% down on H2 2022, and -17.9% down on the same period last year.

INDUSTRIAL

The first half of 2023 had the lowest take-up since 2013, but there's optimism for a rise in the second half. Investment volumes in the industrial sector reached £10.5 billion in the year to Q2 2023. This was down from £11.8 billion in the year to Q1 2023. Market sentiment remains uncertain due to economic data fluctuations, particularly regarding inflation and base rates, with further base rate increases expected. Investment volumes in H1 2023 reached £0.99bn, marking a 79% decline from H1 2022, especially affecting the logistics sector.

The MSCI industrial rental growth index grew by 0.40% month-on-month in July 2023, compared to growth 0.59% in June 2023. This was the strongest rental growth from the main sectors but marks a slowdown on last summer. Back in June 2022 industrial rental growth stood at 1.1%.

Online retail is forecasted to reach 35% by 2027, driven by fashion, food, and electronics. Manufacturing occupiers are seeking supply chain diversification, albeit at a gradual pace. With the UK's population expected to reach 71 million by 2023, there's a need for 224 million sq ft of additional warehouse space to accommodate housing requirements.

The sector remains a robust asset class and going forwards, the outward movement of yields and re-pricing of assets is predicted to encourage investor activity as buyer and seller intentions become more closely aligned.

Key Statistics

- Take-up across the UK for Grade A space over 100,000 sq ft reached circa 8 million sq ft in Q1 2023, which is 49% higher compared to the same period last year and 13% ahead of the 5-year quarterly average.
- H1 2023 saw a 79% decline in investment volumes compared to H1 2022, mainly impacting the logistics sector.
- Capital Availability: Equity raising has risen by 92% since 2019, with £667bn available in unlisted funds for real estate investment.

OFFICE

Occupiers are continuing to assess their occupational need as the widespread pandemic-driven hybrid working model transitions into the post-covid working environment. For some, this has seen a return to the office full time whereas as others have chosen to retain remote and flexible working options.

In the post-COVID era, offices remain essential, but tenant preferences are changing rapidly. They seek high-quality, well-located, sustainable buildings to attract and retain talent, willing to pay more for such spaces. These features enhance productivity, operational efficiency, and reduce carbon emissions. This shift is reshaping the risk-reward dynamics for investors as most existing office spaces don't meet these requirements, and supply is limited. Best-in-class, Grade A spaces are likely to fare better amid rising costs and a demand-supply imbalance caused by reduced development activity.

Moving forward, the onus is upon occupiers to decide upon their working models which often relates to the recruitment and retention of top talent and productivity targets. Reduced utilisation rates for those who do retain remote working will continually require assessment of where excess space can be limited to optimise portfolios. Focus on asset's ESG credentials will only intensify with the proximity to statutory dates.

Key Statistics

- Office rental growth contracted marginally in July 2023, with MSCI Market Rental Growth Index for offices recording growth of 0.17%, compared to a rise of 0.31% in June 2023.
- The MSCI Capital Growth Index for offices decreased by 2.14% month-on-month in July 2023, compared to the June 2023 figure of -2.17%.

Report title	**Work Programme – Houses in Multiple Occupation (HMOs)**
Report author	Andrew Finch
Department	Democratic Services
Exempt?	No

Purpose of report:

- **For information**

Synopsis of report:

At its meeting on 5 October 2023 the Overview & Scrutiny Committee decided upon its work plan for 2023/24.

One of the topics of focus of the workplan was Houses in Multiple Occupation (HMOs), in particular the regulatory regime and the policies which the Council currently operate.

Following requests from the committee the following reports have been made available in advance of the meeting on 13 December 2023:

- Appendix 1 – Planning Report – Article 4 Direction and Houses in Multiple Occupation (HMOs) Position Report
- Appendix 2 – Licensing Report – Data on HMOs by Environmental Services

The Committee will have the opportunity to ask questions of the Council's officers during the meeting.

Appendix 1A

Report title	**Article 4 Direction and Houses in Multiple Occupation (HMOs) Position Report from a planning perspective**
Report author	Judith Orr - Assistant Planning Policy Manager
Department	Planning, Economy and the Built Environment
Exempt?	No

Purpose of report:

For information

Synopsis of report:

The purpose of this report is to inform Members about the work that has been undertaken to date by the Planning Policy Team to consider introducing Article 4 Direction(s) for Houses of Multiple Occupation (HMOs) in Runnymede.

It is clear from the data that has been collected and set out in the Briefing Paper accompanying this report (see Appendix 1B) that whilst HMOs are distributed throughout the borough, there are notable concentrations focused in the north of the borough, particularly in the wards of Egham Town and Englefield Green (East and West). This is likely to be associated with the presence of Royal Holloway University London (RHUL) given their proximity. There are also smaller clusters of HMOs around both Addlestone and Chertsey town centres.

This report, together with the accompanying Briefing Paper starts to consider whether there is sufficient evidence to introduce an Article 4 Direction(s) (and where further evidence may need to be gathered) to try and control potential adverse issues that may be arising as a result of these HMOs, particularly those arising as a result of significant clusters.

The report also summarises what the purpose of an Article 4 Direction for HMOs would be, the process for putting one in place, the actions needed for implementing the Direction(s), and the need for a close relationship between their introduction and the review of the Runnymede 2030 Local Plan.

1. Context and background of report

1.1 A House in Multiple Occupation, commonly known as an HMO, is a property occupied by at least three people who are not from one 'household' (e.g., a family) but share facilities such as a bathroom and kitchen. Examples include bedsits, shared houses, lodgings, accommodation for workers/employees and refuges.

1.2 Planning use classes distinguish between 'small' HMOs of up to six people (C4 use class), and 'large' HMOs of seven or more occupants which are categorised as *sui generis (*i.e., uses that do not fall within any specified use class). NB The licensing requirements for HMOs use different size thresholds to those used for planning purposes (see para. 4.5 in Appendix 1B for the licensing thresholds).

1.3 A separate briefing paper is also included with this agenda item which is concerned specifically with licensing requirements for HMOs and the role of the Private Sector Housing Team. There is some overlap between the two briefing papers in terms of the data presented. Discrepancies between the two papers exist in places due to the fact that the Planning briefing paper was produced in November 2022, whereas the Licensing Briefing Paper was produced a year later.

1.4 On 1 October 2010, the Town and Country Planning (General Permitted Development) (Amendment) (No. 2) (England) Order introduced a permitted development right to change the use of a building from a single house (C3) to a 'small' House in Multiple Occupation (C4) without the need to make a planning application.

1.5 Local planning authorities have powers to make an Article 4 Direction under the Town and Country Planning (General Permitted Development) (England) Order 2015 (as amended) to remove permitted development rights for the area covered by the Direction. Importantly however, the introduction of an Article 4 Direction does not mean all planning applications for a change of use from a dwellinghouse to a Use Class C4 HMO will be refused planning permission. The Direction only requires the submission of a planning application for consideration by the Local Planning Authority, and any application will be determined on its merits having regard to the policies in the development plan and any other material considerations.

1.6 The National Planning Policy Framework (paragraph 53) requires the use of Article 4 Directions to be limited to situations where it is "necessary to protect local amenity or the wellbeing of the area" and "in all cases, be based on robust evidence, and apply to the smallest geographical area possible."

1.7 The national Planning Practice Guidance (PPG) further states that evidence is required to justify the purpose and extent of the Direction, to demonstrate that such action is needed to protect local amenity or well-being of the area. The PPG also requires the potential harm that the Direction is intended to address to be clearly identified.

1.8 The adopted Runnymede 2030 Local Plan does not contain a policy which would resist the principle of converting dwellinghouses to HMOs. Policy SL23 of the adopted Runnymede 2030 Local Plan deals with student accommodation. This policy allows the conversion of houses into HMOs provided that certain specific criteria are met. If an Article 4 Direction were to be introduced for HMOs in parts of the borough, this would be based on evidence gathered to demonstrate why such an approach was considered necessary, and would subsequently underpin a review of Policy SL23 to allow the introduction of stronger policy controls for HMO proposals. This is discussed in more detail later in this report.

1.9 The process for making an Article 4 direction is set out within legislation[1]. There are two types of Article 4 direction:

- An immediate direction - this comes into force the day it is made and must be confirmed within 6 months, or it will lapse.

[1] The Town and Country Planning (General Permitted Development) (England) Order 2015 (legislation.gov.uk)

- A non-immediate direction - this is made following a decision being taken by the local planning authority, a 12-month notice and consultation period, and then is confirmed when it comes into force.

1.10 Planning legislation states that compensation may be payable to applicants if planning permission is refused within 12 months of the serving of an Article 4 Direction, unless 12 months' notice is given by the local planning authority of their intention to serve the notice. It is for this reason that the vast majority of local authorities who introduce Article 4 Directions in their areas have chosen to introduce non-immediate directions.

1.11 The Government changed the wording of para. 53 of the National Planning Policy Framework in 2021, with regards to Article 4 Directions. The purpose of this change was to restrict the use of Article 4 Directions so as to limit the use of them to situations to "where it is essential to avoid wholly unacceptable adverse impacts", while ensuring that they are "in all cases" applied "to the smallest geographical area possible". As a result, a number of local authorities have had the boundaries of their Article 4 Directions reduced or refused in recent years. However, all of the affected Directions that officers have been able to find details of, have all related to office to residential uses, as opposed to HMOs. It is not yet therefore known how Directions relating to HMO will be received by the Government, but it is important that if the Council is to bring forward any Directions in Runnymede, that they are based on robust evidence, and apply to the smallest geographical area possible.

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

2.1 Members may be aware that a report was taken to the Planning Committee meeting on 22nd March 2023 which set out details of the work that had been undertaken to date to investigate the number and potential impacts associated with HMOs in Runnymede. In addition, the Planning Committee agreed that *'the Planning Policy Team should continue to gather evidence on the distribution and impacts of HMOs in Runnymede in tandem with the Local Plan Review, to underpin a future report which would be brought before the Planning Committee to decide whether it is appropriate to introduce an Article 4 Direction(s) in the Borough'*

2.2 The initial findings of the work considered by the Planning Committee in March are set out in the Planning Briefing Paper, which forms Appendix 1B of this report. However, as recognised by the Planning Committee in the resolution reproduced at paragraph 2.1, given the close relationship between the Local Plan review and the HMO Article 4 Direction work, it will be necessary that any progress on the Article 4 Direction work takes place alongside work on the review of the Local Plan.

2.3 With regards to the timetable for the review of the Local Plan, Members may be aware that on 7th September 2022, the Planning Committee noted that work on the review of the Runnymede 2030 Local Plan had been temporarily paused, due to uncertainty at a national level because of the proposed planning reforms. A meeting of the Council's Planning Committee on 28th June 2023 revisited the pause to the Local Plan Review, and high-level timetables for resuming work on the Local Plan, based around three potential options, were discussed. Members elected to proceed with the option for preparing a Plan under the new plan-making arrangements (expected to commence at the end of 2024).

2.4 A further update on the government's planning reforms was provided at the meeting of the Council's Planning Committee on 25th October 2023. The officer report included information about a further consultation paper, published by the Government in July 2023, on the Levelling Up and Regeneration Bill and its plan making reforms. It also set out a high-level picture of the current and future workstreams of the Planning Policy team up until the new plan making system is expected to commence in late 2024. Following a discussion with the Planning Committee, the meeting minutes reflect that it was agreed that a future workstream for the Planning Policy team should also include the justification work needed to support the potential introduction of an Article 4 Direction for Houses in Multiple Occupation, particularly in the context of the recently approved Council motion asking the Planning Committee to consider the feasibility of implementing an Article 4 directive within the Egham Town and Englefield Green West Wards. It was agreed that this would be added.

