

To:
All members of the
Council

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Date: 21 February 2019

Supplementary Agenda

Council - Thursday, 21 February 2019

Dear Councillor

I enclose the following items which were marked 'to follow' on the agenda for the Council meeting to be held on Thursday, 21 February 2019:

- | | |
|--|----------------|
| 9. Recommendations of the Cabinet | 3 - 4 |
| To consider the recommendations of the Cabinet from its meetings held on 20 February 2019 in relation to: | |
| Capital Programme 2019/20 | |
| Capital Strategy | 5 - 62 |
| Pay Award 2019/20 | |
| Pay Policy Statement | |
| Members' Allowances 2019 | 63 - 76 |
| Laleham Park Pavilion | |
| 10. Recommendations of the Members Code of Conduct Committee | 77 - 82 |
| To consider the recommendations from the Members Code of Conduct Committee at its meeting held on 13 February 2019. | |
| 11. Report from the Leader of the Council | 83 - 84 |
| To receive the report from the Leader of the Council on the work of the Cabinet at its meeting held on 20 February 2019. | |

Yours sincerely

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To the members of the Council

Councillors:

M.M. Attewell
C. Barnard
R.O. Barratt
I.J. Beardsmore
J.R. Boughtflower
S.J. Burkmar
S. Capes
R. Chandler
C.A. Davis
S.M. Doran
S.A. Dunn
P.C. Edgington
Q.R. Edgington

T.J.M. Evans
M.P.C. Francis
A.E. Friday
N.J. Gething
A.L. Griffiths
A.C. Harman
I.T.E. Harvey
N. Islam
A.T. Jones
J.G. Kavanagh
V.J. Leighton
M.J. Madams
A.J. Mitchell

S.C. Mooney
D. Patel
J.M. Pinkerton OBE (Mayor)
O. Rybinski
D. Saliagopoulos
A. Sapunovas
J.R. Sexton
R.W. Sider BEM
R.A. Smith-Ainsley
B.B. Spoor
H.A. Thomson
H.R.D. Williams

Recommendations of the Cabinet

Cabinet meeting held on 20 February 2019

1. Capital Programme 2019/20 to 2022/23

- 1.1 Cabinet considered a report on the proposed Capital Programme for the period 2019/20 to 2022/23 in the light of the available resources and the corporate priorities and the Prudential Indicators for 2019/20 to 2022/23.
- 1.2 All bids on the Capital Programme have been critically assessed and reviewed by Management Team and Cabinet to ensure they meet the new criteria of Capital expenditure.
- 1.3 **Cabinet recommends that Council:**
 - 1) Consider and approve the Capital Programme for 2019/20 to 2022/23
 - 2) Consider and approve the Prudential Indicators for 2019/20 to 2022/23.

2. Capital Strategy

- 2.1 Cabinet considered a report recommending adoption by the Council of the Capital Strategy.
- 2.2 The Council is required to have a Capital Strategy in place from the end of March 2019. The aim of the Capital Strategy is to provide a clear and concise account to residents and other stakeholders of how the Council is going to prioritise its capital expenditure in the short, medium and long term, and how it manages risks with respect to delivering those capital objectives.
- 2.3 The proposed Capital Strategy has been created in line with guidance documents provided by CIPFA.
- 2.4 **Cabinet recommends that Council** adopts the Capital Strategy.

3. Pay Award

- 3.1 Following the move from national pay, terms and conditions to local pay, terms and conditions with effect from 1 April 2019, pay awards are to be decided by full Council. Cabinet considered a report proposing a pay award of 2.5% to all staff, including those on protected salaries, personal salaries and apprentices.
- 3.2 The proposal has been subject to consultation and negotiation with UNISON.
- 3.3 **Cabinet recommends that Council** approves the 2019/20 pay award of 2.5% to all staff.

4. Pay Policy Statement 2019/20

- 4.1 Cabinet considered a report on a Pay Policy Statement for 2019/20.
- 4.2 Local authorities are required to publish an annual Pay Policy Statement to increase transparency regarding the use of public funds to pay council staff. This requirement was set out in the Localism Act 2011 with guidance on items to be included issued by the Secretary of State for Communities and Local Government.
- 4.3 The Pay Policy Statement must set out the Council's policies on a range of issues relating to the pay of its workforce, particularly its senior staff and the lowest paid employees, including:
- Remuneration of its Chief Officers
 - Remuneration of its lowest paid employees
 - The relationship between the remuneration of its Chief Officers and the remuneration of those employees who are not Chief Officers
 - The publication of and access to information relating to remuneration of Chief Officers.
- 4.4 **Cabinet recommends that Council** approves the Pay Policy Statement 2019/20.

5. Members' Allowances 2019

- 5.1 Cabinet considered the report of the Independent Remuneration Panel on the Members' Allowances Scheme for 2019/20.
- 5.2 **Cabinet recommends that Council** approves the Members' Allowances Scheme for 2019/20 as set out in Annex 1 to the Independent Remuneration Panel's report.

6. Laleham Park Pavilion

- 6.1 Cabinet considered a report proposing the demolition of Laleham Park Pavilion and toilets and replacement with a new toilet facility and hardstanding area for mobile catering.
- 6.2 Cabinet agreed the recommendations subject to Council's approval of the capital programme provision of £250,000 for this initiative.
- 6.3 **Cabinet recommends that Council** approves the capital programme provision of £200,000 for Laleham Park Pavilion is carried forward from 2018/19 to 2019/20 and that the capital provision is increased by £50,000 to a total of £250,000.

Councillor Ian Harvey
Leader of the Council

21 February 2019

Spelthorne Borough Council

Capital Strategy





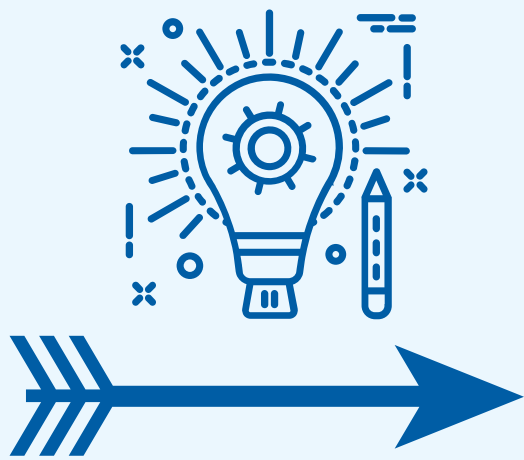
Executive Summary

At a time when many councils have been cutting services to survive austerity, Spelthorne has developed a programme of commercial property investment which has safeguarded the services we deliver to residents. It has also enabled us to develop much-needed housing across the Borough, and a key goal of our new Capital Strategy is to continue this momentum and build many more homes in the years to come.

This Executive Summary expands on our Strategy, looking at where we have come from, what we are currently doing and what we will be doing in the future.

Where we have come from

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2008 – 2016

Developing a strategy to safeguard services

Following the financial crash, Spelthorne was subject to increasing spending constraints and cuts in government funding. This resulted in a marked reduction in overheads and a declining ability to deliver new services. Staff headcount was reduced and budgets were trimmed in all council services, threatening our future ability to deliver for residents. In response, the Council developed a strategy – Towards a Sustainable Future – part of which aimed to generate income from property.



2016

Investing in the BP HQ in Sunbury-on-Thames

In 2016, the Council acted on a unique opportunity to invest in a landmark business park – BP’s headquarter’s campus in Sunbury-on-Thames. The campus now generates £3.8m of net annual revenue which underpins the running of the Borough and helps to maintain services for our residents. This also established an investment model: investing in commercial properties that will generate substantial secured income from good quality tenants.



2016 – 2018

Focusing on commercial property investments

Following the BP investment, we identified and acquired a number of additional best-in-class commercial properties. All told, these assets now contribute around £10m net annually to the Council. This means that in 2018-19 about half of our budget will come from property investments. This has avoided the need for any and helped to protect key services that many other authorities are having to do without, including:

- Day centres
- Meals on wheels
- Community transport
- Grants to voluntary organisations
- Changes to frequency of refuse and recycling collections



2018

Delivering much-needed affordable housing

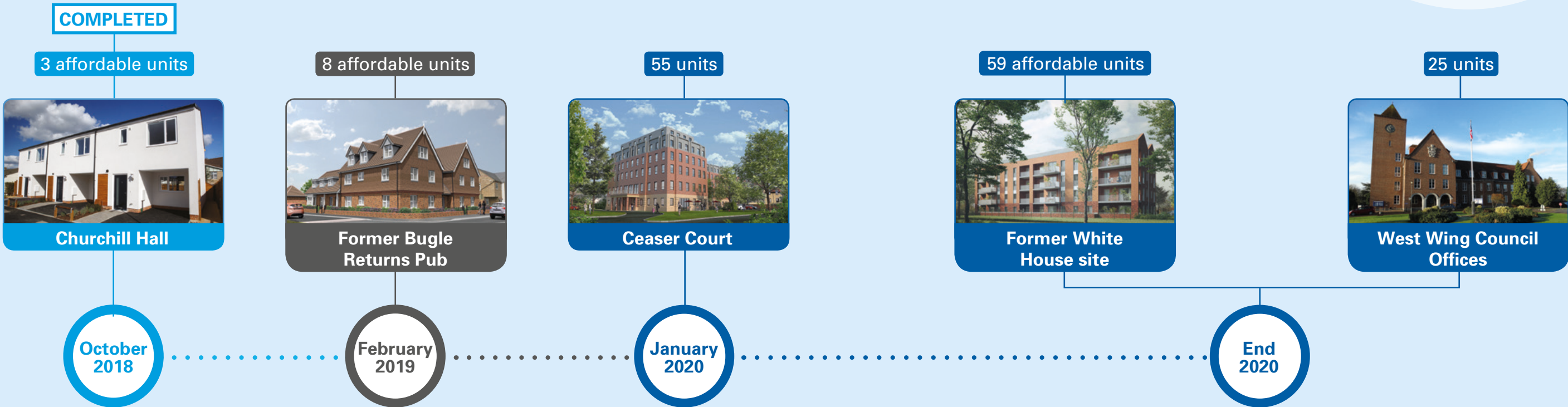
The Council’s finances are now more stable. There are still external financial challenges, but we can now concentrate on one of the most pressing problems we face; providing the wide range of housing types that our residents require. Affordable rented accommodation is in particularly short supply, with around 1,400 households currently in need.

With the assets already owned by the Council and a number of other strategic purchases, we have developed an ambitious building programme which could produce over 600 units over the next 5 years. This is 20% of the current housing need in our new Local Plan.

What we are currently doing

Our pipeline of housing projects

We have a number of developments currently underway and we are actively investing so we can build more homes throughout the Borough.



600+ housing units under development



Managing costs

With housing projects being so capital intensive – a huge outlay is needed before rent income is generated. We recognise the importance of managing costs: we are ensuring that the funds generated by our commercial investments work as hard as possible and make more developments possible.

Key costs of housing projects

- Purchase of the site
- Interest cost of holding the site after it has been purchased
- Securing planning
- Choosing contractors
- Paying construction costs
- Paying interest on capital costs over a number of years



Developing infrastructure

We also know that residents want to see that new housing is supported by increased and improved infrastructure. As a developer, we are making planning contributions to allow this new infrastructure to be provided and we are also adhering to our own planning policies to ensure high quality developments.

We are also looking at a number of sites that have been overlooked until now, such as town centre regeneration opportunities, and our plan is to develop these to go some way to meet the shortfall in housing.

What we will be doing in the future



Focusing on moving forward our housing delivery and Borough wide regeneration programme

Looking ahead, we will be continuing to improve our Borough’s housing and associated infrastructure, the revenue income we are already generating from recent commercial investments will offset the revenue budget impacts in the first phase of the programme and moving forwards we will be looking to use a range of funding sources including borrowing for housing, exploration of joint ventures to deliver specific projects, grant funding and use of capital receipts.



Maintaining our team

We will continue to ensure that the Council employs sufficiently qualified and experienced staff to be able to deliver our Capital Strategy, including:

- Commercial and Residential Asset Managers
- Development Managers
- Legal and accountancy support staff

We will also continue to engage leading City advisors to help us acquire and manage our investments.



Ongoing management

Having identified opportunities that meet our criteria, we will manage them well to produce solid returns. We will adopt a prudent approach to all our investments, setting aside cautious sinking funds to allow us to maintain their value and **cushion the Council during periods when there may be pressure on some of the rents.** We will invest the sinking funds using a well-established treasury management regime which has produced excellent results to date.



Other requirements for future funding

Beyond housing, we have identified a number of projects that are a priority for the Borough, including:

- Providing a new high quality Leisure Centre to replace the existing facility in Staines-upon-Thames, which is approaching the end of its economic life.
- Promoting a new light rail transport scheme from Staines-upon-Thames to Heathrow Airport, which will protect Spelthorne’s environment in the face of airport development and bring new investment and employment into Staines Town Centre, **the bulk of the scheme will be funded from private sector partners.**

We also want to strengthen our social infrastructure through projects such as key worker housing and health centres. We are committed to working in partnership with other organisations to deliver all of these initiatives in the most efficient and economical way for the benefit of residents.