2.5 If the Council were to introduce Article 4 Directions for HMO, this would necessitate changes being made to Policy SL23, as referred to above in para. 1.8, in order to have stronger controls in place against which planning applications for conversions of dwellings to HMO could be assessed. This issue is discussed in the accompanying Planning Briefing Paper, with an example of the type of criteria that could be included in the policy set out within para. 4.43 of the paper.

2.6 The initial work carried out by officers has been undertaken at a high level and has focussed on the distribution of HMOs across the borough and the impacts that these are having in terms of amenity issues. The work shows that there are undoubtedly significant concentrations of HMOs in the north of the Borough in Egham Town and Englefield Green, in close proximity to RHUL. However, beyond this, in terms of quantifying impacts of these concentrations, the results of the analysis undertaken to date are less clear. This is because the anti-social behaviour data that has been collected is amalgamated together and includes various categories including dog fouling, graffiti, drug dealing, rough sleeping, fly tipping and other categories which aren’t typically worse in an area with a high concentration of HMOs than in other areas of the borough. This data is therefore too generic to assist. From the noise data gathered to date from Environmental Health, it is difficult to draw a strong correlation between noise complaints and mandatorily licensed HMOs, although there do appear to be more complaints related to this source than would be expected based on the number of students. Moving forward officers will need to explore what other available data sources may exist which could help draw robust conclusions about whether the concentrations of HMOs identified are causing ‘wholly unacceptable adverse impacts’.

3. Policy framework implications

3.1 If an Article 4 Direction for HMOs is, at a later date, introduced in the borough, the accompanying justification report would provide part of the evidence base underpinning the next iteration of the Local Plan. This evidence would help to justify introducing stronger criteria into Policy SL23, or the equivalent policy in the new Local Plan, to help more robustly assess any planning applications for conversions of dwellinghouses to HMO. Planning law dictates that planning applications should be determined in accordance with the policies within the Development Plan unless material considerations indicate otherwise.

4 Resource implications/Value for Money

4.1 Work on the evidence needed to justify the introduction of Article 4 Directions is being undertaken in-house, led by the Planning Policy Team. There are no additional financial or resource implications anticipated beyond that provided for within the agreed Planning Policy budget.

5. Legal implications

5.1 No specific implications have been identified at the time of writing this report. However, if the Council were to go ahead and introduce Article 4 Directions, there could be legal implications if the Directions were to be challenged. It is likely that in the future, once the relevant evidence base has been completed, that a report will be brought back through the Planning Committee asking Members to confirm whether they wish to pursue an Article 4 Direction(s) for HMO. At this point in time, the legal implications would be set out in detail to enable Members to make an informed decision.

6. Equality implications

6.1 The Council has a Public Sector Duty under the Equalities Act 2010 (as amended) to have due regard to the need to:

a) Eliminate unlawful discrimination, harassment or victimisation;

b) Advance equality of opportunity between persons who share a Protected Characteristic and persons who do not share it;

c) Foster good relations between those who share a relevant characteristic and persons who do not share those characteristics;

in relation to the 9 ‘Protected Characteristics’ stated within the Act.

6.2 If a decision is taken in the future to progress with Article 4 Direction(s) for HMO, the justification report once prepared will be screened to establish whether there may be any impacts, either positive or negative on any of the nine protected characteristics (namely, age, disability, race/ethnicity, pregnancy and maternity, religion, sexual orientation, sex, gender reassignment and marriage/civil partnership). This will be reported in later Committee reports.

7. Environmental/Sustainability/Biodiversity implications

7.1 None identified at this stage.

8. Risk Implications

8.1 None identified at this stage.

9. Other implications (where applicable)

9.1 None identified at this stage.

10. Timetable for Implementation

10.1 As set out above, the timetable for implementing an Article 4 Direction for HMOs in Runnymede will need to be closely aligned with the timetable for the review of the Local Plan. Work on the Local Plan Review will not commence until at least Autumn 2024. Once commenced, plan making is expected to take 30 months. The HMO Article 4 work will be timetabled once the Council has a confirmed start date for plan making.

11. Conclusions

11.1 The Overview and Scrutiny Committee is asked to NOTE the findings of the work that has been undertaken to date to investigate the number and potential impacts associated with HMOs in Runnymede.

12. Background papers

None.

13. Appendices

Appendix 1B – Briefing paper on evidence currently available to introduce an Article 4 Direction within parts of Runnymede

Appendix 1B

Small Houses in Multiple Occupation: is there sufficient evidence to introduce an Article 4 Direction within Runnymede?

November 2022

1. Purpose of This Report

1.1 This report considers whether there is sufficient evidence to justify introducing Article 4 Direction(s) for any areas within Runnymede Borough to require planning permission for the change of use of a Use Class C3 dwellinghouse to a Use Class C4 small House in Multiple Occupation (HMO).

1.2 The report has been written in response to concerns from several Councillors and a number of local residents with regards to the concentration of particularly student housing (HMOs) in certain areas of the borough and the impacts that this is having on their local amenity and/or well-being.

2. Background

2.1 A House in Multiple Occupation, commonly known as an HMO, is a property occupied by at least three people who are not from one 'household' (e.g., a family) but share facilities such as a bathroom and kitchen. Examples include bedsits, shared houses, lodgings, accommodation for workers/employees and refuges. Planning use classes distinguish between 'small' HMOs of up to six people (C4 use class), and 'large' HMOs of seven or more occupants which are categorised as *sui generis*.

2.2 HMOs are recognised as meeting important and specific housing needs in Runnymede, particularly for people on low incomes, as house prices in the borough are high. However, high concentrations of HMOs can present challenges to the sustainability of neighbourhoods and impact on their character and residential amenity. This is often the case in university towns where the concentration of student HMOs in specific areas can lead to issues with the resident population.

Planning Background

2.3 In April 2010, the Town and Country Planning (Use Classes) Order 1987 was amended by the introduction of a new C4 use class covering small Houses in Multiple Occupation, defined as "Use of a dwellinghouse by not more than six residents as a "house in multiple occupation"." On 1 October 2010, the Town and Country Planning (General Permitted Development) (Amendment) (No. 2) (England) Order introduced a permitted development right to change the use of a building from a single house (C3) to a House in Multiple Occupation (C4) without the need to make a planning application.

2.4 Local planning authorities have powers to make an Article 4 Direction under the Town and Country Planning (General Permitted Development) (England) Order 2015 (as amended) to remove permitted development rights. These remove permitted development rights in part or all of a Local Authority's area, thereby requiring planning permission for a change of use that would otherwise be permitted development.

2.5 Article 4 Directions are a means by which local planning authorities can exert greater control over the proliferation of small HMOs (i.e., through requiring planning permission for the change of use of a dwellinghouse in Use Class C3 to a small HMO in Use Class C4).

2.6 Importantly however, the introduction of an Article 4 Direction does not mean all planning applications for a change of use from a dwellinghouse to a Use Class C4 HMO will be refused. The Direction only requires the submission of a planning application for consideration by the Local Planning Authority, and any application will be determined on its merits having regard to the policies in the development plan and any other material considerations.

2.7 If an Article 4 Direction were to be introduced for HMOs in Runnymede Borough, the supporting evidence needed to justify the Direction would enable the Council to review Policy SL23: Accommodating Older Persons and Students, or the equivalent policy within the new Local Plan and, as a result, introduce more control over issues of concern relating to HMO. This is considered in more detail below (see para. 4.43).

2.8 The National Planning Policy Framework[1] (paragraph 53) requires the use of Article 4 Directions to be limited to situations where it is "*necessary to protect local amenity or the wellbeing of the area*" and "*in all cases, be based on robust evidence, and apply to the smallest geographical area possible*." The National Planning Practice Guidance (PPG) further states that evidence is required to justify the purpose and extent of the Direction, to demonstrate that such action is needed to protect local amenity or well-being of the area. The PPG also requires the potential harm that the Direction is intended to address to be clearly identified. Finally, it requires there to be a "*particularly strong*" justification if a Direction is to relate to a wide area (for example covering a large proportion or the entire area of a local authority)[2].

2.9 NB: No permitted development rights apply to changes of use to large HMOs (those occupied by more than 6 people who are not from one household) as these already require planning permission and so are not the subject of this paper.

[1] www.gov.uk/government/publications/national-planning-policy-framework--2

[2] www.gov.uk/guidance/when-is-permission-required#article4

Approach taken by other local authorities

2.10 At the start of the project, we began by undertaking a high-level, desk-based assessment to see where and, if possible, why other local authorities have chosen to implement Article 4 Directions for HMOs in their areas.

2.11 This research showed that many university towns had Article 4 Directions in place to control smaller HMOs. The key reasons for introducing these directions appeared to be because of the need to have increased control upon student housing in the area, followed by the need to protect local amenity and to preserve an appropriate mix of households.

2.12 In terms of the areas covered by these directions, the picture here was more varied, with some having directions covering the whole of the authority area whilst others identified specific wards. However, a number of the authorities, including Bristol, York and Durham, that initially introduced an Article 4 Direction for part of their area later extended it to include additional wards or to cover the whole of the urban area. The reasons given by these authorities for these later extensions was that they found that by putting in place Article 4 Directions for specific wards, that the adjoining areas experienced increases in HMOs i.e., the issues transferred to beyond the boundary of the direction. It is clear therefore that care needs to be taken in drawing up any boundaries for Article 4 Directions and that the boundary of these areas should not be drawn too tightly.

3. Types of Article 4 Directions

3.1 The process of making an Article 4 direction is set out within legislation[3]. There are two types of Article 4 direction: immediate or non-immediate.

- An immediate direction comes into force the day it is made and must be confirmed within 6 months, or it will lapse.
- A non-immediate direction is made following a decision being taken by the local planning authority, a 12-month notice and consultation period, and then is confirmed when it comes into force.

3.2 Planning legislation states that compensation may be payable to applicants if planning permission is refused within 12 months of the serving of an Article 4 Direction, unless 12 months' notice is given by the local planning authority of their intention to serve the notice.

3.3 The vast majority of local authorities who have introduced Article 4 Directions for HMOs have used a non-immediate direction, presumably to avoid the risk of having to pay compensation. However, this approach can mean that landlords have up to a year to change their residential properties into HMO before the Article 4 Direction comes into effect.

[3] The Town and Country Planning (General Permitted Development) (England) Order 2015 (legislation.gov.uk)

4. Justification for introducing an Article 4 Direction in Runnymede

4.1 This section considers what evidence there is in Runnymede for introducing an Article 4 direction(s).

Current Distribution and Concentrations of HMOs in Runnymede

4.2 At the time of the 2011 Census, 2.1% of the 32,714 households living in Runnymede Borough were recorded as being students i.e., 671 households. This figure is likely to have grown in the intervening period, as the Royal Holloway University of London (RHUL), which is located in the borough, has pursued a growth policy for the university. We are currently awaiting the full results of the 2021 Census to provide an update on this situation. However, there are concerns that the 2021 Census may underrepresent student numbers as, because of the Covid pandemic, many students were not living at their term time addresses at the time of the Census and were instead living at home.