Our tenants include:



Conclusion

Our focus over the last decade on commercial property investment has played a key part in putting the Council on the firm financial footing that it enjoys today. This has enabled us to protect essential services while pursuing a Capital Strategy that prioritises the provision of much-needed housing **for the benefit of our residents.**



New tenants move into their homes in Sunbury.

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The Capital Strategy of Spelthorne Borough Council

Contents

1. Introduction
2. What is a Capital Strategy?
3. How do existing strategies feed into the Capital Strategy?
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6. Our commercial activity
7. The focus on housing and homelessness
8. The focus on economic development
9. How we finance our capital spend
10. How we manage risk and ensure sound decision making
11. How we ensure we have enough money day-to-day and maximise return on investment

1. Introduction

This document sets out Spelthorne Council's Capital Strategy. It gives residents and other stakeholders an overview of why, where and how we intend to spend capital to provide services and meet some of the Council's wider strategic aims. Supported by other documents including Asset Management plans and Treasury Management strategies, it spells out our priorities in the short-, medium- and long-term.

In particular, this document demonstrates how our Capital Strategy will help to deliver two key goals contained in our [Corporate Plan](#):

- **To deliver much-needed housing** in order to help reduce homelessness locally, increase affordable provision and help meet the overall need for additional homes
- **To regenerate our town centres** so that we can contribute to the economic development of the Borough

How capital expenditure is defined

Capital expenditure is money used by the Council to acquire, upgrade, and maintain physical assets such as property, operational buildings and equipment. Capital expenditure can include everything from repairing a roof or purchasing a piece of equipment to constructing a brand new building. Capital expenditure is different to revenue expenditure, which is the money used by the Council for the day-to-day delivery of services, staffing and supplies.

2. What is our Capital Strategy?

2.1 Put simply, our Capital Strategy is to **Invest, Create, Deliver**.



- We have **invested** in commercial property which will deliver an ongoing sustainable income stream to support development activity
- We are **creating** new housing for residents and regenerating our town centres
- We are **delivering** the affordable homes which the market fails to provide and we are prioritising people who are on our Housing Register

2.2 Beyond housing, our Capital Strategy will also help us meet our need to upgrade and maintain:

- Operational buildings
- Infrastructure in the Borough
- Our vehicle fleet
- Our ICT infrastructure

2.3 **Our duty to look after public money**

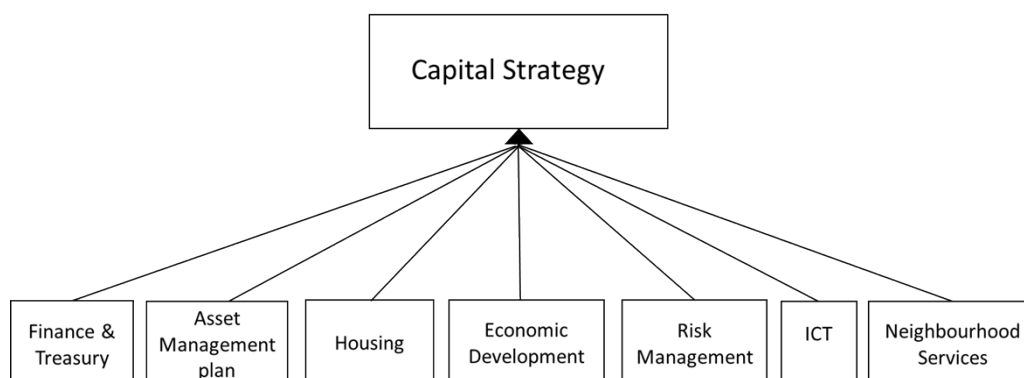
As a Council, we have a duty to look after the public purse, and residents and businesses expect us to do so in a sensible and rational way. This Capital Strategy will demonstrate how we:

- **Finance our spending** through prudent borrowing and other sources of funding including use of reserves (called capital financing) within the upper level of our borrowing (called the external debt boundary)

- **Spend wisely and safely**, especially in relation to the investment portfolio that we hold (called commercial activity)
- **Manage risk and make decisions**, ensuring we have the appropriate skills and expertise, and taking a measured approach to investment
- **Ensure we have enough money** immediately to hand to keep services running on a day-to-day basis
- **Maximise our returns** on monetary investments (called treasury management)

2.4 Underpinning the whole Capital Strategy is the need to ensure that the Council is financial sustainable in the future (this is another [Corporate Plan](#) priority), something that is especially challenging in the current financial landscape.

3 How do existing strategies feed into the Capital Strategy?



3.1 The Council already has a number of strategies in place which cover various aspects of spending. We appreciate that it can be difficult to understand how all of these elements mesh together to form a ‘whole’, which is where the Capital Strategy comes in. By bringing everything together in one document, we can show how the need to invest in assets – such as building a new waste depot, for example – has a range of implications.

3.2 An overview of our individual strategies

The various strategies that we currently have in place are set out below, although some are being updated to reflect the intentions set out in this document. Please follow the links if you would like to read them in full.

3.3 **Medium Term Financial Strategy** *link* (also known as the Council’s Outline Budget) – how the Council sees our need for revenue funding in the next five years

3.4 **Treasury Management Strategy** *link* – how the Council properly manages the money we have at hand (cash flow) to make sure money is always available to run the Council and deliver services

3.5 **Asset Management Plan** *link* – how the Council’s assets support our corporate objectives and the services we provide. It sets out principles, priorities and action to ensure our assets are used and managed as efficiently and effectively as possible

3.6 **Housing and Homelessness Strategy** *link* – detailing the Council’s strategic approach to ensure that there is a choice of housing options available to people living

in Spelthorne, including supporting those who are homeless or at risk of homelessness, and preventing people from becoming homeless.

4 Where does the Council get its money from and what does it spend it on?

4.1 Our sources of income

The Council gets its money from a variety of sources – for 2018/19, our revenue funding is coming from:

	£	%
Interest earned	900,000	4
General grants from government	956,900	4
Our share of Council Tax	7,803,500	36
Our share of Business Rates	4,300,000	20
Income from our investments	7,865,500	36
TOTAL	21,825,900	100

Table 1: Sources of income

4.2 What we fund

Our income is used to fund the range of services we provide – for 2018/19, this covers:

	Net cost after charges grants etc £		%
Electoral Registration & Elections	247,900		1
Democratic and Corporate Services	3,222,900		15
Grants to community organisations	209,600		1
Housing benefits	323,200		2
Housing and Homelessness	1,780,700		8
Planned maintenance	1,479,900		7
Planning and Economic Development	1,979,300		9
Asset management	974,900		4
Environmental Services & compliance	1,701,200		8
Refuse collection	1,497,900		7
Street cleaning	898,500		4
Grounds maintenance	1,593,600		7
Community wellbeing	393,300		2
Support services and central overheads	4,776,000		22
Revenue contribution to capital	747,000		3
TOTAL	21,825,900		100

Table 2: What we fund

4.3 Our capital expenditure plans

In 2019/20, the Council is planning capital expenditure of £78m as summarised below:

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget
Other Services Programme	273	335	48.3	0.5	0.5
Housing Investment Programme	0	10	29	51	38.6
ICT	0.4	0.3	0.5	0.1	0.1
Waste, Parks and Parking	0.9	0.5	0.3	0.1	0.1
TOTAL	275.3	345.8	78.1	51.7	39.3

Table 3: Prudential indicator: estimates of capital expenditure in £ millions

4.4 Our capital projects include:

- Investment property acquisitions to generate revenue income streams
- Property development projects for operational purposes eg for supporting housing service needs (expenditure: £10m 2018/19; £29m 2019/20; £51m 2020/21)
- Leisure centre refurbishment / development (original budget estimate for initial fees: £2m. This is being reviewed, with costs dependant on new location and facilities)
- Various corporate projects including facilities improvements and IT (including document management system, Customer Relationship Management (CRM), hardware and software)
- Waste, parks and parking includes new waste vehicles, reducing carbon footprint, improving management of parks and open spaces and enhancing CCTV.

- 4.5 The Council also plans to incur £78m of capital expenditure on housing and regeneration within the Borough (as per the table above), which are detailed in paragraph 7.9 of this report. For full details of the Council's Capital Programme, including the project appraisals undertaken, see: [link to be provided]
- 4.6 All capital expenditure must be financed either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing and leasing). The planned financing of the above expenditure is as follows:
- 4.7 On our commercial asset acquisitions, the overall initial net yield (before financing costs etc) is 4.89%. As there is upwards indexation of the rental every five years on most of the assets, the yield is likely to rise over time. After taking account of paying off loan instalments each year, interest, supervision costs and setting aside in the sinking funds to cover future potential costs (such as refurbishments of assets on lease expiry and rent-free periods), the net surplus contribution to the Council's Revenue Budget in 2019/20 will be £10.1m per annum.

Where our borrowing comes from

	2018/19 as at end of Aug 18 £'000	2018/19 remainder £'000	2018/19 full year forecast £'000	2019/20 budget £'000	2020/21 budget £'000	Total 2018/21 £'000
Public Works Loan Board	364,000	29,000	393,000	80,000	39,000	551,000
Of which to be used for refinancing existing debt	0	0	0	0	0	0
Other sources	16,000	6,000	22,000	0	0,000	6,000

Of which to be used for refinancing existing debt	0	0	0	0	0	0
Total PWLB and other sources	380,000	35,000	415,000	80000	39,000	557,000
Of which to be used for refinancing existing debt	0	0	0	0	0	0
Of which to be used funding new long term borrowing	380,000	35,000	415,000	80,000	39,000	557,000

Table 4. Source of borrowing

4.8 Background

Over the last five years, the Council has seen a year-on-year reduction in the funding we receive from central government.

Making up the shortfall

The Council had to take a view on how to offset the loss of general Revenue Support Grant, with these the only viable options:

- (1) Grow income
- (2) Reconfigure, reduce or deliver services in a different way
- (3) A combination of both the above

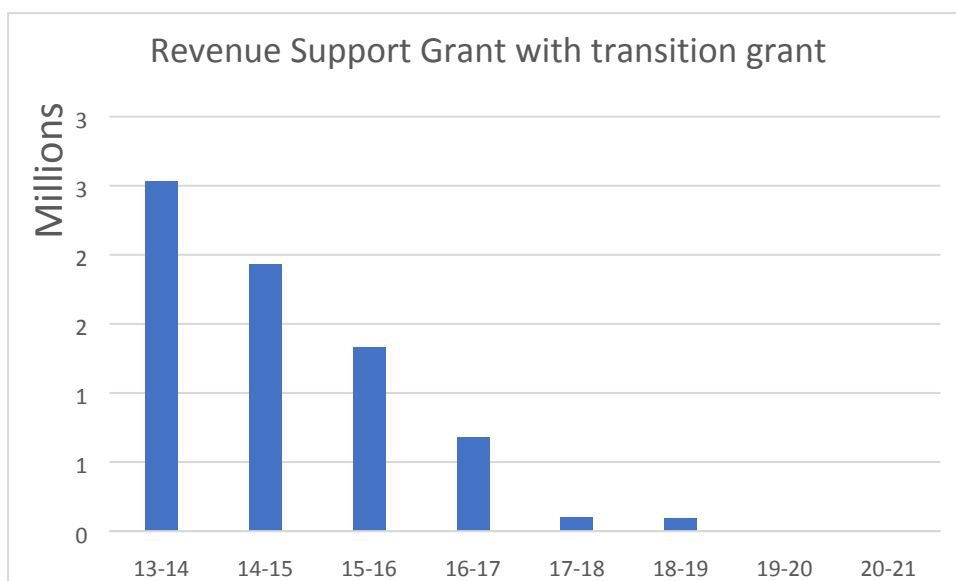


Illustration 1: Reduced Government funding

4.9 Our investment so far

Although this Capital Strategy looks forward, it is worth noting the significant level of investment activity that the Council has already undertaken. *Appendix 1* sets out the historical background to our acquisitions up to 2018, including our first major acquisition - the BP international campus in Sunbury. Information is included to explain why we set out on this journey, our previous 'Towards a Sustainable Future' programme, and our activity up to 2018.

- 4.10 Total commercial investments are currently valued at £933m, providing a gross average return of 4.89%. The Council has chosen, after taking account of interest and repayment of debt, to accept a net surplus contribution of 1% and to set aside a significant contribution into sinking funds to ensure we have funds available in future to cover voids and refurbishments. This is a comparable net return to that being achieved by pension funds on commercial assets.

Assets	Town	Sector	£m	Purchase Date
BP Campus, Sunbury Business Park	Sunbury	Office	385	Sept 2016
12 Hammersmith Grove	London	Office	170	Jan 2018
The Charter Building	Uxbridge	Office	119	Aug 2018
Thames Tower	Reading	Office	97	Aug 2018
The Porter Building	Slough	Office	66	Aug 2018
World Business Centre 4	Heathrow	Office	47	Aug 2018
3 Roundwood Avenue	Heathrow	Office	21	Sept 2017
Communications House	Staines	Office	11	July 2018
Elmsleigh Shopping Centre	Staines	Retail	10	Oct 2006
Elmbrook House	Sunbury	Office	7	Dec 2016
TOTAL			933	

Table 5: The Council's commercial assets portfolio

- 4.11 On our commercial asset acquisitions, the overall initial net yield is 4.89%. As there is upwards indexation of the rental every five years on most of the assets, the yield is likely to rise over time. After taking account of paying off loan instalments each year, interest, supervision costs and setting aside sinking funds to cover future potential costs (such as refurbishments of assets on lease expiry and rent-free periods), the net surplus contribution to the Council's Revenue Budget in 2019/20 will be £9.8m per annum.