4.3 The Council holds data that enables a picture of the location of HMOs in the borough to be established. Two sources have been used to analyse the existing distribution and density of known HMOs in the Borough. There is potentially some overlap between the two sources and, if a decision is taken that the Council should proceed with introducing an Article 4 direction(s), further work will be needed to combine these different data sources so as to avoid double-counting and get as accurate a picture of their distribution as possible.

i) Council Tax Data

4.4 Revenues and Benefits data can be used to indicate properties occupied solely by students as such households are exempt from paying Council Tax (Council N exemption). Where these properties are inhabited by three or more residents this information indicates *likely* HMOs, however it is not possible to verify this without intensive interrogation of the data and address points. For example, some groups of students may be living in flatted accommodation which would not be considered to be an HMO but would show up in the data. This data source does not identify HMOs where non-students or a mix of students and non-students reside. There are also small properties of 1 or 2 bedrooms that are Council Tax exempt that are not classified as houses in multiple occupation. Therefore, the figures for Council Tax exemptions do not show the whole picture so far as houses in multiple occupation (HMO's) are concerned, but they do provide a useful indicator for gauging the growth and distribution of student occupation in private dwellings.

ii) Licensing Data

4.5 The purpose of licensing is to ensure that properties are suitable and safe. The Housing

Act 2004 requires landlords of larger HMOs to apply for licenses. HMOs that need to be mandatorily licensed are those which:

- are occupied by five or more people forming two or more households (i.e. people not related or living together as a couple), and
- have an element of shared facilities (e.g. kitchen, bathroom, etc).

4.6 Flats situated in purpose-built blocks consisting of 3 or more flats do not require an HMO License.

4.7 Some Councils have also designated an additional HMO licensing scheme, so as to capture private landlords who rent out smaller HMO properties (i.e., three or four person HMOs). This is not the case in Runnymede where only mandatory licensing exists.

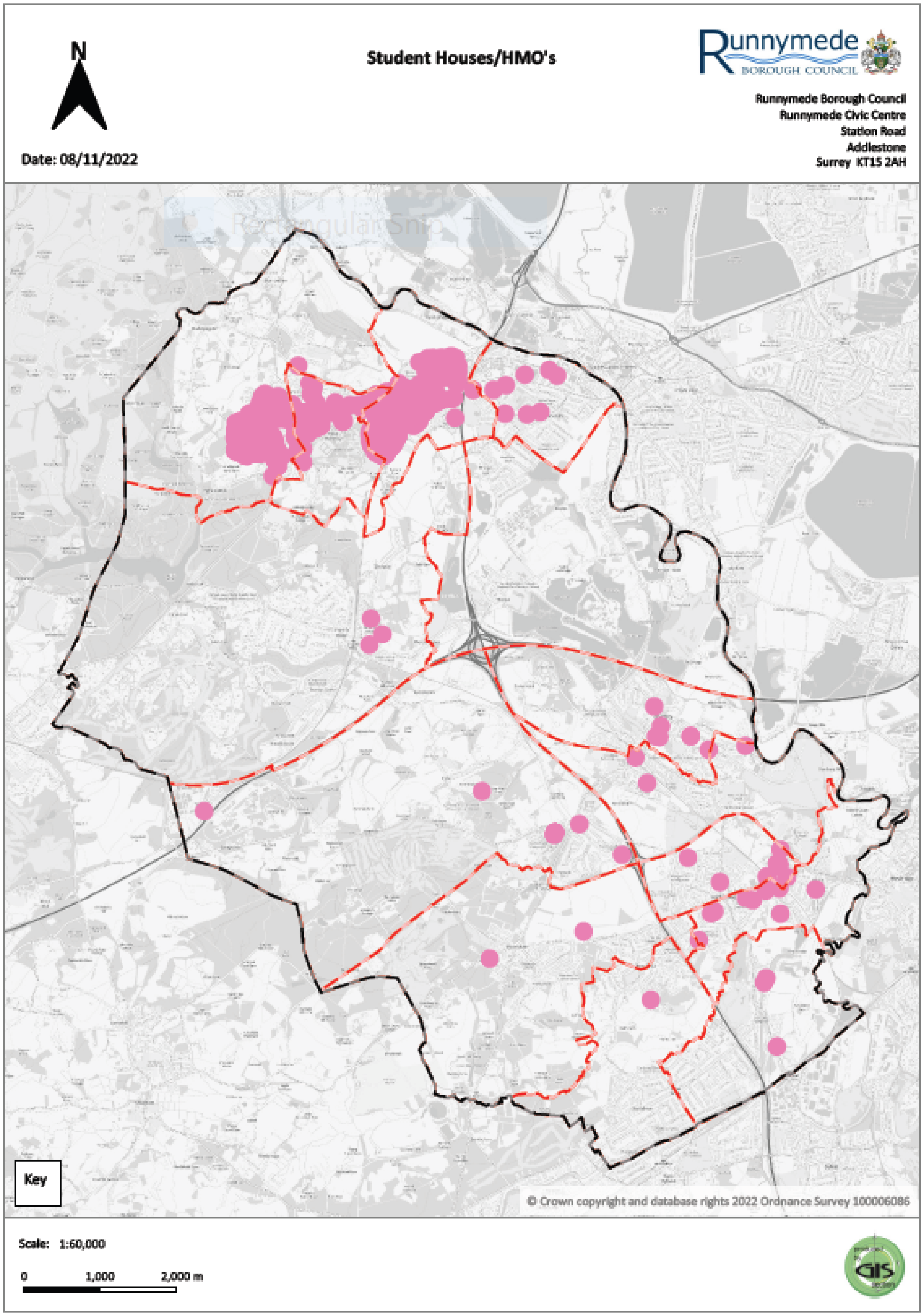
4.8 In Runnymede BC a register of all properties with a mandatory HMO license is maintained on the Council's website[4]. The licensing data captures the larger HMOs in the borough i.e., those with 5 or more people in them, and whilst some unlicensed properties may also be included in this data (these would be classified as unlicensed HMOs) i.e., those occupied by 3 or 4 people, this data is not comprehensive, as can clearly be seen from Table 3 below.

Distribution Analysis

i) Based on Council Tax Data

4.9 Map 1 below shows the households who are exempt from paying Council tax because of Council tax 'N' exemptions. As of October 2022, there were 795 of these properties in the borough.

[4] https://www.runnymede.gov.uk/general-licenses/houses-multiple-occupation-hmo/6



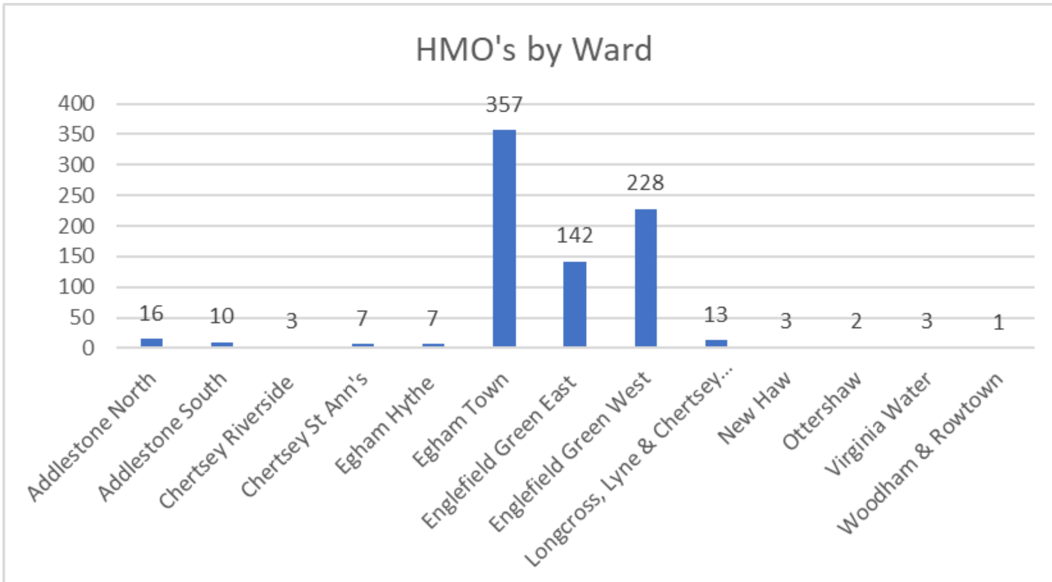
Source: Council Tax data

4.10 Map 1 clearly shows that the distribution of HMOs in Runnymede is mainly focused in the north of the Borough, particularly in the wards of Egham and Englefield Green (East and West). However, there do also appear to be smaller clusters around Addlestone and

Chertsey town centres.

4.11 The distribution of these properties across the borough is shown graphically in Figure 1 below.

Figure 1: The distribution of HMOs by ward (as of October 2022)

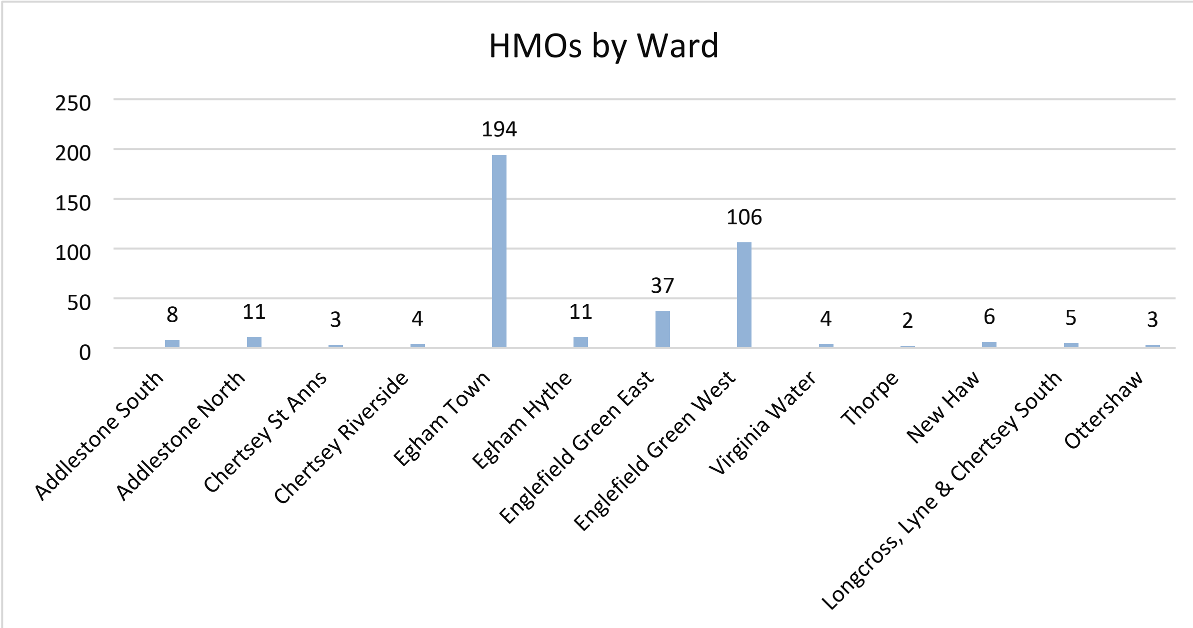


Source: Council Tax Data

ii) Licensing Data

4.12 As of 5th March 2022, Runnymede's total licensed HMO figure stood at 394 properties, permitting 2,243 occupants. These, on the whole, larger HMOs are distributed across the borough, as can be seen from Figure 2 below.

Figure 2: Licensed HMOs in Runnymede by ward (as of March 2022)



Source: Private Sector Housing Team Data Runnymede

4.13 However, a large proportion of these HMOs are positioned in the north of the borough, particularly around Egham (194 HMOs) and Englefield Green (East and West) (143 HMOs). These clusters of HMOs are thought to be as a result of private rented student accommodation for those studying at the nearby Royal Holloway University of London (RHUL).

4.14 Royal Holloway is located in Englefield Green and has seen continuous growth over recent years, with the most recent total for the year 2022/23, standing at 11,732 students[5]. The university has set itself a target, in its Strategic Plan 2021-24, of increasing its student numbers to around 15,000 by 2029-30[6]. The Strategic Plan sets out that the university is encouraging students from nearby London to apply for these opportunities and also providing more distance learning courses and, as a result, is intending more of these additional students to live at home, to avoid creating additional HMOs around Egham and Englefield Green.

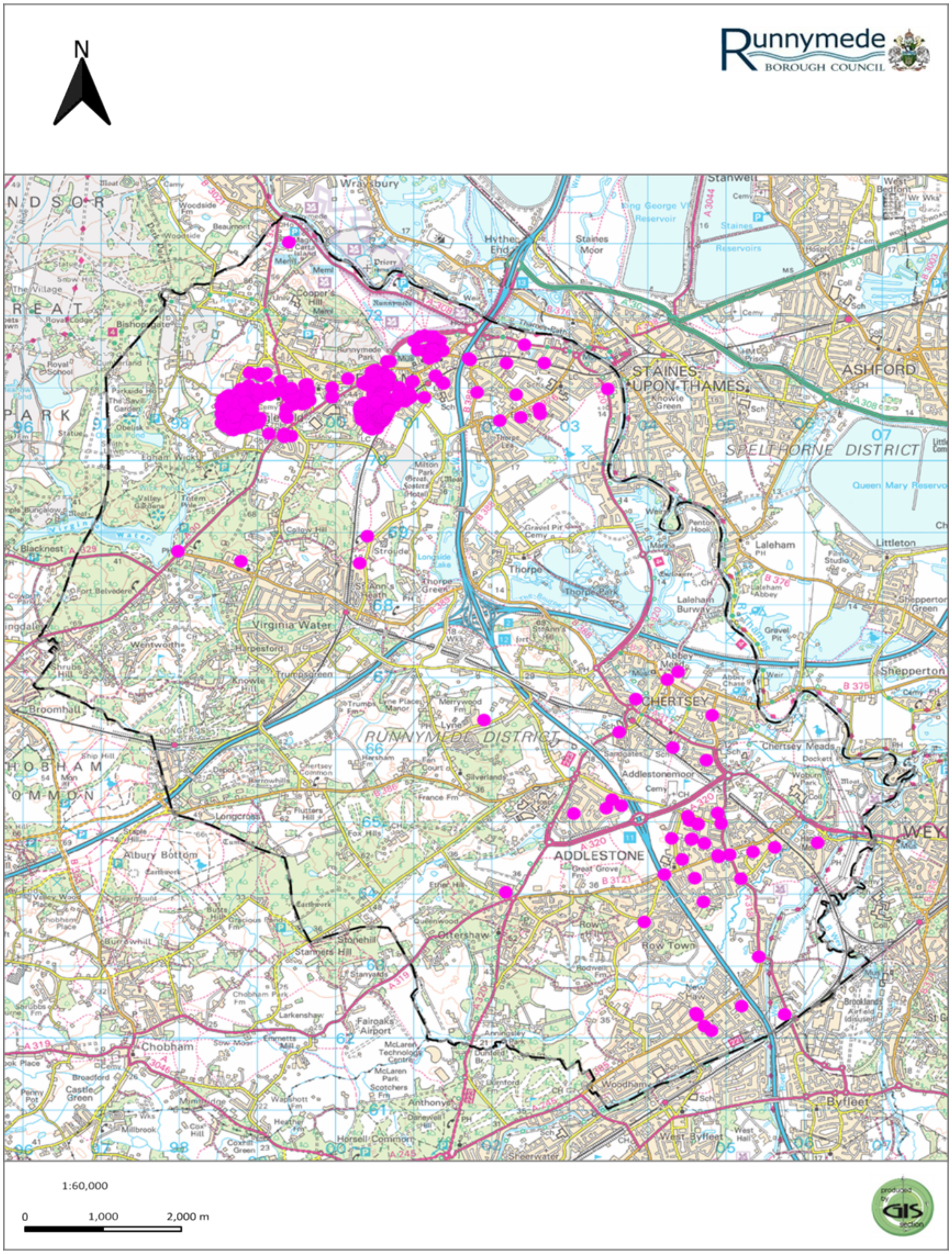
4.15 These two areas (Egham and Englefield Green (East and West)) account for approximately 86% of all Licensed HMOs in Runnymede. This indicates that it is likely to be the proximity of the nearby RHUL that is the key factor in the concentration of HMOs in this vicinity.

4.16 Map 2 below shows in more detail the location of these licensed HMOs across Runnymede. This map supports the view that it is the location of RHUL in the north of

[5] https://www.hesa.ac.uk/data-and-analysis/students/table-57

[6] 8556-strategy-brochure.pdf (royalholloway.ac.uk)

the borough that contributes to the concentration of HMO in this vicinity, as it clearly shows that most licensed HMOs are located in the north of Runnymede Borough, with the majority being located in close proximity to the University.



Source: Private Sector Housing Team Data

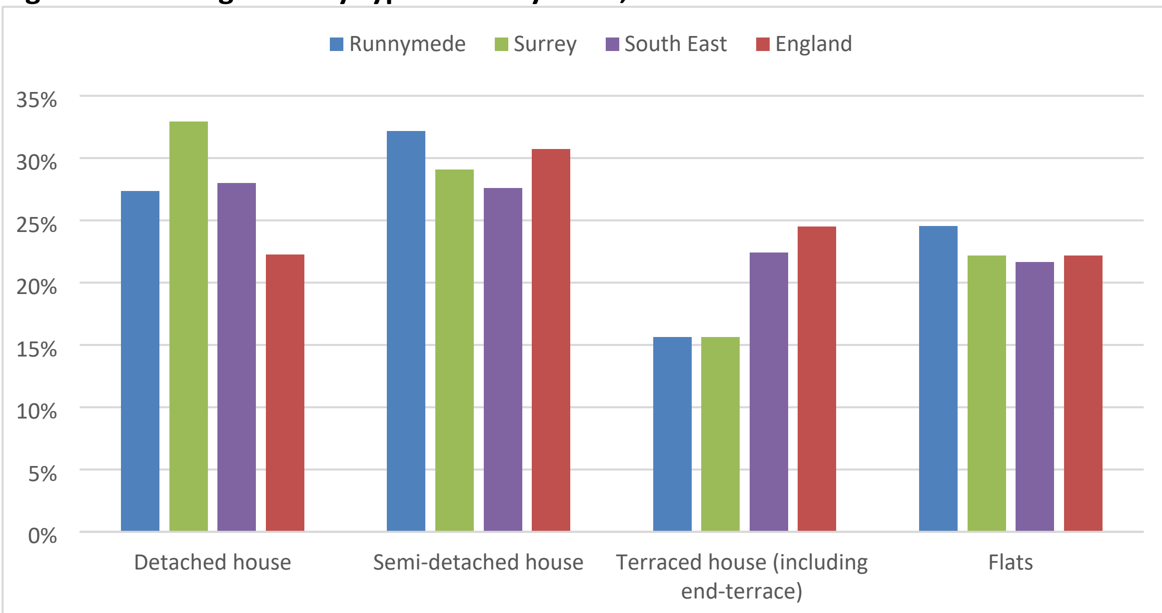
4.17 It is clear, from both maps 1 and 2 above, that the location of both larger HMOs and student Council tax ‘N’ exemption properties tend to be focused in the north of the

Borough around Egham, Englefield Green East and West. There are also smaller clusters around Addlestone and Chertsey town centres, albeit that these areas appear to be less densely concentrated at the current time.

Property Types in Runnymede

4.18 At the current time, as already stated above, we are still awaiting detailed information on house types from the 2021 Census Data for Runnymede relating to the different type of housing stock from the 2011 Census is set out below.

Figure 3: Housing stock by type in Runnymede, 2011



Source: ONS, Census 2011 (excludes shared dwellings)

4.19 It is clear from this information and from the information set out below in table 1 that Runnymede has a large number of semi-detached dwellings (32.2% of its overall housing stock). This could present an issue when it comes to HMOs, as if one half of a semi-detached dwelling is converted into an HMO, it presents greater opportunities for disturbance for the adjoining half of the property by reason of the shared party wall between them.

Table 1 below shows the distribution of properties in Runnymede by type

Type of dwelling	Number of properties	Percentage of properties
Detached	9,394	27.4
Semi-detached	11,049	32.2
Terraced (includes end of terrace)	5,363	15.6
Purpose built flats	6,121	17.8
Converted/ shared house (include bedsits)	803	2.3
Flat in commercial building	442	1.3
Caravan/ temporary structure	1,144	3.3

Source: ONS Census 2011

Amenity Impacts

4.20 As set out above, high concentrations of HMOs can present challenges to the sustainability of neighbourhoods and impact on their character and residential amenity. This is recognised by the Government in the NPPF and supporting Planning Practice Guidance, as set out above in para. 2.8. These issues may undermine cohesive relations between universities and established communities in an area.

4.21 The potential impacts of concentrations of HMOs in an area, and particularly those relating to student HMOs, can include the following:

- Increase in population densities resulting in increases in domestic refuse, litter (e.g. fast food and pizza boxes) and fly-tipping of unwanted household items (e.g. discarded beds/mattresses, sofas and fridges);
- The removal of hedges, fences, gates, and gardens for driveways;
- The proliferation of 'to-let' boards, unkempt gardens and yards;
- Dilapidated external residential facades and the disrepair of housing (depending on the landlord);
- The exclusion of local families and low-income individuals and households from the local housing market;
- The replacement / displacement of local families by transient student populations;
- The marginalisation and polarisation of local families;
- The gradual closure of local crèches, nurseries and schools, and other community facilities;
- The loss of family-oriented public and private services;
- Higher levels of burglary and crime;
- The formation of a new sense of place, and a different type of ambience in the

neighbourhood;

- Room arrangements and a lifestyle which can exacerbate noise nuisance (e.g. parties, higher occupancy levels in HMO);
- The conflicts between the everyday living routines (e.g. timing of work, play and sleep) of established residents and many students;
- Increased car parking and congestion;

4.22 Evidence held by the Council highlights how some wards with higher concentrations of HMOs have higher levels of antisocial behaviour (this data includes noise and various other types of complaints). The borough's wards are ranked in terms of the frequency of anti-social behaviour issues complaints. The ward with the greatest prevalence of incidents is ranked 1, and the ward with the least is ranked 13.

4.23 It should be noted that ward level data must be considered a blunt instrument, since it often contains a wide mix of neighbourhoods covering a large area, however a correlation between HMO proliferation and prevalence of antisocial behaviour and other complaints can be seen with Egham Town and Englefield Green West experiencing the highest number of complaints and also having the largest concentrations of HMO. However, other wards with a much lower number of HMOs have similarly high levels (Chertsey St. Anns and Egham Hythe) of complaints whilst Englefield Green East had the lowest number of ASB complaints during 2021/22 and yet, as can clearly be seen from Figures 1 and 2 above, has the third highest levels of HMO in the borough. Overall therefore, the relationship between ASB and concentrations of HMO is not consistent across the board.

Table 2: Number of anti-social behaviour issue complaints by ward (2021/22)

Ward	Council Anti-social Behaviour 2021/22[7]	Rank
Egham Town	275	1
Englefield Green West	251	2
Chertsey St. Anns	245	3
Egham Hythe	237	4
Addlestone North	213	5
Addlestone South	197	6
Chertsey Riverside	169	7
New Haw	164	8
Longcross, Lyne and Chertsey	159	9
Ottershaw	155	10
Virginia Water	129	11
Thorpe	123	12
Englefield Green East	81	13

Source: Environmental Health Data (data relates to complaints received in 2021/22)

4.24 Putting in place an Article 4 Direction would not retrospectively address ASB issues but would allow them to be taken into account in considering planning applications for future HMO against criteria included in policies in the reviewed Runnymede 2030 Local Plan and therefore help prevent them going forwards.