5 What if we had not invested?

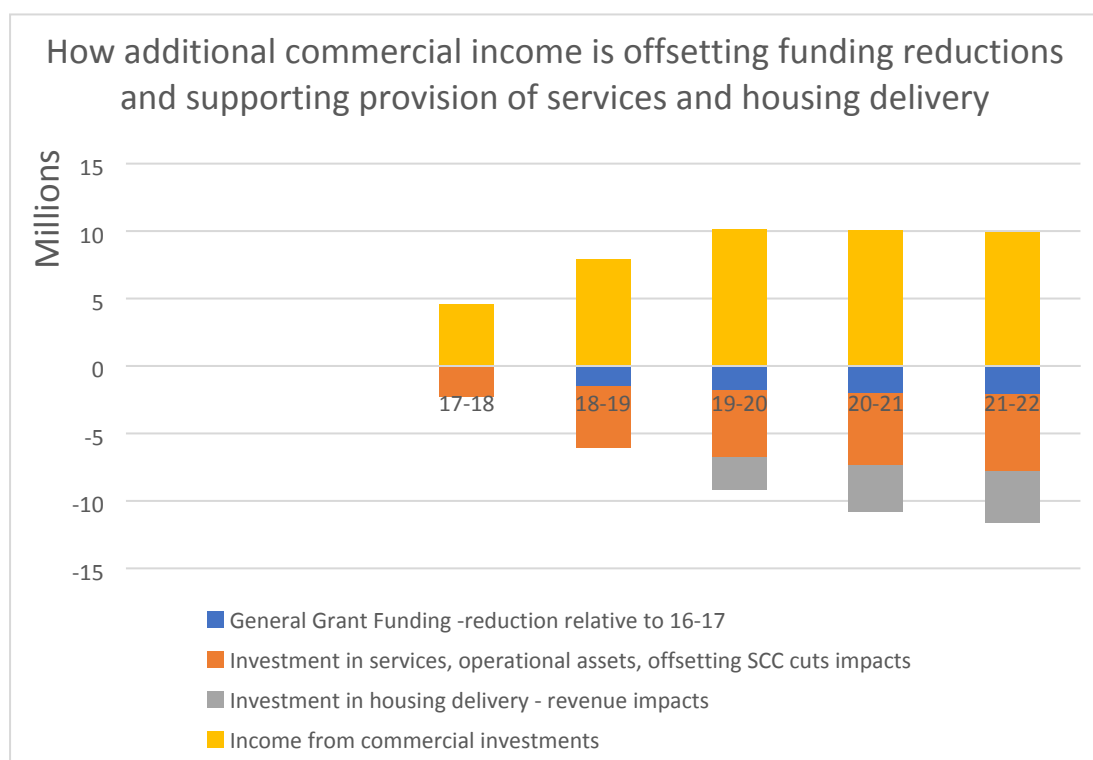


Illustration 2: The growing role of commercial income in the Council's funding of services

5.1 If the Council had not taken the decision to invest to deliver significant commercial income from 2016-2018, this would have led to major cuts in services, particularly the services we are not under a statutory duty to deliver such as:

- Day Centres (net cost of £384,000)
- Meals on Wheels (net cost of £48,900)
- Spelride Community Transport net cost (£186,600)
- Extension of the Greeno Centre to provide additional facilities for older people (additional £100k investment)
- New Meals on Wheels vans (£126,000) or Spelride vehicles (£250,000)

5.2 It would also have led to a reduction in the overall capacity of the Council to deliver for residents, leading to:

- Reduced maintenance of parks and open spaces
- Reduced waste collection frequency
- Increased budget for planned maintenance of frontline operational assets supporting service delivery (additional £750,000 per annum)

- Need for revenue contributions to capital expenditure to cover projects not financed by grant, receipts or generating revenue savings/income (£750,000 per annum)
- Increased fees and charges, such as significantly increasing car parking charges
- Inability to plug the considerable gaps which are emerging as a result of Surrey County Council cuts on social care services (estimated impact on Spelthorne budget to date is approximately £500,000)

Some of these cuts would have hit older and vulnerable residents the hardest.

The additional income the Council has generated has enabled us to put our Revenue budget on a more sustainable footing by ceasing to use reserves to support the Revenue Budget (In the 2016/17 Budget - £786,000 needed to be taken from reserves)

6 Our commercial investment activity

6.1 Since 2016, the Council has made a number of prime commercial investments, all of which are in the Heathrow economic area. The Council considers that defining an economic area restricted to Spelthorne only is to ignore the reality that Heathrow Airport is the real driver of the economy for West London, North Surrey and the Thames Valley. We are part of that economic zone and the airport plays an important role in our local economy. 7% of our residents (6,700 in 2018) work at Heathrow, and this figure increases to 25% in our two northernmost wards. For every 10 direct jobs at Heathrow, there are 26 jobs created locally within the supply chain. The future expansion of the airport is something that the Borough has supported for a number of years, as long as the proposed scheme comprehensively and effectively mitigates the impacts on our communities, businesses, services and environment.

6.2 An overview of our assets and approach

The Council has chosen to invest in best-in-class assets located in the Heathrow economic area and are very well sited next to transport hubs.



illustration 3: Location of our commercial assets

Investment criteria

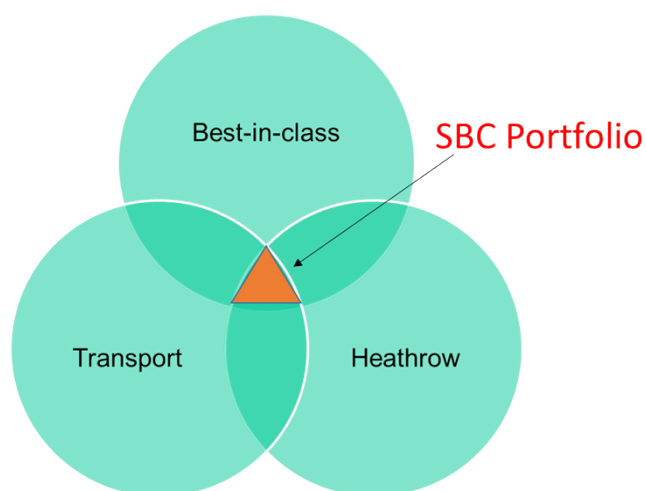


Illustration 4: Factors shaping our investment decisions

- 6.3 The Council has invested in properties that have attracted a strong and diverse tenant mix from different sectors of the economy. These are blue-chip tenants which provide good levels of security for the Council's investment activities.

6.4 Repayment allocation - as at August 2018

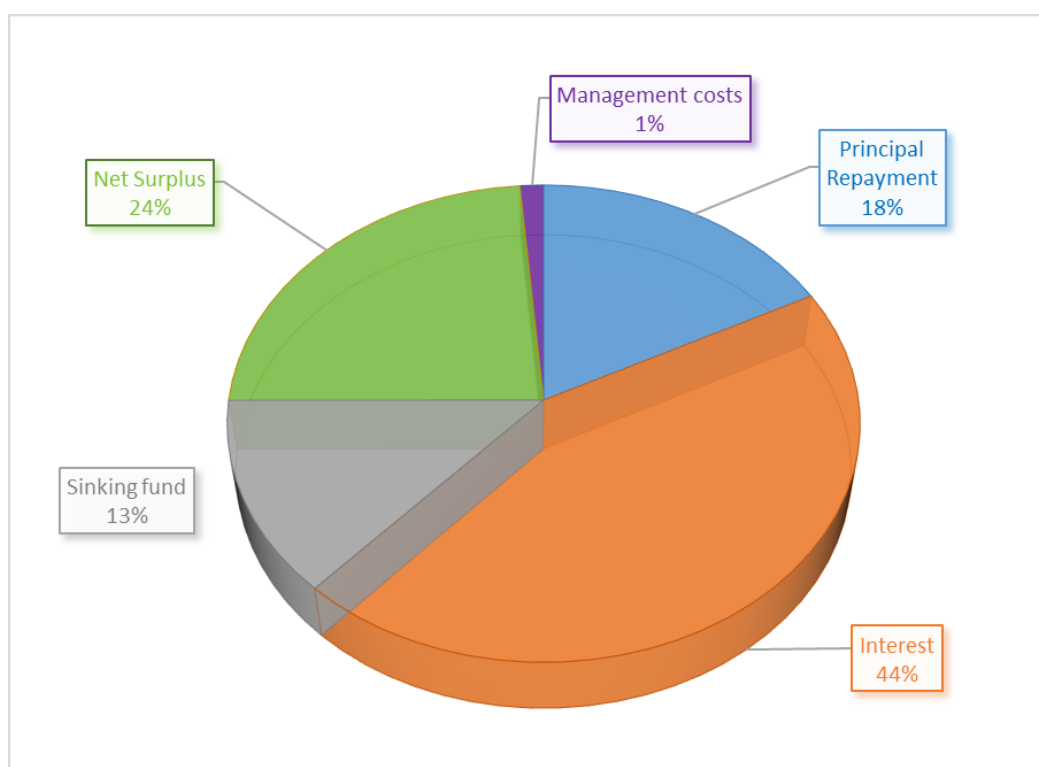


illustration 5: How loans are repaid and money allocated

The income from our investments (see Table 1, above) has made a substantial impact on the stability of the Council. In 2017/18 the net surplus (after making allowances for management costs, interest etc.) was around £7.5m.

6.5 Our reasons for investing

In order to fund our developments we have acquisition parameters, which are set out in full in *Appendix 2*, but these are the primary reasons we have previously invested:

- to generate income to offset reducing Government funding and other pressures in order to support provision of services for residents
- for housing development
- for strategic purposes to allow for regeneration either now or in the future.

Having achieved our objective of significantly boosting our income to support provision of services, our focus is now on the second and third objectives set out above. It is also important to note that we maintain the assets which we purchased in 2016-2018 and which support the revenue budget. We regularly review and update our acquisition parameters.

7 The focus on housing and homelessness

7.1 The focus of the Council was previously to generate revenue in order to safeguard its basic services. The focus now is on providing affordable housing. Housing is one of the Council's four strategic priorities in the [Corporate Plan](#), reflecting the significant pressures the Borough is facing, with relatively high numbers of families in temporary accommodation, insufficient affordable housing provided by Registered Providers of social housing and a severe shortage of affordable private rental housing supply.

7.2 Local housing need

Going back to the 1990s, the Council used to provide traditional council housing. In the 1990s, it was decided to transfer the council housing stock to what was then Spelthorne Housing Association and is now part of A2Dominion. The main reason for the transfer of properties at the time was the need to bring the properties up to an acceptable state of repair, which the Council could not afford at the time. Since then, the Council has not had a direct role in developing homes; this has been carried out by A2Dominion and other Registered Providers, as well as private developers. Fluctuation in the delivery of new housing has been dictated by the economy and the availability of grant funding to subsidise affordable housing.

7.3 The Council's [Housing Strategy 2014-19](#) contains five strategic priorities which will contribute to achieving the overall vision of 'ensuring best quality homes in a thriving and sustainable community'. Additionally, the Council is required to have a [Homelessness Strategy](#), which outlines the Council's approach to preventing homelessness.

7.4 In common with many other local authorities in the South East, Spelthorne has a growing demand for genuinely affordable housing and is facing a number of key challenges:

- **Increasing numbers on the Housing Register:** Over the past three years, the number of applicants on the Council's Housing Register has grown by 79%. See *Appendix 3 Table H1*
- **Lack of availability of existing affordable housing:** In 2017/18 there were eleven applicants for every social housing vacancy. See *Appendix 3 Table H2*

- **High rates of statutory homelessness:** There is an average of 116 households for whom we have a duty to provide accommodation per year, with one in five households approaching us due to the termination of a private sector tenancy. See *Appendix 3 Table H3*
- **High use of emergency and temporary housing for homeless households:** The average occupancy of temporary accommodation at the end of each quarter in the four years to 2017/18 was 111 households. See *Appendix 3 Table H4*. For example, the average cost to the Council to accommodate one homeless household in emergency housing is approximately £6,500 per annum
- **Increasing affordability issues:** ratio of the median house price to the median wage in the area evidences a year-on-year rise over the past four years, with Spelthorne outpacing the ratios for both the South East and England. See *Appendix 3 Table H5*
- **Lack of new-build affordable housing:** The net increase of provision over the past four years has been just 152 units – an average of 38 per year. See *Appendix 3 Table H6*

7.5 The effect of our proximity to London

As well as the evident demand for affordable housing from local residents, there is also considerable pressure from London. The cost of housing in London is even higher than in Spelthorne, and London boroughs are actively placing homeless households from their boroughs into Spelthorne, as well as 'block booking' emergency accommodation facilities within Spelthorne for their homeless people, placing further demand on the already strained private sector.

7.6 Heathrow expansion

Another key issue that will have a significant impact on our community is the proposed third runway at Heathrow airport and the major expansion of works which are planned for Heathrow. Work on various parts of the airport and the surrounding infrastructure is likely to go on for around nine years. This will introduce further pressure as people working on the Heathrow expansion seek to be housed close to their workplace.