4.25 In addition to the above, data collected from Environmental Health relating to the number of noise complaints from licensed HMOs for the last 5 years is shown in Table 3 below.

[7] Data for ASB for Runnymede covers a number of different categories including noise, nuisance behaviour, begging, dog fouling and brings together complaints from housing and Environmental Health.

Table 3: known noise complaints for licensed HMOs i.e, those occupied by 5 or more persons and also some unlicensed HMOs (those occupied by 3-4 people)

	Total Noise complaints received	Noise complaints from licensed HMO premises	Detached	Semi detached	Terraced	End of terrace	Unknown	Unlicensed HMO
2017/18	367	24 (6.5%)[8]	2	15	4	2	1	2
2018/19	384	37 (9.6%)	7	22	6	2		1
2019/20	379	51 (13.4%)	4	30	8	8	1	6
2020/21	475	43 (9%)	4	26	10	2	1	30
2021/22	469	40 (8.5%)	8	18	10	4		15

Source: Environmental Health data

4.26 It is difficult to draw a strong correlation between noise complaints and mandatorily licensed HMOs, although there do appear to be more complaints from this source than would be expected based on the number of students. In the 2011 Census, 2.1% of the 32,714 households living in Runnymede Borough were recorded as being students. It is clear from Table 3 above, that in 2019/20 13.4% of noise complaints were from HMO premises. However, it is worth emphasing the fact that as only larger HMOs are licensed in Runnymede, the data relating to smaller (unlicensed) HMOs could well be under-represented in this table, as the data held on the locations of these smaller HMOs by the Licensing Team is not comprehensive. In addition, it is likely that less students were living in HMO in recent years during the Covid pandemic as they may well have been living at home instead and this may be another factor that needs to be taken into consideration in looking at this data.

Crime

4.27 Concentrations of transient social groups, living in what is often relatively insecure accommodation can lead to increased levels of burglary. The crime data shown below relates to overall crime levels[9] as we were unable to extricate burglaries from the overall crime totals.

[8] Figures in brackets represent the percentage of HMO complaints as a proportion of all noise complaints received in that year.

[9] Police categorise ASB in various ways not all of which relate to residential properties. Examples include vehicle related ASB, drug and solvent misuse and prostitution.

Table 4: crime data for Runnymede for the period October 2021 and September 2022.

Old ward boundaries	Total no. reported crimes between October 2021/ Sept. 2022
Addlestone North	1,085
Chertsey St. Ann's	1,050
Egham Town	1,035
Egham Hythe	949
Thorpe	926
Foxhills	877
Chertsey Meads	838
Addlestone Bourneside	780
Englefield Green West	618
New Haw	551
Virginia Water	542
Englefield Green East	515
Chertsey South and Row Town	433
Woodham	374

Source: Surreyi (using policy data)

4.28 It is extremely difficult to draw meaningful conclusions from the above data with regards to HMOs, as the way that the police record crime data does not correspond with the latest ward boundaries. It would appear however, from the crime data for the October 2021 to September 2022 period, that the number of crimes in Englefield Green (East and West) is not particularly high when compared to the rest of the borough but that Egham Town has the third highest number of crimes. This data is not therefore conclusive in Runnymede of a link between higher rates of crime in areas with high numbers of HMO.

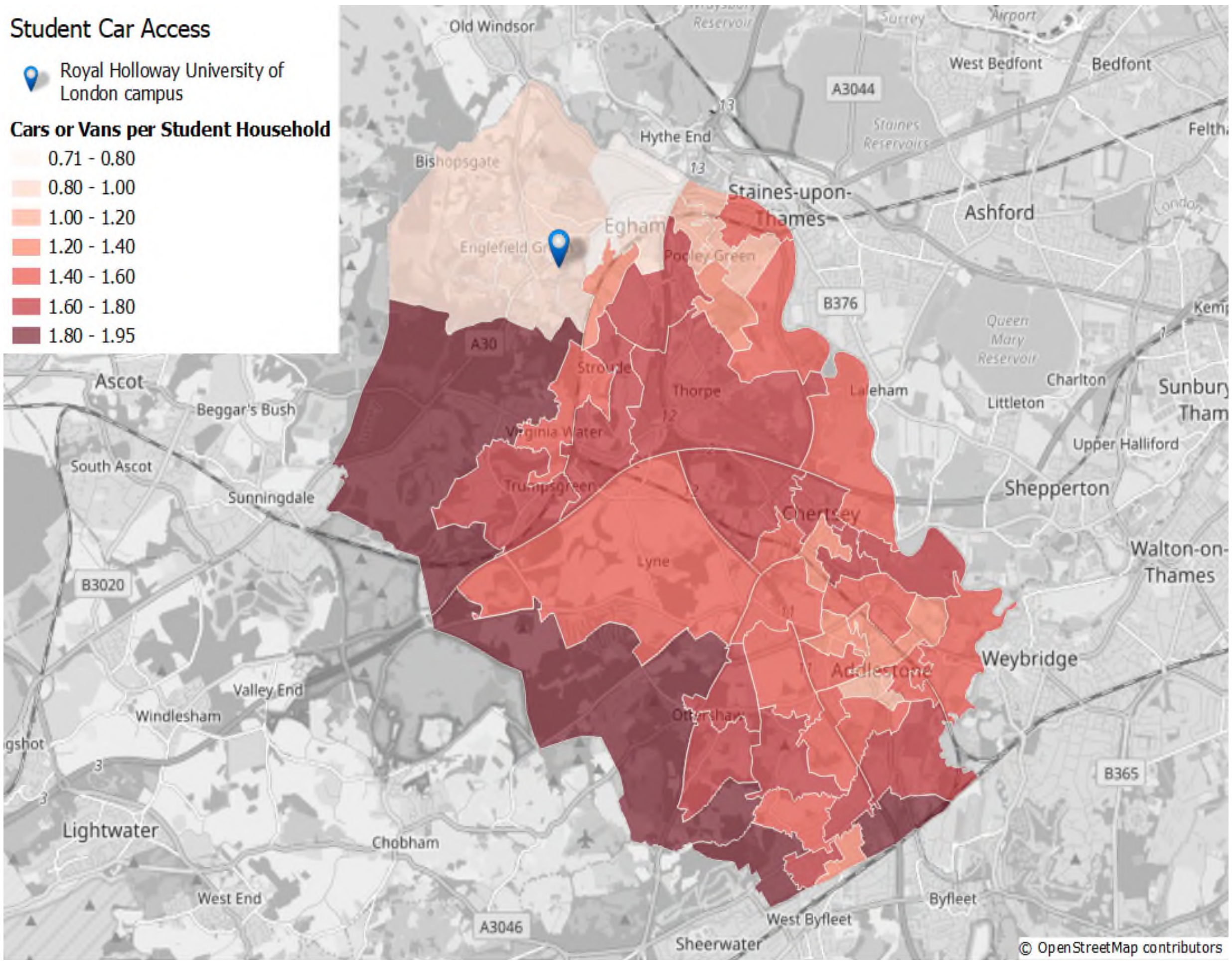
Parking

4.29 The Council commissioned Project Centre Ltd in 2021 to carry out an independent, evidence-based piece of work in response to concerns from local Councillors and residents about the impacts of overspill parking from occupants of Purpose-Built Student Accommodation (PBSA) related to the Royal Holloway University of London (RHUL) campus in Englefield Green, on the surrounding residential areas, including local residents. The work did not look at the impacts that HMOs were potentially having from a parking perspective, but the conclusions of the work are nevertheless potentially relevant to this current report.

4.30 As part of the background to the work, the consultants looked at car ownership per student household. This involved examining data from the 2011 Census to understand the geographic patterns of household student car ownership in Runnymede. It was acknowledged in the consultant's report, that this data is ageing but that at the time of writing the report, the 2021 data was awaited. The consultants considered that the 2011 data gives a good indication of the geographic car ownership patterns across the borough, in relation to RHUL.

4.31 Figure 4[10], taken directly from their report, shows the pattern of student car access, based on Census table LC4609EW "Car or van availability by economic activity".

Figure 4: Student Car Access



Source: Final Draft Parking Standards: Purpose Built Student Accommodation and Office Development, Project Centre, March 2022.

4.32 The consultants concluded that the "*data above suggests car ownership amongst students living closest to RHUL and Egham Station is at its lowest level across the whole Borough. Highest student car ownership is in the southern, less built-up area of Runnymede. Students are more likely to own and travel by car where they are required to travel further distances, and public transport connections are less reliable.*

4.33 For example, the highest areas of car ownership (>1.8 cars per student household) are

[10] Figure 5 in their report.

along the south-western boundary of RBC, west of Virginia Water, Trumps Green and Ottershaw. In these areas, travel to the university can take up to 1 hour by public transport compared to 15 minutes by car. In some areas, there are no viable public transport links to RHUL. The majority of public transport links are London radial routes (train links specifically), whilst connections between Egham and Englefield Green and the more dispersed suburban areas are poor.

4.34 It is therefore considered likely, given the results of the parking surveys (see para 3.2.12 in particular), that the on-street parking pressures in the area are mainly caused by students who are travelling from areas that have limited alternative travel options rather than students living in nearby PBSA."

4.35 As part of the Project Centre commission parking stress surveys were undertaken between September and November 2021. The aim was to understand the on-street parking occupancy both during and outside of university term times, and to gain a picture of the changes in demand directly related to university activities. The following roads formed part of the area surveyed:

Albert Road, Englefield Green East
Alexandra Road, Englefield Green East
Armstrong Road, Englefield Green East
Danehurst Close, Egham Town
Egham Hill - north side of the road (Englefield Green East)/ south side (Egham Town)
Furzedown Close, Egham Town
Greenacre Court, Englefield Green East
Greenways, Egham Town
Harvest Road, Englefield Green East
Lodge Close, Englefield Green East
Malt Hill, Egham Town
Middle Hill, Englefield Green East
Mount Lee, Englefield Green East
Parsonage Road, Englefield Green East
South Road, Englefield Green East
Spring Avenue, Egham Town
Spring Rise, Egham Town
The Crescent, Egham Town
The Retreat, Englefield Green East
Victoria Street, Englefield Green East

4.36 The surveys found that parking stress was predominantly concentrated in the west of the study area (in Englefield Green), both during and outside of term time. In addition, the surveys found that parking stress was high outside of term time, particularly in Alexandra Road, Harvest Road, The Crescent, and along Egham Hill. However, term-time student parking appeared to exacerbate it and extend high parking stress to neighbouring roads.

4.37 The surveys also revealed that excess demand within the surveyed area was not exclusively originating from the university on the roads listed above, and there were other sources of on-street demand. The consultants commented that predominantly residential demand commonly results in peak parking stress during overnight surveys. The heightened demand observed during the day-time surveys, suggests non-residential demand.

4.38 The conclusions above about whether parking pressures are likely to be generated from residential or non-residential demand in the surveyed area are considered to be relevant whether PBSA or HMOs are being considered, however the results indicate that parking stresses in this part of the Borough are mainly being exacerbated by daytime commuting into the area rather than from resident (which would include HMO) demand. The results do not therefore support that an Article 4 direction, with regard to HMOs, would be effective in helping reduce on street parking pressures in the Egham and Englefield Green areas associated with the student population living in the areas closest to the University.

Conclusions

4.39 It is clear from the NPPF and PPG that if we are to put an Article 4 Direction in place, that it needs to be based on robust evidence and that it should relate to the smallest geographical area possible. It is considered that whilst this paper provides a starting point, further work is needed to justify the introduction of an Article 4 Direction (s) in Runnymede. This additional work will need to refine and build on the evidence included in this paper to justify a direction being put in place. This work will include looking in more detail at the distribution and impacts of the HMOs in Runnymede.

4.40 Additional work would also be needed to determine the detailed geographic boundary of any Article 4 Direction(s).

4.41 However, based on evidence from other local authorities, it is often difficult to define exactly where the boundary for a Direction should be. It is difficult to provide reasonable justification for the inclusion of some streets and the exclusion of others, particularly given the wide dispersal of HMOs evident in Maps 1 and 2. In addition, there is a danger that if the boundary of the Direction is drawn too tightly around the 'problem areas' that the issues will be transferred to neighbouring streets just outside the Article 4 Direction boundary.

4.42 If it is decided that an Article 4 Direction for HMO is to be put in place, it is recommended that consideration is given to adding additional criteria relating to HMOs to existing

Policy SL23: Accommodating Older Persons and Students or its equivalent policy in the reviewed Runnymede 2030 Local Plan. Adding additional criteria to Policy SL23, or its equivalent, will provide the Council with greater control when making decisions on planning applications involving student housing HMOs.

4.43 An HMO policy could set out, for example, that development proposals for new HMOs will be determined:

- To ensure that a sufficient supply of HMOs is maintained in Runnymede;
- To ensure that HMOs are distributed in areas well connected by public transport to employment and educational destinations associated with HMO occupants;
- To avoid detrimental impacts through high concentrations of HMOs, which would undermine the balance and health of communities. This could, for example, include criteria to prevent above a certain % of dwellings in a street being converted to HMOs; stop a non-HMO dwelling being sandwiched between two existing HMOs in a continuous frontage and/ or prevent a continuous frontage of say three or more HMOs.
- To ensure that proposals for new HMOs address relevant amenity and localised parking concerns;
- To avoid the loss of existing housing suitable for family occupation in areas of existing high concentrations of HMOs.

'Detrimental impacts' as referred to above could be referenced in the supporting text to such a policy and could potentially include some/all of the following:

- Anti-social behaviour, noise and nuisance
- Imbalanced and unsustainable communities
- Negative impacts on the physical environment and streetscape
- Pressures upon parking provision
- Increased crime
- Growth in private sector at the expenses of owner-occupation
- Pressure upon local community facilities and
- Restructuring of retail, commercial services and recreational facilities to suit the lifestyles of the predominant population

4.44 The supporting text to such a policy could also include reference to an 'exception test' aimed, in part, at preventing residents being subject to scenarios where they may find their dwelling as the last C3 use in a street.

Appendix 2

Runnymede Borough Council

Information prepared for Overview & Scrutiny Committee on Houses in Multiple Occupation and other data

24th November 2023

Contents

What is a house in multiple occupation (HMO)?

In simple terms: A house, which is occupied by three or more unrelated persons, who do not form a single household – a definition supported by Sections 254, 257 and 258 of the Housing Act 2004

In more depth: "HMO" means a House in Multiple Occupation as defined by sections 254 to 259 of the Housing Act 2004 and it applies to a wide range of housing types. A building or a part of a building constitutes an HMO if:

- a building or a part of a building, consists of one or more units of living accommodation not consisting of a self-contained flat or flats.
- the living accommodation is occupied by persons who do not form a single household - Households are defined as comprising families (including foster children, children being cared for) and current domestic employees, single persons, or co-habiting couples.
- two or more of the households who occupy the living accommodation share one or more basic amenities or the living accommodation is lacking in one or more basic amenities.
- The building is converted into self-contained flats and more than one third of the flats are tenanted and the conversion does not comply with Building Regulations 1991 or subsequent Building Regulations.
- To be an HMO, the property must be used as the tenants' only or main residence and it should be used solely or mainly to house tenants. Properties let to students undertaking a full-time course of further or higher education and migrant workers will be treated as their only or main residence and the same will apply to properties which are used as domestic refuges.

HMOs provide a significant amount of accommodation in Runnymede. The Local Government Association recognise they play an important role in the housing market, offer accommodation that is typically cheaper than other private rental options and often house vulnerable tenants.

Mandatory HMO Licensing

The Council has operated mandatory HMO licensing since 2006, although initially this was restricted to 3 storey HMOs containing 5 or more tenants. The scope of mandatory licensing was extended on 1 October 2018 to cover certain HMOs occupied by five or more persons regardless of the number of storeys.

HMO licensing in Runnymede is both a reactive and a proactive service. Inspections of HMOs are integral to the licensing process both initially and with follow up inspections to check compliance with the licence conditions. The council also investigates service requests from HMO occupiers and neighbours as well as providing help and assistance to landlords. The council uses a variety of data sources (e.g. Spareroom) to identify and investigate cases where HMOs are suspected of operating without a HMO licence

It is an offence to have control of or manage an HMO which is required to be licensed under Part 2 of the Housing Act 2004 but is not so licensed. A person that commits this offence is liable on summary conviction to an unlimited fine or civil penalty of up to £30,000.

Planning permission is not required to change the use of a family house into an HMO up to 6 persons but is required for large HMOs with 7 or more unrelated persons sharing.
The Private Housing Team investigate all cases where HMOs are suspected of operating without HMO licence.

Licence conditions

Each HMO licence is granted with conditions. There are a number of conditions which must be included with every HMO licence granted, these include conditions relating to such matters as gas safety, electrical appliances, furniture, smoke alarms and details of the occupants. Since October 2018 all licences have also been required to include conditions regarding minimum room sizes and waste disposal. These are applied by all Councils across England and Wales and are often referred to as the 'mandatory conditions'.

The Licensing and Management of Houses in Multiple Occupation and Other Houses (Miscellaneous Provisions) (England) Regulations 2006 Schedule 3 sets out the prescribed standards (minimum standards) for HMOs.

Periodic Inspections (5-year inspections)

As part of the licensing scheme the Council must seek to remove or reduce category 1 or category 2 hazards from HMOs using Housing Act Part 1 powers and undertaking HHSRS assessments where required. Compliance with the scheme is also measured when undertaking such inspections or audits.

Amenity standards in HMO's

For all HMO's in Runnymede, the Private Sector Housing Team have developed an HMO standards guide to expand on prescribed legal standards and outline what the team considers to be appropriate and necessary facilities. The guide offers landlords, agents, and tenants a benchmark regarding the standards we would expect to see in HMOs.

The Private Sector Housing Team role in HMOs

All HMO's (both licensable and non-licensable) are required to meet certain standards relating to fire precautions, amenities, management standards and general housing conditions using the Housing Health and Safety Rating System (HHSRS) as set out in the Housing Act 2004.

We proactively inspect all HMOs under Part I of the Housing Act 2004, as they become known to us regardless of whether they are licensable or not. Up until September 2018 we had an Accreditation Scheme in conjunction with RHUL for student occupied HMO's. We carry out inspections under Part I of the Housing Act 2004 using the HHSRS which can apply to all dwellings. The HHSRS looks at the likelihood of an incident arising from the condition of the property and the likely harmful outcome.

There are 29 hazards we can assess which are grouped as follows:

- dampness, excess cold/heat.
- pollutants e.g., asbestos, carbon monoxide,
- lack of space, security or lighting, or excessive noise.
- poor hygiene, sanitation, water supply
- accidents – falls, electric shocks, fires, burns, scalds, collisions, explosions, structural collapse (all or part of the building falling down)

The assessment could show the presence of serious (category one) hazards and other less serious (category two) hazards. A category one hazard places a duty on us to take appropriate action to remove or reduce the risk and a category 2 Hazard gives us discretion to take appropriate action.

Where a hazard presents an imminent risk of serious harm, formal action will be taken, however the first step in most cases will be to informally address the deficiencies by writing to the landlord and advising them of the deficiency and what is required to address it. If the informal action fails, then there is a range of formal notices available to ensure that the works are completed within specified timescales.

If it is considered the most appropriate action, we can implement any of the following:

- Serve an improvement notice requiring remedial works (the most likely action).
- Make a prohibition order, which closes the whole or part of a dwelling or restricts the number of permitted occupants.
- Serve a hazard awareness notice.
- Take emergency remedial action.
- Make an emergency prohibition order.

Landlords, owners or managing agents face unlimited fines or a civil penalty of up to £30,000 for not complying with a statutory notice.

Within Runnymede so far in 2023 we have served two prohibition orders, one for severe overcrowding and lack of suitable means of escape in Staines and one for an unguarded drop where a fire escape had been removed in Addlestone.

If a property is in good repair, then it is likely to be free from significant hazards. The HHSRS is not a prescriptive standard; rather it is a method of assessing risk of harm occurring within a property.

<u>HMO Management Regulations</u>

The Management of Houses in Multiple Occupation (England) Regulations 2006) apply to **all** HMOs (whether or not they are licensable) and impose certain duties on managers and occupiers of such buildings.

If a manager, or occupier, fails to comply with any management regulation without a reasonable excuse they may be prosecuted and liable to an unlimited fine or civil penalty of up to £30,000.

<u>HMO numbers</u>

RBC currently have 432 licensed HMO's, i.e. those with 5 or more occupants. A map showing their distribution can be found in Appendix 1

RBC Council tax figures

There are 838 properties with Class N exemptions – Please note this figure will include non-HMO's with student occupants such as 1 or 2 bedroom flats or family homes where the adult occupiers are students.

<u>ONS 2021 census figures</u>

Runnymede

	Runnymede	National
Non HMO's	36385	26212226
Is a small HMO	456	135076
Is a large HMO	238	47476

A small HMO is shared by 3 or 4 unrelated tenants. A large HMO is shared by 5 or more unrelated tenants.

<u>Stock Condition Survey Statistics 2018 – NB this data is modelled</u>

The stock condition survey is procured approximately every 10 years. This work is undertaken by a contractor and the data is modelled by referring to a number of different data sources including Experion. The last survey was carried out in 2018 by the Building Research Establishment (BRE). The lasted report modelled the following information.

There are 34,736 dwellings in Runnymede, 66% are owner occupied, 21% private rented and 13% social rented.

The estimated total of 1,410 HMOs in Runnymede (this figure would likely include lodgers in family homes)

2,300 dwellings in the private sector have category 1 Housing Health and Safety Rating System (HHSRS) hazards. This equates to 8% of properties.

Majority of Cat 1 hazards are in owner occupied houses.

Table 4: Estimates of the numbers and percentage of dwellings meeting the key indicator criteria assessed by the Housing Stock Models and Housing Stock Condition Database by tenure for Runnymede

Indicator		Private sector stock				Social stock	
		Owner occupied		Private rented			
		No.	%	No.	%	No.	%
No. of dwellings		22,809	-	7,259	-	4,668	-
HHSRS category 1 hazards	All hazards	1,779	8%	521	7%	128	3%
	Excess cold	772	3%	203	3%	57	1%
	Fall hazards	927	4%	261	4%	58	1%
Disrepair		712	3%	283	4%	97	2%
Fuel poverty (10%)		1,892	8%	620	9%	367	8%
Fuel poverty (Low Income High Costs)		1,629	7%	896	12%	376	8%
Low income households		2,082	9%	1,381	19%	3,147	67%

N.B. the information on hazards refers to the number of dwellings with a hazard of the stated type. Because of this there is likely to be some overlap – for example, some dwellings are likely to have excess cold and fall hazards but this dwelling would only be represented once under 'all hazards'. The number of dwellings under 'all hazards' can therefore be less than the sum of the excess cold plus fall hazards.

The highest concentrations of all HHSRS hazards in the private sector are found in the wards of Chertsey St. Ann's, Englefield Green East and Chertsey Meads

The total cost of mitigating category 1 hazards in Runnymede's private sector stock is estimated to be £7.8 million – with £6.1 million in the owner-occupied sector, and £1.7 million in the private rented sector.