7.7 Key worker accommodation

Whilst housing affordability is a significant issue in general, it acutely affects key workers, who help to run the essential local services such as schools, hospitals,

doctors' surgeries and fire stations. According to Government statistics released in 2016, the latest records available, the mean income for employed households within Spelthorne is £33,500. However, the starting salaries for essential local workers is much less. Table H6 in **Appendix 3** shows the starting salaries for newly qualified professionals outside of London. We know anecdotally that key worker staff are moving further and further away from Spelthorne into Hampshire and Berkshire and commuting to work. This means that when they look for their next promotion they are more likely to look in those areas; this is another factor leading to loss of workforce. Whilst some key workers are being recruited from London, one of the main factors which will keep them in Spelthorne is availability of affordable housing. The Council is seeking to tackle this through our housing company Knowle Green Estates Ltd (paragraph 6.12).

7.8 **Strategic objectives**

In 2018, Government and CIPFA guidance to local authorities changed with regards to borrowing to invest in commercial properties. The Council has carefully considered this guidance and this Capital Strategy reflects both that guidance and our strategic objectives of borrowing in order to support housing investment.

As detailed above (see section 2), the Council's strategic objectives are to **invest, create, and deliver**.

7.9 **Subsidies are key**

As affordable housing is provided at up to 80% of the market rate, subsidies are essential to make it viable. A private developer who pays market rate for land, finance, supplies and labour has to sell their properties at market rate to make a profit. When Spelthorne Council is acting as the developer, even if we forgo the profit element, it is still difficult to deliver truly affordable housing.

- 7.10 Housing for rent can pay for itself over a period of time because of the rental income which it generates. However, the Council needs to be in a position to forward fund such developments and the cost of finance for the acquisition, development and construction stages is prohibitive for councils unless they receive Government subsidy. This is similar to the way Housing Associations operate – having a market rate product to sell and rent, the surplus of which subsidises the affordable elements of their business.

- 7.11 The bottom line is that, even with the Government grant funding available through Homes England, affordable housing developments need significant capital investment and cash flow to deliver.

7.12 Spelthorne's Housing Development Programme

Spelthorne has a pipeline of properties for residential development:

Development Funding Timeline

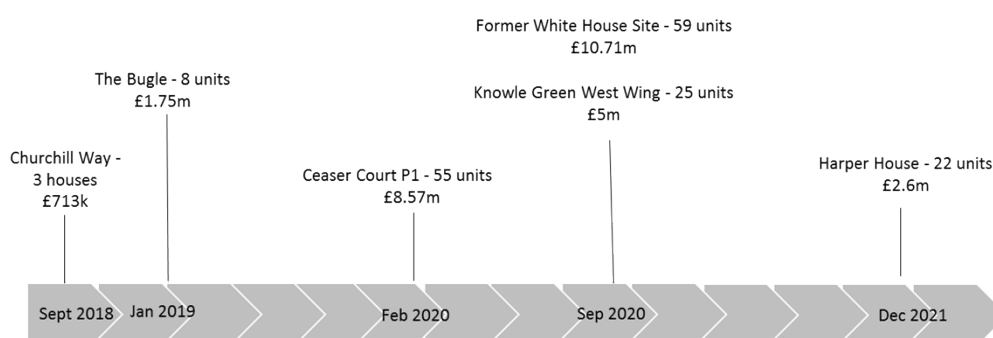


Illustration 6: Projected funding

7.12 Knowle Green Estates Ltd (KGE)

The Council formed its housing company in 2016 when we acquired Harper House in Ashford for emergency accommodation. Since then, the Council has made numerous improvements to make Harper House a safer and better managed solution for families who have been made homeless.

We also identified a need to promote our own affordable housing schemes, and KGE is the vehicle we use to deliver them to residents. We currently have a number of projects in the pipeline which will deliver 20% of the Borough's assessed 5-year land supply requirement in the Local Plan (628 units to be delivered by the Council out of a required 3,218).

KGE performs several functions on behalf of Spelthorne Borough Council, as outlined in the table below.

How we share housing functions with KGE

	Owned by	Developed by	Managed by
Investments	Council	n/a	KGE
Municipal	Council	Council / KGE	KGE
Residential	KGE	Council / KGE	KGE

Table 6: KGE and Spelthorne's roles in housing provision

7.13 Development costs

Developing homes results in upfront costs such as planning and construction which have to be financed before the housing units are let and start to generate income. This creates a short-term financial pressure on the Council's Revenue Budget and an immediate need to generate additional income from investment assets to offset these costs. The estimated revenue financing impacts of the current housing delivery programme is:

	19-20	20-21	21-22	22-23
	£	£	£	£
Total Development costs impact	2,441,400	3,420,800	3,785,800	271,500

8 The focus on economic development

8.1 Economic development is another one of the Council's four strategic priorities and reflects the importance that the Council places on stimulating more investment, jobs and visitors to Spelthorne in order to further the overall prosperity of the Borough and its residents. How we look to achieve this is set out in the [Economic Strategy](#). Importantly, a vibrant economy also provides income through our share of business rates, helping the Council to be financially sustainable. Where and how we invest our capital plays a central role in terms of economic development.

8.2 Significant progress

It is true for all local authority areas that, if they do not pay close attention to the economic development and vitality of their area, they will move backwards as other areas around them move forwards. In previous years, the Council has made

significant changes to Staines-upon-Thames which have revitalised the town centre. These include contributing to the development of the Two Rivers shopping centre, pedestrianisation of the High Street and the upgrading of the Riverside area around Memorial Gardens and Market Square.

- 8.3 The Council has significant landholdings in Staines-upon-Thames, and has made a number of recent acquisitions in line with our investment parameters to further cement our position. We bought back the long leaseholds of both Communications House and Thameside House so we now have control over a key portion of the town centre close to the River Thames. The Council also acquired Hanover House, which sits on the River adjacent to Bridge Street car park and represents a major redevelopment opportunity. We will continue to acquire properties where it makes strategic sense to do so for regeneration purposes.
- 8.4 Further work needs to be done in Staines-upon-Thames and that there is considerable scope for improvement around Sunbury Cross. So the aspirations of the Council should therefore be bold and ambitious.

8.5 Planning to meet housing need

The current review of the Council's Local Plan has identified a need to create around 590 housing units each year over the next 15 years. As part of its Issues and Options Consultation in summer 2018, the Council consulted on four main ways to meet this significant requirement for new housing:

- Brownfield development
- Green belt development
- Staines development
- Combination development

- 8.6 Following a Sustainability Appraisal, the professional opinion was that the fourth option (combination) should be taken forward, but with additional safeguards to take account of the public's views on loss of Green Belt. This has been agreed by Cabinet. Within this option, the focus will need to remain very much on realising the considerable latent potential of Staines-upon-Thames (but not to the absolute exclusion of housing development anywhere else in the borough).

The Strategic Housing Availability Assessment (SLAA) 2018 estimates that the 5-year housing land supply in the Borough is 3,448 units on 64 sites. Over 1,420 of these units are expected to be delivered in Staines-upon-Thames, with around 420 to be delivered on Council-owned sites. In the medium term (6 to 10 years), Council-

owned sites could deliver another 1000 units (with other sites not owned by Spelthorne bringing forward approximately 250).

- 8.7 The preferred approach of focusing on Staines-upon-Thames as the major residential opportunity area will be guided by a Capacity Study. A Masterplan will then be developed as part of the new Local Plan which will focus in detail on where and how this new development can best be accommodated, in order to ensure we achieve a sustainable solution for the town.
- 8.8 The Council's landholdings within the town centre (including our recent strategic acquisitions) provide a clear opportunity to bring forward at least 1,420 units in the next 10 years. In the next five years, the level of investment that the Council aims to make is likely to be in the region of £300m. As the land owner, we are confident that we can deliver this level of residential development whilst retaining sufficient car parking to sustain the town centre (though some sites may well be reconfigured to make more efficient use of the land that we have).
- 8.9 The SLAA has identified that, within the town centre, the Council is able to develop the following housing units as a minimum (within the immediate confines of the town centre):

Thameside House	flatted	120 units	Years 1 - 5
Hanover House and Bridge Street car park	mixed use	300 units	Years 1 – 5
Riverside car park (subject to re-provision)	flatted	100 units	Years 6 – 10
Elmsleigh Centre and adjoining land	flatted	650 units	Years 6 - 10

- 8.10 The Council is currently part of a consortium promoting a light rail link to Heathrow from Staines-upon-Thames – the Southern Light Rail (SLR). A proposal has been made to the Department for Transport setting out the details of the scheme, and making clear that it will be entirely privately funded (this is known as a market-led proposal). There are a number of potential investors and it is not envisaged at this stage that the Council will be contributing to the capital cost of around £375m.

9 How we finance our capital spend

9.1 As referred to in Table 4, Section 3, above, we finance our capital expenditure from a range of sources. These include:

- **Revenue Contributions to Capital** – beginning in 2018-19, we are now funding £750,000 per annum of our capital programme from the Council's Revenue Budget contribution. This covers most of the capital items which are not funded by grant or will not generate revenue savings or revenue income streams. This puts these elements of the Capital Programme on a more sustainable basis
- **Grants** – principally Disabled Facilities Grant. The Council may seek grant assistance from sources such as Homes England for some of our housing delivery schemes such as the Homelessness Hostel
- **Community Infrastructure Levy (CIL)** - the Council will apply our share of CIL to support capital schemes which meet the CIL criteria
- **S106 funds (planning contributions from developers)** – we will use s106 funds to support affordable housing schemes
- **Capital receipts** – these are generated from either the Council's share of Right to Buy proceeds on housing stock, which used to belong to the Council before the transfer to Spelthorne Housing Association (now A2D) in the 1990s, or from sales of other assets
- **Borrowing** – mainly from the Public Works Loans Board (PWLB) at fixed rates. Some borrowing on a shorter term basis from other local authorities. In future, further borrowing will be focused on financing directly housing and regeneration within the Borough

10 How we manage risk and ensure sound decision-making

10.1 The Council needs to ensure that we have clear ways of mitigating the risks that are inherent in acquiring property and in bringing forward development. We must also show that we have the right decision-making processes in place with robust checks and balances (this is called governance). *Appendix 4* sets out our risk management approach in more detail.

10.2 Risks

From a risk management perspective, and in order to ensure the Council's investments are as safe as possible, we have employed a range of due diligence techniques, including:

- Evaluation of tenants by external global property advisers
- Using industry-standard information sources such as the credit rating agency Standard and Poor's
- Modelling the impact of tenant failure (and securing parent company guarantees where necessary) and setting aside money from investments to establish sinking funds to cover worst-case scenarios and possible future voids

10.3 We are also very clear on how we spread risk by diversifying the portfolio. In any commercial property portfolio, it is important to achieve a level of diversification in order to ensure that 'not all of our eggs are in one basket'. Portfolios can be diversified by property type (e.g. office, residential, industrial or retail), sector (e.g. pharmaceutical, media or financial technology) and geography (e.g. local borough or Heathrow). The Council's portfolio is heavily weighted towards the south-east office market, but the tenant mix is diversified. The Council will keep the performance of our portfolio of commercial assets under continuous review.

10.4 Under the Council's constitution, risk management is overseen by the Audit Committee, which reviews the Corporate Risk Register at each meeting. The Corporate Risk Register is also reviewed by Cabinet on a quarterly basis. Risk management is an integral aspect of the Council's project methodology, with projects required at initiation to identify risks and how they mitigate them, and to maintain a project risk register. The approach to risk management includes planning and identification, monitoring and review for all risks and projects throughout their lifecycle. The Corporate Risk Register includes details of commercial investments. A key focus of our approach to commercial assets is to ensure that we understand the full range of risks – including the financial robustness of tenants and guarantors, legal risks, and physical and locational risks – so that we put in place appropriate risk mitigation measures.

10.5 Skills

The changing nature of our portfolio has meant that we have enhanced our property team to ensure that we have with the right mix and level of skills and commercial

experience. The Council also employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions (including treasury management). The cost of strengthening our property team has been met through funding and management set-asides from investment income. There is now an 11-strong asset management team which includes a manager of the property unit formerly employed by BAA who brings considerable expertise in the commercial property market around Heathrow; a development manager with significant experience of building residential property in the private sector; and a property manager formerly at a commercial fund.

10.6 The Council will ensure that the assets team continues to grow in proportion to the size of our investment and development activity. We have added further resources to our in-house finance and legal teams to support this acquisition and development activity. We also encourage our professional staff to complete ongoing continuous professional development, ensuring expertise levels are maintained.

10.7 Where we do not have the necessary knowledge and skills within the Council, we use external advisers and consultants that are specialists in their field. These include Clyde and Co (legal), Cushman and Wakefield (property and valuation), Arlingclose Limited (treasury management), Landid (asset management), Standard and Poor's (credit rating) and Deloitte (valuation and financial evaluation). This ensures that we have access to experts who can help us to operate in line with our risk appetite. We also seek to ensure that our councillors' knowledge on our approach to investments (both treasury management and commercial) is appropriately maintained.

10.8 **Governance**

The Council needs to ensure that we consider all opportunities in a managed way, and that we do so as transparently as we can (bearing in mind we are making commercially sensitive decisions). All property acquisitions are overseen by a small group of senior councillors and officers including the Leader of the Council, who has a background in property investment and the Finance Portfolio Holder, whose background is in corporate finance. Councillors are involved at key stages of the process (which is set out at the end of *Appendix 4*).

10.9 The Council is committed to following local government guidelines and we take appropriate legal and technical advice to ensure we are always doing so.

11 How we ensure we have enough money day-to-day and maximise return on investment

- 11.1 Treasury management is all about keeping sufficient but not excessive cash available to meet the Council's spending needs, whilst managing the risks involved. Surplus cash is invested until required, and a shortage of cash is met by borrowing – this avoids excessive credit balances or overdrafts in the bank current account. The Council is typically cash-rich in the short-term as revenue income is received before it is spent, but cash-poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

11.2 Current borrowings

Based on acquisitions and investment decisions up to 31 December 2018, the Council currently has £1,031m borrowing at an average interest rate of 1.85%, and £19.5m pooled and medium term treasury investments at an average rate of 4.37% (based on the position as at end December 2018). *Appendix 5* sets out in detail how this is achieved with the headline information set out below.

11.3 Factors shaping our borrowing decisions

From a borrowing point of view, the Council needs to achieve a low but certain cost of finance whilst retaining flexibility should plans change in future. This requires striking a balance between cheap short-term loans and long-term fixed rate loans where the future cost is known, but higher. Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. This is the approach that the Council takes.

- 11.4 In addition to the above, the Council is legally obliged to set an affordable borrowing limit (also termed the 'authorised limit for external debt') each year and to keep it under review. In line with statutory guidance, a lower 'operational boundary' is also set as a warning level should debt approach the limit. *Appendix 5* provides more detail on the boundary and the limit.
- 11.5 The Council's policy on treasury investments is to prioritise security and liquidity over yield – in other words, we focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the Government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely,

including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in 'pooled funds', where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice. The breakdown of near-term and longer-term investments is set out in *Appendix 5*.

- 11.6 In addition to debt of £1,033m detailed above, the Council is committed to making future payments to cover the pension fund deficit (valued at £44.86m). We have also set aside £2.23m to cover risks of business rates appeals, and £6m per annum into sinking funds to cover future liabilities on our investment properties.
- 11.7 Sound treasury management also has to consider the impact on the Revenue budget. Although capital expenditure is not charged directly to the Revenue Budget, interest payable on loans and Minimum Revenue Provision (i.e. repayment of loans) / loans fund repayments *are* charged to Revenue, and this is offset by any investment income (details of the revenue implications of capital expenditure can be found in the 2019/20 revenue budget). *link*.
- 11.8 Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Chief Finance Officer is satisfied that the proposed Capital Programme and recent capital expenditure decisions are prudent, affordable and sustainable. 50-year forecasting is undertaken on a best and worst case basis for commercial assets to estimate future liabilities – this ensures sufficient funds are set aside in sinking funds to meet those liabilities.
- 11.9 The Council has put the maintenance of our operational assets on a more sustainable basis by increasing the planned maintenance budget by £750,000 per annum over last two financial years and addressing a number of backlog maintenance issues at the Council Offices as part of a refurbishment project. The Council has also put the funding of our Capital Programme on a more sustainable basis by making annual revenue contributions to capital.

APPENDICES –

Historic background - included

Investment parameters - included

Housing information - included

Risks and decision making - included

Treasury Management - included

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Historical Background

After the financial crash in 2008 and the austerity imposed on local authorities since 2010, the Council received less and less general revenue grant from government to support its Revenue Budget for the provision of services to residents. Over the years from 2008 to 2016, the Council made savings/income of about £8m or equivalent to 54% of the net 2008/09 budget.

Although no cuts were made to front-line services during this time, the gradual reduction of staff from front-line and support services, did have an impact on the Council's operations. It is fair to say that by 2014 the gradual "salami slicing" of the Budget had reached a stage where some services were becoming unsustainable. The Council launched a programme "Towards a Sustainable Future" with different strands aiming to make a difference to the Council's longer-term finances:

- Investing in property
- Continuing to maximise returns on its financial investments
- Investigating different ways of delivering council services through partnerships and companies/public sector mutuals
- Restructuring the Council

In addition to this ambitious plan, in 2016, a change in administration set a new priority for the Council: provision of much-needed affordable housing for residents. It was against this background of needing to make big changes and find new sources of funding to tackle big social issues, that in 2016 the Council had an opportunity to purchase the BP Campus in Sunbury.

Until 2016, the Council's most significant investment asset was the freehold of the Elmsleigh Shopping Centre in Staines upon Thames. The Council receives a 13.445% share of profits from the shop rents, but the difficult financial trading environment in the retail sector since 2008 had reduced our income from the Elmsleigh Centre.

Against this reducing income the Council had made savings across the Council whilst at the same time it had protected frontline services for residents. However the financial landscape meant that further government cuts and changes to business rates meant that the savings requirements were still there. Protecting front-line services was becoming harder. Acquiring the BP Campus in September 2016 brought about a significant change in the Council's finances.

BP campus

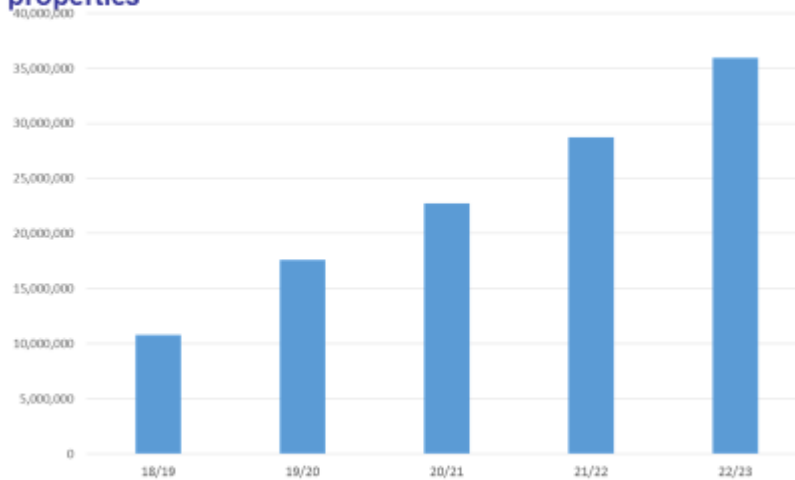
This transaction is worth a special mention because it is so significant that it has on-going importance. The chance to purchase the BP Campus was a once in a generation opportunity. BP has been in Sunbury for 100 years. Its campus was significantly enlarged and improved in 1990s. BP wanted to sell its campus to raise money, in return, it would sign a lease on the premises for 20 years, guarantee increases in rent and provide a parent company guarantee. In a separate transaction shortly afterwards, the Council also purchased research buildings on the same campus (known as the south-west corner).

The combined purchase price of the Campus was £380m, which the Council borrowed with a number of 50 year loans (by taking 50 loans out rather than one single loan the Council saved a significant amount of money) from the Public Works Loans Board (PWLb). The PWLB is a government agency which exists to provide funding to public bodies for capital projects. The interest payable on these loans was fixed at the time the loans were taken out at extremely low rates of interest. Statutory guidance from the Secretary of State and CIPFA governs the way that councils can borrow and how they must repay the money they have borrowed. In taking out this finance, the Council was advised by leading professional practices so that the decision was based on robust due diligence. The Council repays these loans on what is called a “fully prudential basis”, i.e. like a repayment mortgage it repays the principal loan alongside the interest as it goes along.

The significance of the BP acquisition is that it made a big contribution to council finances even after:

- Repaying the loans and interest
- Setting aside money for the management costs of the buildings (which are well constructed and well maintained by the tenants)
- Setting aside a sinking fund for refurbishment or redevelopment costs when the lease ends. This also provides a cushion to protect against potential periods between tenants leaving and new tenants starting to pay rent

How the sinking fund will increase to cover future liabilities, such as refurbishments and void periods on investment properties



The additional income provides significant funding on a long term ongoing basis to offset the loss of general Revenue Support Grant and to reverse the impacts of the previous years' salami slicing which was beginning to put the sustainability of services at risk

Longer term strategy for the BP Campus

With the leases for BP running for 20 years and with the finance running for 50 years, the obvious risk for the Council is that BP may give up its lease at the end of the contract. The Council considered that a number of likely alternative uses were highly probable; use as another business park with one or more tenants; redevelopment as housing or a use related to the near-by airport. It has already started the work of reviewing the options available at the end of the lease with a view to looking to the long-term uses for the site.

Diversification of the portfolio

Although the BP acquisition went a substantial way to stabilising the finances of the Council, a number of factors meant that the Council had to consider further acquisitions:

- The need to ensure that "not all the eggs were in one basket"
- Government policy to remove all council general grants
- Government policy to introduce negative grant allocations

Why the Council continued to invest in property after the BP deal

Residents will understand from recent newspaper headlines that many local authorities are having to cut services in order to adjust to the austerity measures imposed by the government budgets of since 2010. One council in Northamptonshire has already failed and questions have been asked about the sustainability of other local authorities including Surrey County Council and others. The National Audit Office has reported on the financial sustainability of local authorities in 2018. It is fair to say that there is, within local government, a major change to the way in which it was financed.

The BP acquisition provided a very helpful opportunity for the Council to stop making cuts and to put itself back onto a more sustainable footing. We have not had to make cuts in services because we have had better finances than most councils.

From 2016 to 2018 the focus of the Council was on achieving financial sustainability and making investments in order to bolster its revenue budget by deploying surplus income from investing in commercial property. This strategy has been successful and the 2019/20 budget of the Council will include around £10 million of net income for the revenue budget which is derived from successful investments made by the Council since the acquisition of BP in 2016.

Strategic Property Investment Parameters

Spelthorne Borough Council currently invests in property for one of three primary reasons:

- Revenue generation
- Social investment, and
- Strategic purposes

1. Revenue Generation

1.1 Purpose

To deliver additional ongoing income to support the revenue budget to:

- a. Offset funding reductions from external sources (central government and the county council) and other budgetary pressures, and
- b. Aspirationally to go beyond that to increase the quality and quantity of services we deliver to the residents of Spelthorne.

Our aim is that the Borough Council becomes financially self-sufficient.

Net income generated is calculated net of all costs associated with the investment, including interest, provisions to cover refurbishment and possible future rent-free/void periods, external professional fees etc.

These investments are intended to deliver a surplus to be used to support the provision of services but can carry significant risk. Approximately 5% target gross return dependent upon covenant.

At this margin a small loss can have a disproportionate negative effect.

We therefore need to have clear guidelines and underwriting criteria.

1.2 Investment Guidelines

- i. We will always undertake thorough due diligence to ensure that the Council understands the risks associated with a particular proposed acquisition and how those risks are mitigated.
- ii. Preference is given to investing within borough, or in an adjoining area that is economically important to Spelthorne (for example Heathrow / areas immediately south of Staines Bridge). Properties outside this preferred area should represent a lower risk and higher return.

This is because:

- a. local investment ensures that we are best placed to know all the facts surrounding a property, its history, potential developments in the area etc. and, as the planning authority, the borough can optimize the benefits that provides, and

- b. any loss-mitigating exit strategy that may be required and that may result in a change of use or conversion of the investment from profit-making into a non-profit-making social investment (e.g. conversion from rented offices to emergency, social or affordable housing) will benefit residents of Spelthorne i.e. the taxpayers who are funding the investment. Variation from this requires a better return to mitigate above considerations.
- iii. We have a clear view of the asset security curve.
- iv. We have a clear exit strategy, fully costed, at the various critical points in the investment (lease break points etc.).
- v. We do not attempt to second-guess what a tenant may do in the future. We always rely solely on the contractual obligations and plan for the worst-case scenario.
- vi. We do not make speculative investments for revenue-generation purposes. The properties should ordinarily be complete, free of any ongoing redevelopment work and occupied by creditworthy tenants with a minimum of 10 years' lease remaining.
- vii. Any exposure to interest rate fluctuations must be mitigated. We will ordinarily only borrow at fixed interest rates.
- viii. Once completed (funding drawn down and purchase completed), the funding arrangements for investment should require only minimal supervision or intervention, avoiding technically complex, long-term refinancing exercises (e.g. bond issues, dependence on future refinancing) or dependence on external professionals or professional, specialist knowledge from councilors or officers (who may well have left the Council by the time the decision-making point arrives).
- ix. We do not invest in incomplete builds, conversions, etc unless a water tight pre-completion occupier lease is in place
- x. We will not normally invest in retail units
- xi. We do not engage with sellers or tenants who may present a significant reputational risk
- xii. The credit rating of all incumbent tenants is to be understood, recorded at the time, and must be sufficiently strong for the level of investment. We aim for primarily "Blue Chip" covenants.
- xiii. We do not engage in high-risk / high-reward investments.
- xiv. We do not invest in properties that have a material flood risk (1/100 years or more frequent) unless robust flood mitigation has been designed in.

2. Social Investments

2.1 Purpose

To deliver projects that improve quality of life for our residents, such as emergency, social and affordable housing, community infrastructure and well-being projects, flood prevention and flood relief infrastructure.

These investments do not have to generate additional income/profits but must provide the taxpayer with value for money (a legal requirement on the council)

and should be self-financing (although exceptions may be made if the social benefit warrants a small subsidy from taxpayers' money).