Table 9: Estimated costs to mitigate all category 1 hazards in private sector stock, split into tenure

Tenure	No. of hazards	Total cost (£)
Private Sector	2,826	7,841,991
Owner occupied	2,198	6,118,768
Private rented	627	1,723,224

PSH HMO Complaint & Enforcement statistics

Table 10: Formal enforcement actions

All notices								to date
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Hazard Awareness	13	22	5	3	2	1	6	2
Improvement Notice	23	13	2	6	2	12	11	6
Prohibition Notice	4	5	1	1	0	1	2	1
Non- HMO								
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Hazard Awareness	6	11	1	3	2	0	3	2
Improvement Notice	10	3	2	4	2	8	6	4
Prohibition Notice	3	0	0	1	0	1	0	0
HMO's								
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Hazard Awareness	7	11	4	0	0	1	3	0
Improvement Notice	13	10	0	2	0	4	5	2
Prohibition Notice	1	5	1	0	0	0	2	1

Table 11: - Complaints by third parties about issues relating to HMO's

	2017	2018	2019	2020	2021	2022	2023	Total
No of complaints	14	4	5	0	0	4	30	57

Table 12: - type of complaint

Overcrowding	2
Waste Issues	31
Gardens	25
Parking	1
Damaged fence	1
Damaged wall	1

Additional HMO licensing *(taken from Shelter)*

The Housing Act 2004 also provides for licensing to be extended by a local authority to include HMOs not covered by mandatory licensing. The local authority could extend licensing to include all HMOs in a specific area, or the whole district.

Additional licensing can be introduced where the local authority believes that a significant proportion of HMOs are poorly managed and giving rise to problems for residents or the general public. The use of additional licensing has to be consistent with the local authority's housing strategy and should be co-ordinated with the authority's approach on homelessness, empty properties and antisocial behaviour.

The local authority must consult those who are likely to be affected. This includes people who live, work or operate businesses in adjoining local authority areas where they will be affected.

Decisions to designate an area as subject to additional licensing must be approved by the Secretary of State, unless they fall under general approval. A general approval was issued in 2010 to enable local authorities to make such designations without the Government's approval, provided there is a minimum 10-week consultation period. A general listening and engagement exercise does not constitute consultation for this purpose. The 10-week period does not commence until the local authority produces a draft proposal identifying what is to be designated and its consequences.

Additional licensing can come into force no earlier than three months after the designation has been approved or it falls under the general approval. It lasts for as long as set out in the designation, up to a maximum of five years, and its operation must be reviewed from time to time. The local authority can revoke the designation at any time and must publish notice of this decision.

Selective Licensing

An authority may designate either the whole or a part of its district as subject to selective licensing of residential accommodation. One of the following conditions need to be applicable.

- low housing demand (or is likely to become such an area)
- a significant and persistent problem caused by anti-social behaviour
- poor housing conditions
- high levels of migration
- high level of deprivation
- high levels of crime

Before making a decision to introduce selective licensing the local authority must:

- consult with those who are likely to be affected, including those who live, work or operate businesses in adjoining local authority areas where they will be affected
- consider whether there are other effective methods of achieving the intended objective

The authority has a wide discretion as to how the consultation process of persons likely to be affected by the designation is carried out; the nature and extent of its duty to consult is to take 'reasonable steps to consult', rather than 'all steps' or 'all reasonable steps' to consult every person likely to be affected, as long as the consultation is widely publicised using a variety of channels of communication.

Approval by the Secretary of State

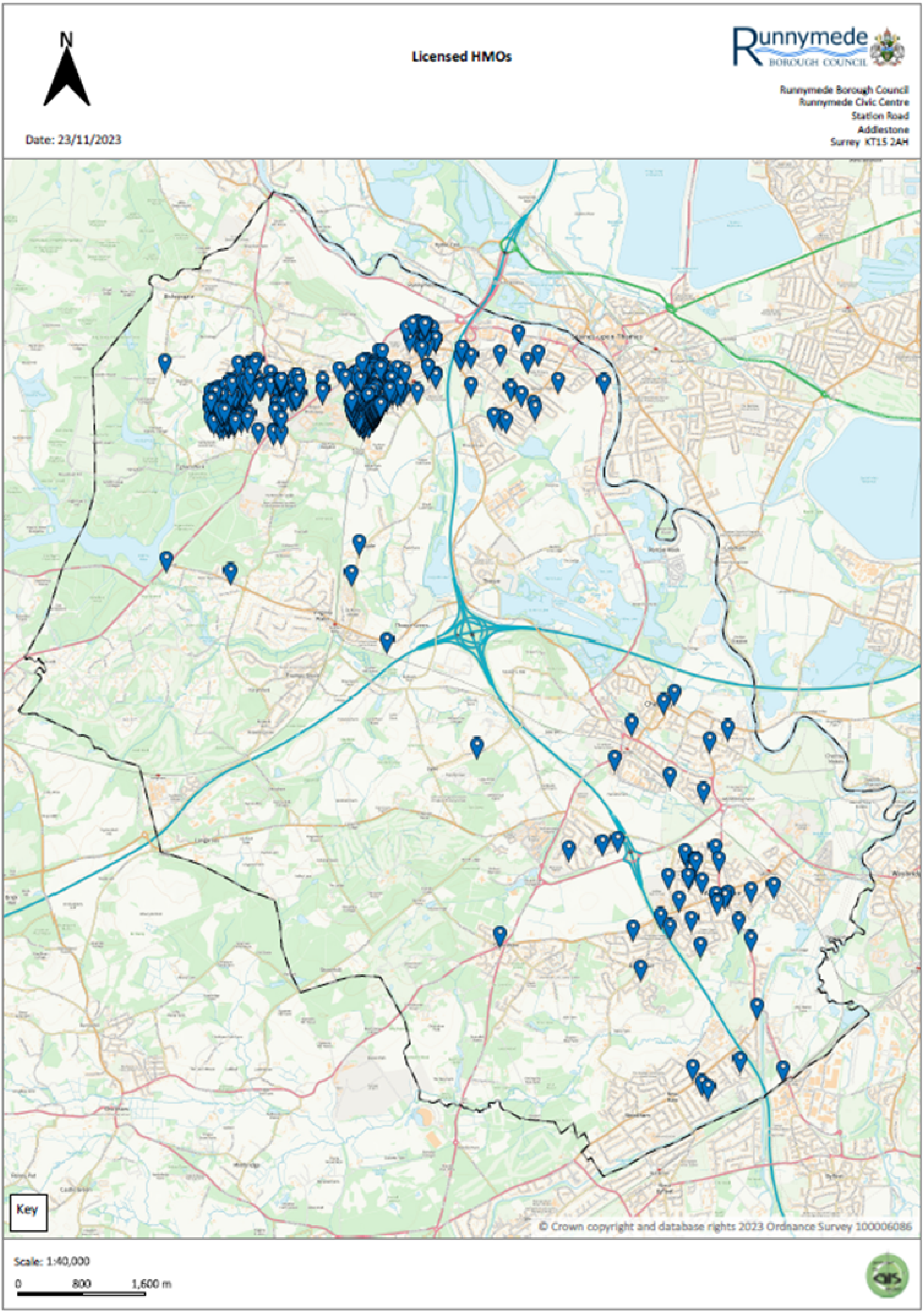
A decision to designate an area subject to selective licensing must be approved by the Secretary of State, unless they fall under general approval.

Local authorities are allowed to designate an area for selective licensing without the Secretary of State's approval, provided there is a minimum 10-week consultation period. A general listening and engagement exercise does not constitute consultation for this purpose. The 10-week period does not commence until the local authority produces a draft proposal identifying what is to be designated and its consequences.

Further information is available at the link below.

Selective licensing in the private rented sector: a guide for local authorities - GOV.UK (www.gov.uk)

APPENDIX A – Map showing Licensed HMOs in Runnymede



APPENDIX B - Noise/waste complaints data

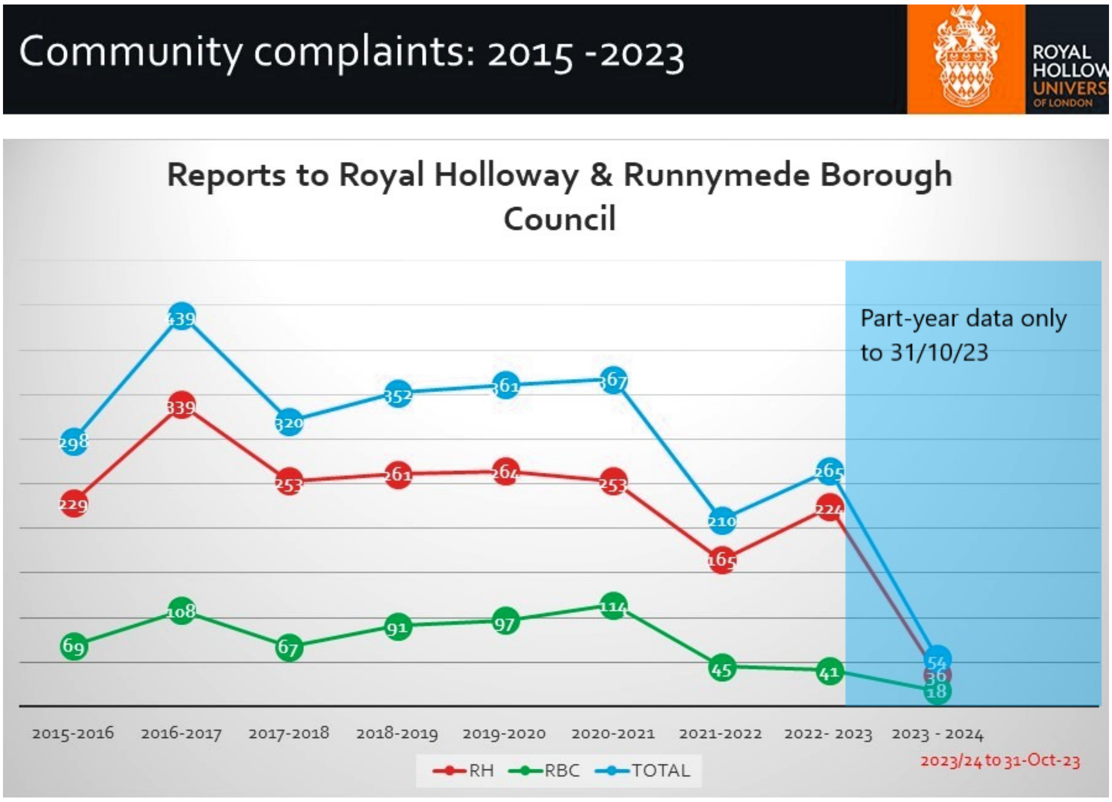
Further information was requested on noise and waste complaints, which is provided herein.

Noise Nuisance complaints captured exclusively by RHUL.

We asked RHUL to provide their noise data which is presented in RHUL Graph 1 below. Note where RBC figures are presented these were as reported by the RBC representative attending the RHUL Consultative group, who publish minutes online.

RHUL Graph 1 – noise complaints

RHUL provided the below graph, the x axis indicates the most recent data is part year only and we have further annotated to highlight this.