2.2 Conditions of investing

- i. Some element of speculation may be inevitable and acceptable (e.g. building affordable housing when the housing market is subject to market pressures).
- ii. We do not ordinarily invest outside the borough (these social investments are designed to benefit the residents/taxpayers of Spelthorne). Consideration will be given for investments nearby where we can ensure Spelthorne residents benefit.
- iii. Any exposure to interest rate fluctuations must be mitigated. We will ordinarily only borrow at fixed interest rates.
- iv. Once completed (funding drawn down and purchase completed), the funding arrangements for investment should require only minimal supervision or intervention, avoiding technically complex, long-term refinancing exercises (e.g. bond issues, dependence on future refinancing) or dependence on external professionals or professional, specialist knowledge from councilors or officers (who may well have left the Council by the time the decision-making point arrives). One exception to this is the ongoing operational management of rented/leased (social or affordable) accommodation and emergency housing. Where practical, these ongoing responsibilities may be transferred to the Council's wholly-owned property company, Knowle Green Estates Ltd..
- v. We do not engage with sellers or tenants who may present a significant unmitigated reputational risk.
- vi. We do not invest in properties that have a material flood risk (1/100 years or more frequent) unless robust mitigation measures designed in unless robust flood mitigation has been designed in.
- vii. Social investments are not an alternative to proper funding and provision by the County Council of infrastructure and services that the County Council is required to provide. Spelthorne does not intend these social investments by the Borough Council to alleviate the financial and social responsibilities borne by the County Council.
- viii. In all cases the Council will structure investments to give maximum control, financial and social benefit to itself and Spelthorne residents and priority will be given to retaining ownership and receipt of revenue.

3. Strategic purposes

3.1 Purpose

To augment either Revenue Generation or Social Investments, for example to increase the value of an existing asset value by "marriage" or where it facilitates or enhances another project / investment covered above.

Investment criteria and funding to be in accordance with relevant purpose and criteria.

Cllr. Howard Williams, Cabinet Member for Finance, Spelthorne Borough Council.
and Cllr Ian Harvey, Leader of the Council and Portfolio Holder for Policy and Strategic Assets Portfolio,

Note:

The Council will pay due attention to prevailing laws, statutory regulations and Chartered Institute of Public Finance and Accountancy guidance and best practice recommendations. The Government on 10th November issued several consultations on the statutory parameters for local authorities' investment activity. Once the Government confirms in the New Year the final guidance we will need to review and update this document.

Housing and homelessnessTable H1: Number of applicants on the Council's Housing Register

	2015	2016	2017	2018
Number on Housing Register as at 1 April	1,224	1,598	1,869	2,186

Table H2: Number of social housing vacancies offered to the Council for re-letting

	2014/15	2015/16	2016/17	2017/18
Number of lettings	209	249	197	199
Ratio applicants to vacancies	6:1	6:1	9:1	11:1

Table H3: Number of households accepted as unintentionally homeless, in priority need, and owed the "Main Duty"

	2014/15	2015/16	2016/17	2017/18
Number of households owed rehousing duty	123	120	115	116

Table H4: Number of households in temporary accommodation per quarter

2014/15				2015/16				2016/17				2017/18			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
95	100	111	110	113	139	131	121	117	117	108	104	103	91	111	108
Average 104				Average 126				Average 112				Average 103			
Average 111															

Table H5: Ratio of median house prices to median wages by region

	2014/15	2015/16	2016/17	2017/18
Spelthorne	8.5	9.39	10.42	11.16
South East	8.2	8.81	9.43	9.79
England	7.09	7.53	7.72	7.91

Table H6: Number of affordable homes completed by tenure

Year	Affordable dwelling completions (Gross)	Affordable dwellings lost (Gross)	Affordable dwellings completed (Net)	Rented (Gross)	%	Shared Ownership (Gross)	%
2014-15	16	43	-27	8	50%	8	50%
2015-16	138	14	124	82	59%	56	41%
2016-17	46	0	46	46	100%	0	0%
2017-18	9	0	9	5	55%	4	45%
Total	209	57	152	141	66%	68	34%

Risk management and sound decision making

Risk management

In order to ensure the council's investments are as safe as possible we have employed a range of robust due diligence techniques including:

- Evaluation of the tenant by our agents Cushman and Wakefield, by our in-house asset management team and utilising industry-standard information sources such as Standard and Poor's
- This includes modelling over the 50 year funding period future capital expenditure needs relating to the assets and identifying and quantifying potential void periods
- The Council model models the impact of tenant failure and when necessary secures parent company guarantees from tenants.
- Second opinions are taken on all of the above work by Deloitte to give the Council further reassurance
- The Council models financial projections on a basic and worst-case scenario
- Following acquisition there is ongoing management of the property and monitoring of key financial metrics and performance metrics by qualified asset managers including the appointment of appropriate qualified asset management firms particularly with the larger multi-tenant buildings.
- The Council has set aside money from investments to establish sinking funds to cover worst-case scenarios and also planned future voids (i.e the periods between one tenant leaving and the next occupying) and rent free periods at end of term and refurbishment works

All this is in accordance with good asset management practice.

Diversification – spreading the risk

In any commercial property portfolio it is important to achieve a level of diversification in order to ensure that, “not all the eggs are in one basket”.

Portfolio can be diversified by:

- property type e.g. office, residential, industrial or retail
- sector e.g. pharmaceutical, media, fin-tech et cetera
- geography e.g. south-east, national or international

It can be seen from the Council's portfolio that it is heavily weighted towards south-east office market although the tenant mix is diversified. The council will keep under review its investment parameters and the needs to properly ensure a diversification of its assets particularly in light of changes to the economy which may emerge following the exit of United Kingdom from the European Union

Skills and expertise

Another feature of good risk management is to have professionally qualified, experienced staff in sufficient numbers that they can look after the acquisitions of investments, the development of properties and ongoing asset management.

Prior to 2016 the council had a small internal team which was focused on the needs of a typical municipal portfolio since that time the focus of the team has shifted considerably and the resources which are being put into it have also been increased. The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Chief Finance Officer is a qualified accountant (CIPFA, ICAS) with 29 years' experience. The strengthening of this team has come from funding, management set-asides from investment income itself, and we have focused on bringing in individuals with significant commercial experience.

There is now an 11 strong asset management team including:

- a manager of the property unit formerly employed by BAA and with considerable expertise in their commercial property market around Heathrow
- a development manager with considerable experience from building residential property in the PRS sector
- the property manager formerly at a commercial fund

The Council will ensure that the team continues to grow and is currently in the process of recruiting to a further three new property posts. It has also added further resources to its in-house finance team and legal team to support this acquisition and development activity. The Council pays for junior staff to study towards relevant professional qualifications including CIPFA, encourages its professional staff to undertake ongoing continuous professional development.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field which it can rely on including:

- Clyde and Co— the council's solicitors have worked with Spelthorne Borough Council since the development of the Elmsleigh centre and two rivers shopping centre
- Cushman and Wakefield – the councils lead town centre and property advisers, Cushman and Wakefield have worked with the council since the development of the Elmsleigh Centre and the two rivers shopping centre
- Arlingclose Limited– a leading treasury management consultancy
- Landid – asset managers of our portfolio in Slough Hillingdon and Uxbridge
- Standard and Poor's – A financial services company which has been brought in to provide ongoing credit assessments of our commercial tenants
- Deloitte – well-known accountants and auditors provide a second opinion on valuation and other aspects of advice. They provide independent triangulation on the robustness of approach and on tenants' financial health

This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

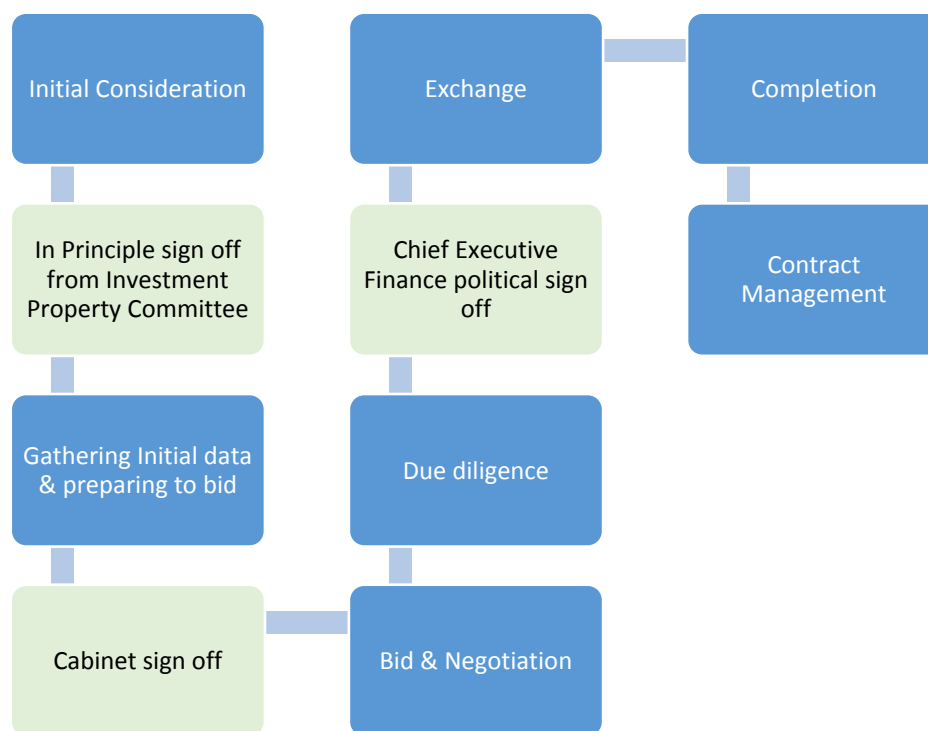
We also seek to ensure that our councillors' knowledge on our approach to investments both treasury management and commercial is appropriately maintained. The Finance Portfolio Holder attends quarterly briefings with Arlingclose our Treasury Management advisers. We have run sessions on our property investment approach for members of our Overview and Scrutiny Committee and we will provide induction training for the fresh intake of councillors following the May 2019 elections.

Governance

As a council we need to ensure that we consider all opportunities in a managed way, and that we do so as transparently as we can (bearing in mind we are making commercially sensitive decisions). This process includes both officers and councillors (who at the end of the day are the people who are accountable to the electorate and need to ensure the council spends its money wisely).

All property acquisitions are overseen by a small group of senior councillors and officers including Leader of the Council, Councillor Ian Harvey, who has a background in property investment and Councillor Howard Williams, the Finance Portfolio Holder, whose background is in corporate finance.

Councillors are involved at key stages of the process. The Leader and Finance Portfolio Holder attend an Investment and Property Committee on a regular basis where they are presented with details of potential acquisitions and development schemes. This is also attended by the Chief Executive, the Deputy Chief Executive who is also the S151 officer and the Property and Development Manager. (It should be noted that a large number of acquisitions are discarded by officers before reaching this stage). An informed decision is then made by that Committee on whether an acquisition/proposal should proceed to the next stage. Those that do go through a further due diligence process before Cabinet sign off the acquisition/development and the price/budget. In order to streamline the actual completion process, delegations are given to the Chief Executive, S151 officer, Leader and Financer Portfolio Holder. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the Capital Programme.



Treasury Management Appendix 2019/20

1. Capital Expenditure and Financing

1.1 Capital expenditure is where the Council spends money on assets, such as property or vehicles, which will be used for more than one year. In local government, this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling those bodies to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example, the council could set a limit on the amount capitalised and charged to revenue during the year.

1.2 In 2019/20, the Council is planning capital expenditure of £82m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget
	£m	£m	£m	£m	£m
Capital Expenditure excluding HIP	272	405	48	0	0
Housing Investment Programme HIP	1	4	30	52	39
TOTAL	273	409	78	52	39

1.3 The main General Fund capital projects up to the end of 2018-19 were acquisitions of property including investment properties. From 2019-20, the focus is on regeneration within the Borough and delivery of our housing investment programme.

1.4 **Governance:** Service managers bid annually around October to include projects in the Council's capital programme. Bids are collated by the Finance Team who calculate the financing cost (which can be nil if the project is fully externally financed). Cabinet appraises all bids based on a comparison of service priorities against financing costs and makes recommendations to Council. The final capital programme is then presented to Cabinet and to Council in February each year.

1.5 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget
	£m	£m	£m	£m	£m
External sources	(1)	(1)	(1)	(1)	0
Own resources	(2)	(17)	(11)	(12)	(10)
Debt	(270)	(391)	(66)	(39)	(29)
TOTAL	(273)	(409)	(78)	(52)	(39)

1.6 Debt is only a temporary source of finance, since loans and leases must be repaid. The replacement of debt finance from revenue is through the Minimum Revenue Provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance.

- 1.7 The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £300m during 2019/20. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 3: Prudential Indicator: Estimates of Capital Financing Requirement

	31.3.2018 actual	31.3.2019 forecast	31.3.2020 budget	31.3.2021 budget	31.3.2022 budget
	£m	£m	£m	£m	£m
Investment Properties	681	1,068	1,090	1,077	1,067
Housing and Regeneration	0	3	33	73	113
Other services	1	2	20	21	22
TOTAL CFR	682	1,073	1,143	1,171	1,202

- 1.8 **Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds (capital receipts) can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts on service transformation projects until 2021/22. Repayment of capital grants, loans and investments also generates capital receipts. The Council plans to receive £0.4m of capital receipts in the coming financial year as follows:

Table 4: Capital receipts

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget
	£m	£m	£m	£m	£m
Preserved share of RTB	(1.3)	(0.5)	(0.1)	(0.1)	(0.1)
Other	0.0	0.0	(0.3)	0.0	0.0
TOTAL Capital receipts	(1.3)	(0.5)	(0.4)	(0.1)	(0.1)

2. Treasury Management

- 2.1 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.
- 2.2 Due to decisions taken in the past, the Council has £1,033m borrowing as at 31 December 2018 at an average interest rate of 1.85% and £22m medium-term treasury investments at an average rate of 4%.
- 2.3 **Borrowing strategy:** The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.75%) and long-term fixed rate loans where the future cost is known but higher.

- 2.4 Projected levels of the Council's total outstanding debt are shown below, compared with the capital financing requirement (see above at 2.7).

Table 5: Prudential Indicator: Gross Debt and the Capital Financing Requirement

	31.3.2018 actual	31.3.2019 forecast	31.3.2020 budget	31.3.2021 budget	31.3.2022 budget
	£m	£m	£m	£m	£m
Debt	665	1,056	1,111	1,135	1,155
CFR	682	1,073	1,143	1,171	1,202

- 2.5 Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from Table 5, the Council expects to comply with this..
- 2.6 **Liability benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum of £50m at each year-end including £10m investments. This benchmark is currently £1,385m and is forecast to rise to £1,469m over the next three years.

Table 6: Borrowing and the Liability Benchmark

	31.3.2018 actual	31.3.2019 forecast	31.3.2020 budget	31.3.2021 budget	31.3.2022 budget
	£m	£m	£m	£m	£m
Outstanding borrowing	665	1,056	1,111	1,135	1,155
Liability benchmark	649	989	1,102	1,131	1,171

- 2.7 The table shows that the Council expects to borrow below its liability benchmark after the current year. Up to now, a deliberate decision has been made to borrow sums at fixed low rates for investment property acquisitions to generate rental streams that will enable increased financial sustainability. In the future, the focus will be on regeneration within the Borough and delivery of our housing investment programme, and capital expenditure and related borrowing requirements will therefore be reduced.
- 2.8 **Affordable borrowing limit:** The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

Table 7: Prudential Indicators: Authorised limit and operational boundary for external debt

	2018/19 limit	2019/20 limit	2020/21 limit	2021/22 limit
	£m	£m	£m	£m
Authorised limit – borrowing	1,350	1,350	1,350	1,350
Operational boundary – borrowing	1,250	1,250	1,250	1,250

- 2.9 **Investment strategy:** Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

- 2.10 The Council's policy on treasury investments is to prioritise security and liquidity over yield, that is, to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

Table 8: Treasury management investments

	31.3.2018 actual	31.3.2019 forecast	31.3.2020 budget	31.3.2021 budget	31.3.2022 budget
	£m	£m	£m	£m	£m
Near-term investments	1	22	24	26	28
Longer-term investments	21	30	35	40	45
TOTAL	22	52	59	66	73

- 2.11 **Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Finance and staff, who must act in line with the treasury management strategy approved by Council. Half yearly reports on treasury management activity are presented to Council. The Overview and Scrutiny Committee is responsible for scrutinising treasury management decisions.

3. Investments for Service Purposes

- 3.1 The Council makes investments to assist local public services, including making loans to local service providers, local small businesses to promote economic growth, and the Council's subsidiary that provides services. In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to generate a profit overall after all costs.
- 3.2 **Governance:** Decisions on service investments are made by the relevant service manager in consultation with the Chief Finance Officer and must meet the criteria and limits laid down in the Treasury Management Strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

4. Commercial Activities

- 4.1 With central government financial support for local public services declining, the Council has invested in commercial property mainly for financial gain and will lend to its subsidiary Knowle Green Estates Ltd for the similar reasons. Total commercial investments are currently valued at £1,002m, the largest being the BP International Campus site providing a net return after all costs of 4%.
- 4.2 With financial return being the main objective, the Council accepts higher risk on commercial investment than with treasury investments. The principal risk exposures include vacancies and fall in asset capital value. These risks are managed by having a high specification investment property portfolio, with detailed market and tenant appraisals starting before acquisition and employment of professional property and facilities management to maintain high property and tenancy standards. In order that commercial investments remain proportionate to the size of the authority, these are subject to an overall maximum investment limit of £500m.

- 4.3 **Governance:** Decisions on commercial investments are made by the Council in line with the criteria and limits approved by Cabinet in the investment strategy. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.

5. Liabilities

- 5.1 In addition to the debt detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £44.86m). The Council has modelled potential future liabilities on its investment properties to cover future voids, rent free periods and refurbishments and is currently setting aside £6m per annum into sinking funds with an anticipated balance of £11m as at end 2018/19.
- 5.2 **Governance:** Decisions on incurring new discretionary liabilities are taken by service managers in consultation with the Chief Finance Officer.

6. Revenue Budget Implications

- 6.1 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 9: Prudential Indicator: Proportion of financing costs to net revenue stream

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget
Financing costs (£m)	15	26	35	35	28
Proportion of net revenue stream	68%	65%	69%	71%	70%

- 6.2 **Sustainability:** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Chief Finance Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable because the objective underlying investment and borrowing decisions is security and liquidity before yield, and borrowing is at fixed rates, taking advantage of low rates currently available.

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REPORT OF THE

INDEPENDENT REMUNERATION PANEL

ON

THE MEMBERS' ALLOWANCES SCHEME 2019-2020

FOR

SPELTHORNE BOROUGH COUNCIL

January 2019

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INTRODUCTION

1. This report has been prepared in accordance with the *Local Authorities (Members' Allowances) (England) Regulations 2003* ("the 2003 Regulations") as amended, which require all local authorities to appoint an Independent Remuneration Panel ('the Panel') to advise on the terms and conditions of their Scheme of Members' Allowances ('the Scheme').
2. The Panel acknowledges that it is a matter for the Council to decide the level of Members' Allowances. The statutory position (Paragraph 19 of the 2003 Regulations) is that Spelthorne Borough Council "**shall have regard to**" the advice from the Panel and the Council cannot make any changes to its Scheme without first considering the Panel's advice on the issues involved. In "having regard" to the Panel's advice, the Council is to "give proper consideration" to the Panel's report. In this way, the Council can take full account of its particular circumstances and be directly accountable to its electorate.
3. The function of the Panel is therefore to provide the Council with advice on the type of its allowances and the amounts to be paid.
4. The 2003 Regulations require the authority to make copies of the Scheme available for inspection by members of the public at all reasonable hours and publish a notice in a local newspaper giving details of the Scheme and the amounts payable in respect of each allowance mentioned in the Scheme.

INDEPENDENT REMUNERATION PANEL

5. Spelthorne Borough Council appointed the following persons to comprise the Panel at its meeting on 27 April 2017:
Sir Ivan Lawrence QC (Chairman)
Mr. George McLaughlin
Mr. Colin Squire
6. The members of the Panel have between them diverse experience in central Government, the law, local business, local authorities and charity work.
7. The Panel is fully independent of the Council and is not fettered in any way from providing impartial enquiry, scrutiny, advice and recommendation.
8. The Panel does not receive any payment for the time or work that it expends in undertaking the annual review of Members' Allowances.

TERMS OF REFERENCE

9. Our terms of reference are in accordance with the requirements of the 2003 Regulations, together with "Guidance on Consolidated Regulations for Local Authority Allowances" ("the Guidance") issued in 2003. We are required to make recommendations to the Council about the following:
 - a) The amount of basic allowance payable to all Council members;
 - b) The categories of Council members who should receive a special responsibility allowance (SRA) and the amount of that allowance;

- c) Whether the Scheme should include an allowance for the expenses of arranging for the care of children and dependants, and, if so, the amount of this;
- d) The amount of travel and subsistence allowances and the approved duties in respect of which they can be paid;
- e) Allowances for co-optees (for example the independent members appointed by the Council to serve on the Council's Members' Code of Conduct Committee); and
- f) Whether adjustments to the level of allowances may be determined according to an index and, if so, which index and how long that index should apply, subject to a maximum of four years before its application is reviewed.

PRINCIPLES UNDERPINNING OUR REVIEW

10. The following principles, which were established at the time of the Panel's review in 2000, continue to underpin this review: -
 - (i) The basic allowance is intended to recognise the time devoted by councillors to their work, not just work in formal council meetings, but in the community and in meetings with constituents, officers and their political group, and also to cover incidental costs (such as the use of their homes and private telephones).
 - (ii) Special responsibility allowances (SRAs) are used to recognise the *significant additional responsibilities* which attach to some roles, not just the extra time required.
 - (iii) Members' allowances are not intended to compensate for loss of earnings, nor are they to recompense for the total number of hours councillors spend on their duties, bearing in mind the voluntary element of service in fulfilling the role of a local councillor, as recognised in government guidance. Councillors are not paid employees of the Council and their allowances should not be treated as salary.
 - (iv) The Scheme¹ should be fair, easy to understand and straightforward to administer.
11. Alongside the general principle that the payment of an allowance is not intended to compensate for loss of earnings, the Panel advocates a principle of fair remuneration and subscribes to the view promoted by the Independent Councillors' Commission which says that remuneration should not be an incentive for service as a councillor, nor should lack of remuneration be a barrier. The level of remuneration should be sufficient to allow most people to consider becoming an elected member without suffering unreasonable financial disadvantage and equally applies to existing councillors who may be deterred from fulfilling their role successfully if the remuneration is not sufficient.²
12. The Panel has sought to reflect the views of ordinary ratepayers in considering its recommendations. It aspires to a Scheme that is both fair to members and seen to be fair by council taxpayers.

¹Proposed Scheme payments for April 2018 is attached at Annex 1

²Rodney Brooke and Declan Hall, *Members' Remuneration: Models, Issues, Incentives and Barriers*. London: Communities and Local Government, 2007.

CURRENT SCHEME

13. The Panel's last review of Members' Allowances for the financial year 2018/19 took place in November 2017. The Panel undertook a complete and in depth review of the Members' Allowances Scheme which included consideration of the following matters:
 - A member questionnaire on the Allowances Scheme
 - Public Service element discount
 - Councillor workload
 - Basic Allowance
 - Special Responsibility Allowances
 - Whether to apply an index to the level of allowances
 - Co-optees allowance
 - Dependants' carer's allowance
 - Travel and subsistence allowance
 - Approved Duties
14. The Panel recommended:
 - a) that the Basic Allowance should be increased by reference to the staff pay award for 2018/2019;
 - b) that the Special Responsibility Allowances should be frozen at their current amounts for 2018/19 but retain the current multiplier methodology for use in future years;
 - c) that the Co-optees allowances remain at the current level;
 - d) that no changes be made to the current payments for dependants' carer's allowance and travel and subsistence allowance;
 - e) Inclusion of Armed Forces Covenant and site visits by Planning Committee members to the list of Approved Duties.
15. The Panel decided not to commit to an index at the 2018/19 review as it preferred to undertake an annual review rather than formally commit to an index for future uplifts. The Panel stated it would return to consideration of this matter at future reviews.
16. The Council considered the Panel's recommendations at its meeting in July 2018 and accepted them with the exception of increases to Special Responsibility Allowances. The Council agreed that these should increase by the same amount as the Basic Allowance; by reference to the staff pay award for 2018/19. The Council stated that it was focussed on having a clear and simple pay policy in order to embed a "one team" approach between officers and members and was keen to ensure that there was parity in the awards for both councillors and officers alike.

APPROACH FOR 2019/20

17. The Panel met in December 2018 to consider its approach for the 2019/20 review. The Panel decided it did not wish to undertake a further in-depth review as the issues were covered at length in the previous review.
18. The Panel considered data from Boroughs and Districts across Surrey comparing Basic Allowances and Special Responsibility Allowances (SRA) for each authority in 2018/19.

CONSIDERATIONS AND RECOMMENDATIONS

Basic Allowance

19. The Scheme must include provision for a Basic Allowance, payable at an equal flat rate to all councillors.³
20. The Basic Allowance is intended to recognize the time commitment of all councillors including such inevitable calls on their time as attending Council and other formal meetings, training/briefings, civic events and political group meetings and undertaking general constituency work. It is also intended to cover incidental costs such as the use of their homes and telephones.
21. The Panel compared Spelthorne's current Basic Allowance against the other Surrey Boroughs and Districts (Annex 2) and considered that the most relevant comparators are our closest neighbours; namely, Runnymede, Elmbridge and Woking. It notes that Spelthorne has maintained its position as third highest in Surrey.

Council	Basic Allowance (£) 2018-19 ⁴
Woking Borough Council	7200
Guildford Borough Council	6864
Spelthorne Borough Council	6049
Reigate & Banstead Borough Council	5599
Surrey Heath Borough Council	5087
Elmbridge Borough Council	5066
Waverley Borough Council	4758
Mole Valley District Council	4370
Tandridge District Council	4212
Runnymede Borough Council	3680
Epsom & Ewell Borough Council	3631

22. The Panel also noted that 6 of the other 10 authorities link increases in their Members' Allowances to the staff pay award at that Council.
23. As Spelthorne Borough Council's level of Basic Allowance still compared favourably against the other Surrey authorities, the Panel agreed to continue on the basis of its recommendation for the Basic Allowance in 2018:

that an increase in the Basic Allowance which reflects the staff pay award for 2019/20 would be both fair and reasonable and ensure that most councillors continue to not be financially disadvantaged as a result of undertaking their role.