Request for the individual occurrences that constitute a noise nuisance investigation case

Each nuisance investigation case may have any number of reporters/complainants assigned to it from one or more different addresses. This is owing to the nature of noise nuisance investigations in respect of our obligations under the Environmental Protection Act 1990. Consequently we can provide data as stored in our case management database. The total number of complaint cases are shown in Noise Table 1 below, and of those complaints those cases with more than one complainant are shown in Noise Table 2

Noise Table 1 – noise complaints (number of cases), excludes non-domestic

	Total Noise complaints received	Noise complaints from licensed HMO premises	Detached	Semi detached	Terraced	End of terrace	Unknown	Unlicensed HMO
2017/18	367	24	2	15	4	2	1	2
2018/19	384	37	7	22	6	2		1
2019/20	379	51	4	30	8	8	1	6
2020/21	475	43	4	26	10	2	1	30
2021/22	469	40	8	18	10	4		15
2022/23	319	35	3	17	9	6		12

Noise Table 2 – noise complaints (cases with two or more complainants), excludes non-domestic, (parenthesis indicates, of the preceding number, how many are HMOs, except where indicated otherwise by an accompanying asterisk)

	2 complainants		3 complainants		4 complainants		5 complainants	
Ward	21/22	22/23	21/22	22/23	21/22	22/23	21/22	22/23
Egham Town	5 (3)	7 (5)	4 (2)	1 (1)	1	0	0	0
Englefield Green West	3 (2)	4 (4)	2 (1)	1 (1)	0	0	0	0
Chertsey St. Anns	0	0	0	0	0	0	0	0
Egham Hythe	1	0	1	0	0	0	0	0
Addlestone North	3	3	0	1	0	0	0	0
Addlestone South	1	1	0	0	0	0	0	0
Chertsey Riverside	1	2	0	0	0	0	0	0
New Haw	1	0	0	0	0	0	0	0
Longcross, Lyne and Chertsey	0	0	0	0	0	1	0	0
Ottershaw	3	2	0	0	0	0	0	0
Virginia Water	1	2	0	0	0	0	1	0
Thorpe	1	0	0	0	0	0	0	0
Englefield Green East	3 (1)	2 (2)	1 (1)	1 (1)	0	1 (1*)	0	1
Woodham & Rowtown	0	1	0	0	0	0	0	0
* Halls accomadation								

Request for 'Incorrect Presentation of Waste' complaints inc. those referred to or sent directly to the RBC Depot for action.

Environmental Health record 'Unsatisfactory storage or presentation of waste' complaints received, presented in waste table 1below.

Waste table 1 – Unsatisfactory storage or presentation of waste complaints

Ward	2021/22	2022/23
Egham Town	22	27
Englefield Green West	4	15
Chertsey St. Anns	5	4
Egham Hythe	3	3
Addlestone North	3	4
Addlestone South	16	5
Chertsey Riverside	9	5
New Haw	7	3
Longcross, Lyne and Chertsey	1	1
Ottershaw	0	1
Virginia Water	2	2
Thorpe	2	1
Englefield Green East	3	8
Woodham & Rowtown	3	3

Request for 'Transient Noise' complaints to all signatories of the MOU

From 6th June RBC do not hold any other agencies data. We considered a request to add a code for transient noise and we added this from August this year. We are not able to action noise from those moving along the street, but log complaints where received. Six complaints have been logged between August 1st and 31st October 2023.

Report title	**Work Programme – Grounds Maintenance**
Report author	Andrew Finch
Department	Democratic Services
Exempt?	No

Purpose of report:

- **For information**

Synopsis of report:

At its meeting on 5 October 2023 the Overview & Scrutiny Committee decided upon its work plan for 2023/24.

One of the topics of focus of the workplan was Operation of the new inhouse grounds maintenance service for the period October 2022 – summer 2023 and any lessons learned.

The committee were asked to provide anonymised details of complaints received by residents and information that would assists in their information gathering exercise. A committee member has provided a number of questions in advance, which the Council's Corporate Head of Environmental Services has provided a written response to.

- Appendix 1 – Grounds Maintenance Q&A

The Committee will have the opportunity to ask questions of the Council's officers during the meeting.

Appendix 1

Overview and Scrutiny Q&A Grounds Maintenance

1. **Who was involved with the setup of the in-house operation and what background and experience did they have?**

The pre insourcing work was managed by the projects team lead by Paul Ashman who ran a series of meetings. Attendees were from all relevant departments including, HR, Assets, Finance, DSO, Legal etc.

Once the TUPE transfer was completed and the contract with Idverde ended mid-November 2022 the service was delivered by Environmental Services. The DSO manager and Fleet Manager led with respect to vehicles and equipment, the Interim Green Spaces Manger worked on the schedules and rounds with contributions from the in-house Green Spaces supervisor and TUPE transferred supervisor who had worked for Idverde.

2. **What was the quality of the handover from the contractors who were previously doing the work?**

We held one meeting with Idverde. They had asked to end the contract early and at the meeting asked us either to increase the value of the contract by £60k per annum or to negotiate an early termination of the contract. No paperwork was transferred from Idverde. We were already aware that the contractor was not meeting the contract specification which was largely based on the Compulsory Competitive Tender specification drawn up at some point in the 1990s.

3. **What detailed documentation was available from the contractors and Community Services who were previously responsible?**

As above we did not receive any documentation from the former contractor. The Parks and Open Spaces Manager had left the authority around October 2021. The DSO and CHES met the Assistant Open Spaces Manager on one occasion before he left the authority in May 2022. Most of that conversation was around other parks and open spaces work. He had not been responsible for managing the manned parks. Files with records of complaints and rectification notices together with additional works orders (AWOs) have since been found on the shared drives. Maps showing all locations and contract frequencies were also found on file. These were not up to date but offered a good base line. These maps are being updated to reflect the present position relating to locations, frequencies, and requirements. This is an ongoing process.

4. **Within the current E&S structure who within the management team has operational and management experience of running a grounds maintenance operation.**

The following officers have operational, management and contract management experience.

Shaun Barnes DSO Manager – Management experience and operational experience

Helen Wilson Deputy Green Spaces Manager – Contract management experience, operational management experience

Steve Owen Green Spaces Supervisor – operational experience and management experience.

5. **What process was followed to establish the operational plans and what was submitted for scrutiny to either the Community Services and/or Environment & Sustainability Committees (or any other committee - e.g. CMC)?**

The project team and Corporate Head of Environmental Services updated E&S Committee as the project progressed. The DSO manager had devised 6 operating teams covering the following areas, Cemeteries, Housing, Parks, Grass Cutting x 2 and Horticulture. The Idverde Supervisor was TUPE transferred into the new team. He had been running the grass cutting rounds and the teams continued to follow the same established rounds from November 2022. The former parks supervisor was appointed into a Green Spaces Supervisor role. He has considerable experience in the borough having worked in the formal parks for many years. He contributed to developing operational plans modelled on the former operation.

Recognising the challenges experienced since April and the neglect inherited by the in-house team, when does Runnymede expect to see an improvement over what was previously being delivered?

The challenges from November 2022 until July 2023 were largely due to three factors.

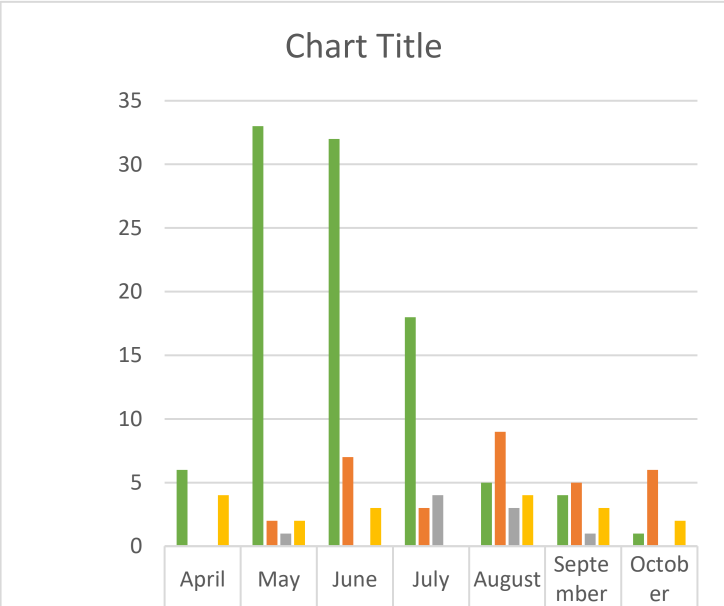
- Firstly, the former contractor Idverde had significantly reduced the resources allocated to Runnymede when the lost the Elmbridge contract in September 2022. They ran both contracts from the same yard. Some autumn activities were not completed including the autumn grass cuts.
- Secondly, delays in acquiring the requisite machinery, in particular the wide angled mower (WAM) which arrived two months late meant we simply didn’t have the necessary machinery to get through all the rounds.
- Thirdly, the wettest spring in 40 years made some locations which are sited on flood plains very difficult to access as the larger mowers and tractor sank into the ground. The rain also supported very rapid growth of grass this spring.

We are now delivering to a higher service standard with respect to grass cutting in parks, cemeteries, and amenity areas. The grass cutting teams will be working though until December. Last November we received complaints about the grass in the cemeteries whereas this year the new team have been complimented for their work. Horticulture work had been neglected for a number of years and is now being addressed – high hedge reductions for example.

The high street planters have been planted with perennials for the first time in a number of years. This work had been dropped from the former contract to save costs.

- September 2023 Facebook post

Complaints about grounds maintenance reported by email or online form 2023



	April	May	June	July	August	September	October
grass	6	33	32	18	5	4	1
hedge	0	2	7	3	9	5	6
pathway	0	1	0	4	3	1	
other	4	2	3	0	4	3	2

Helen Clark November 2023

Photos from around the borough

Before:

After:

Before:

After:

Before:

After:

Before:

After:

Before:

After:

Leaf clearance is a big job in Runnymede- all those trees!






Report title	**Confirmation of Work Programme item – Building Maintenance**
Report author	Andrew Finch
Department	Democratic Services
Exempt?	No

Purpose of report:

- **To resolve**

Synopsis of report:

At its meeting on 5 October 2023 the Overview & Scrutiny Committee decided upon its work plan for 2023/24.

At that meeting a discussion took place on the prospect of including building maintenance on the civic centre as part of that program. The Committee are now asked to confirm how they wish to take that item forward (i.e. policy review, scrutiny investigation, etc.) and set out their requirements for the remaining two scheduled meetings this municipal year on 1 February 2024 and 28 March 2024.

Recommendations:

Committee are asked to confirm whether they wish to include building maintenance as part of their work program for the remainder of the municipal year, and their requirements for taking that item forward.

Schedule for future meetings

The committee is scheduled to meet on a further two occasions this municipal year. On both occasions it will be preceded by Crime & Disorder Committee.

1 February 2024

Invitation to Royal Holloway University

Following a request from the committee, representatives from Royal Holloway University have been invited to the meeting on 1 February 2024 to cover the following topics:

- Royal Holloway 2030 Local Plan
  - Student numbers
  - Car parking
  - Accommodation
  - Community Engagement
- Pause to the Rusham Park Scheme
- Support to landlords from the negative impact of the Rent Reform Bill

The Committee are reminded that the university, like any other external body, is under no obligation to attend the meeting or supply any of the information requested.

Building Maintenance work programme

Subject to committee confirming its intention to proceed with building maintenance as part of its work programme and the terms under which to conduct its work, appropriate officers will be invited to brief the committee.

There will then be the opportunity to debate the evidence that has been heard across all three topics.

Treasury Management Strategy for 2024/25

Finance officers will present the Treasury Management Strategy for 2024/25.

28 March 2024

Recommendations from work programme

At the final scheduled meeting of the municipal year the committee will consider the evidence presented at previous meetings and consider what recommendation(s) it wishes to make to the relevant service committee(s).

Quarterly Treasury Management Report

Finance officers will present the Quarterly Treasury Management Report to the end of December 2023.

Progress towards savings

Finance officers will provide an update on progress towards savings. Committee members will have the opportunity to ask questions and make suggestions.