³ The Local Authorities (Members' Allowances) (England) Regulations 2003: Part 2, Regulation 4.

⁴ Data from South East Employers, Members' Allowances Survey 2017 (October 2017)

24. For the purposes of illustration, assuming a staff pay award of 2.5% would mean the Basic Allowance for 2019/20 will be £6200.
25. In making its recommendation the Panel has sought to maintain a sensible balance between:
- (a) the financial constraints facing the Council due to the fall in Government Grant during the years 2018-2022 which will continue to be a pressure for Council finances;
 - (b) the need to maintain a Scheme which is fair, easy to understand and straightforward to administer; and
 - (c) the need to ensure the level of remuneration continues to be sufficient to allow existing councillors to fulfil their role successfully.

RECOMMENDATION

The Panel recommends that the Basic Allowance payable to all members of Spelthorne Borough Council should be increased by reference to the staff pay award for 2019/2020.

Special Responsibility Allowances

26. A Special Responsibility Allowance (SRA) may be paid to recognize the significant additional time and responsibility that certain roles in the Council require of councillors. The payments for SRAs do not have to be the same across different roles. SRAs do not have to be paid but there is a requirement that, if they are paid, at least one Member of a minority group should receive an SRA.
27. The 2003 Regulations do not limit the number of SRAs which may be paid, nor do they prohibit the payment of more than one SRA allowance to any one Member. The Regulations specify the categories of role which the Council may make provision for paying an SRA. Amongst these is: chairing meetings of a council committee or a sub-committee, or a joint committee of the council and one or more other authorities, or a sub-committee of such a joint committee.
28. Under the current Scheme of allowances for Spelthorne there are 5 categories for Special Responsibility Allowances which are paid to a total of 15 councillors:
- Leader (1)
 - Deputy Leader (1)
 - Cabinet Member (7)
 - Chairman (Planning, Licensing, Audit, Overview and Scrutiny and Joint Committees) (5)
 - Opposition Group Leader (1)
29. The Panel agrees that these roles should continue to be awarded an SRA in recognition of the significant additional responsibilities for the councillors appointed to those roles.
30. The Panel compared Spelthorne's payments for SRA with those paid across Surrey. It notes that Spelthorne has maintained its position in the top third for SRA payments when compared to other Surrey authorities (Annex 2).

31. The Panel met with the Leader, Councillor Ian Harvey, to discuss his views on the Scheme for 2019/20 and to invite comments; no negotiations or decisions were made. The Panel found the discussion useful and is grateful to Councillor Harvey for his contributions.
32. The Panel was persuaded by the strength of the Leader's argument for a "one team" approach between officers and members to ensure that there was parity in the awards for both.
33. It agreed that a case had been made to award a cost of living increase for Special Responsibility Allowances for 2019/20. This would be achieved by increasing the Special Responsibility Allowances by reference to the staff pay award for 2019/2020.
34. The Panel wishes to be clear that it is not formally committing to an index for future uplifts of Allowances but will re-consider the index recommended this year when it undertakes the next annual review.

Special Responsibility Allowance for Finance Portfolio Holder

35. During the review for 2018/19 the Panel had considered whether the heavier workload resulting from the Council's Investment Strategy, that had brought extra responsibilities to the role of the finance portfolio, merited a greater Special Responsibility Allowance than other Cabinet members. The role also required the holder of the finance portfolio to take up a position as an unpaid director of Knowle Green Estates Ltd. ("KGE").
36. The Panel was of the opinion, at that time, that it is in the nature of the role of a Cabinet member to experience fluctuating levels of work and did not recommend an increased allowance for this role. However, the Panel said it was happy to reconsider this matter at this year's review if the workload for this role continued to be high.
37. As part of this year's review and to assist its deliberations on this matter, the Panel invited the Finance Portfolio Holder, Councillor Howard Williams, to submit his comments about the additional duties and responsibilities undertaken by virtue of his role as a director of KGE.
38. The Panel also met Councillor Williams to further discuss the increased responsibilities of the finance portfolio holder as a result of the Council's Investment Strategy; again, no negotiations or decisions were made. The Panel is grateful to Councillor Williams for his comments which gave them a better understanding of the increased scope and responsibility of the role.
39. The Panel agrees that time commitment is only one factor by which to determine the value of a Special Responsibility Allowance and that the responsibility of the role is particularly relevant.
40. The Panel finds that the Finance Portfolio Holder continues to experience a heavy workload as a result of his responsibility in relation to the acquisitions, maintenance and delivery of the Council's investment programme. This brings an extraordinarily high level of additional responsibility.

41. The Panel was also persuaded that the role of this councillor as a Board Director of KGE is a burden that absorbs time and creates responsibility and legal obligations that do not form a part of a councillor's normal responsibilities. It is an optional task that is taken on by the finance portfolio holder in the absence of any other more suitable alternative councillor.
42. The Panel agrees that due to a combination of the finance portfolio's responsibilities in relation to the Council's investment portfolio, and the extra responsibilities and commitment arising from his position as a Board Director of KGE, this role merits a greater SRA than the other Cabinet member roles.
43. The Panel considered the levels of other Special Responsibility Allowances and agreed that the Cabinet member responsible for the finance portfolio should receive an allowance equivalent to that of the Deputy Leader.
44. This conclusion is considered to be both fair and reasonable for the purposes of this review. This matter will be re-visited in the Panel's review next year.
45. In making its recommendations, the Panel wishes to emphasise that they should not be interpreted as a reflection of any individual councillor's performance in the role.

RECOMMENDATION

The Panel recommends that:

- 1. all Special Responsibility Allowances are increased by reference to the staff pay award for 2019/2020; and**
- 2. the Cabinet member responsible for the finance portfolio to receive a Special Responsibility Allowance equivalent to that awarded to the Deputy Leader.**

OTHER ALLOWANCES

46. The Panel did not undertake a review of the following allowances on the basis that the reasoning underpinning the levels of allowances had not changed since its previous review.

Co-Optees Allowance

47. The current Scheme pays an allowance of £1000 and £500 to the Chairman and Vice-Chairman (this position is currently vacant), respectively of the Members' Code of Conduct Committee, both of whom are co-opted members.

RECOMMENDATION

The Panel recommends that the co-optees on the Members' Code of Conduct Committee continue to receive an allowance of £1000 and £500 for the Chairman and Vice-Chairman respectively.

Dependants' Carer's allowance

48. The current Scheme for Dependants' Carer's allowance (DCA) provides that members are simply reimbursed the actual costs incurred for expenditure in relation to the care of dependent relatives or children while they are undertaking approved Council duties, subject to submission of receipts/invoices in support of claims.

RECOMMENDATION

The Panel recommends that no change be made to the current scheme for Dependants' Carer's allowances.

Travel and subsistence allowance

49. The current payments for travel allowances which are payable at the same rate as for Council officers on a sliding scale dependent on engine size for car use, and for motorcycles, for journeys undertaken in relation to approved duties are as follows.
50. The current payments for cars, per mile, is:

	2018/19
up to 999cc	46.9p
1000cc - 1199cc	52.2p
1200cc and over	65p

51. The current payment for motorcycles is 24p per mile and for bicycles is 20p per mile.

RECOMMENDATION

The Panel recommends that the current arrangements for payment of travel and subsistence allowances be retained as at present and that no changes be made to the list of Approved Duties.

SUMMARY OF PANEL'S RECOMMENDATIONS

The Panel makes the following recommendations to the Council on the Members' Allowances Scheme for 2019-2020:

Allowance	Current amount	Number	Recommended Allowance for 2019/20 ¹
Basic:	£6049	39	£6200
Special Responsibility:			
Leader of the Council	£13911	1	£14259
Deputy Leader	£9182	1	£9412
Cabinet Member for finance	N/A	1	£9412
Cabinet Members	£6956	6²	£7130
Spelthorne Joint Committee Chairman/Vice-Chairman	£4877	1	£4999
Planning Committee Chairman	£5564	1	£5703
Licensing Committee Chairman	£4869	1	£4991
Overview and Scrutiny Committee Chairman	£4869	1	£4991
Audit Committee Chairman	£3479	1	£3566
Opposition Group Leader	£3241	1	£3322
Co-Optees' Allowance	£1000 (Chair) £500 (Vice-Chair)	1 1	£1000 (Chair) £500 (Vice-Chair)
Total Budget	£336,095		£346,735

¹ On an assumption of a 2.5% staff pay award

² Based on the existing Cabinet and excluding the Leader, Deputy Leader and Cabinet member for Finance

Allowance for expenditure incurred in relation to Approved Duties (Schedule 1 to Scheme)	Unchanged allowances for 2019/20
Dependants' Carer's Allowance	Reimbursement of actual costs incurred

Travelling and Subsistence Allowances	
Motor Mileage Allowance (per mile)	
Cars	Up to 999cc – 46.9p 1000cc – 1199cc – 52.2p 1200cc and over – 65p
Motorcycles	24p
Cycle	Nil
Day Subsistence Allowance	Reimbursement of actual costs incurred

Sir Ivan Lawrence (Chairman)
George McLaughlin
Colin Squire

January 2019

Comparison of allowances against neighbouring Surrey authorities

Annex 2

	1	2	3	4	5	6	7	8	9	10	11
Local Authority	Woking	Guildford	Spelthorne	Reigate and Banstead	Surrey Heath	Elmbridge	Waverley	Mole Valley	Tandridge DC	Runnymede	Epsom & Ewell
Basic Allowance 18/19	7200	6864	6049	5599	5087	5066	4758	4370	4212	3680	3631
Leader's SRA 18/19	12000	8236	13911	13901	13864	12665	13977	7500	5947	7360	2703
Dep. Leader SRA 18/19	2000	1373	9182	11353	8686	2533	9676	4250	1494	1840	3631
Cabinet member 18/19	750	5491	6956	9268	4626	6333	6451	0	0	0	3631
Audit Chair 18/19	0	3432	3479	0	3700	3800	3225	2135	2987	1214	2338
Licensing Chair 18/19	500	3432	4869	433	3700	2533	3225	535	2987	3680	2542
O&S Chair 18/19	500	5491	4869	3106	3700	6333	3225	2135	2987	3680	2542
Planning Chair 18/19	750	5491	5564	5346	4283	5699	3225	2560	2987	6440	3631
Opp. Group Leaders 18/19	1000	5491	3241	144	0	2533	3225	3735	1494	2760	200

Spelthorne Joint Cttee Chair	8016		4877	(SCC Allowances Scheme)		
Spelthorne Joint Cttee Vice-Chair	1503		4877			

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Recommendations of the Members' Code of Conduct Committee

1. Localism Act 2011: Appointment of Independent Persons 2019-2023

- 1.1 The Committee considered a report seeking approval to enter into joint arrangements with six other Surrey local authorities for the appointment of the Council's Independent Persons for the period 2019 to 2023.
- 1.2 The proposed arrangements would enable the Council to comply with its obligations under the Localism Act 2011 in respect of ethical standards and The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 in respect of dismissal and disciplinary arrangements for statutory officers.
- 1.3 **The Committee agreed to recommend Council:**
 - (1) That the Monitoring Officer (Michael Graham) be authorised to establish a Joint Appointments Panel with participating Surrey councils' monitoring officers so that the Panel may:**
 - (a) advertise for, short-list, and interview candidates and**
 - (b) make recommendations to the respective councils for the appointment of Independent Persons under Section 28(7) of the Localism Act 2011, for a four-year term of office expiring in May 2023;**
 - (2) That the Independent Persons appointed by this Council be entitled to receive the same level of travelling expenses as are provided for councillors under the Scheme of Allowances for Councillors; and**
 - (3) That the Monitoring Officer be authorised to withdraw from joint arrangements in the event that we are not content with the process or proposed appointments, and make separate arrangements for Spelthorne Borough Council to appoint its Independent Persons.**

2. Gifts and Hospitality

- 2.1 The Committee considered a report on a review of the procedure for reporting gifts and hospitality. The review suggested improvements to the reporting mechanism to make the whole process more transparent and visible. It would ensure that staff and councillors are accountable under the policy and provide assurance to residents and other stakeholders that the process is fit for purpose.
- 2.2 The Committee agreed:
 - 1) To instigate the reporting mechanism outlined at paragraphs 2.2 to 2.8 of the report, subject to the following amendments:
 - a. An electronic reporting form to be available in addition to the books; and
 - b. Appendix 2 be amended as follows:
 - i. Delete 'date of offer'
 - ii. Delete the word 'full' before 'description of gift'
 - iii. 'Name and address of donor' to be replaced by 'Description of donor'
 - iv. Add 'if any' after 'connection with council'

v. Delete 'reason for offer'

- 2) To instigate an annual review of all staff and councillor declarations at the Members' Code of Conduct Committee and
- 3) That the Monitoring Officer to conduct periodic training and updates to staff and councillors to remind them of the policy and reporting requirements.

2.3 The Committee agreed to recommend Council:

- 4) that the Policy on Gifts Hospitality and Sponsorship be amended as attached and subject to the following changes proposed by the Committee:**
 - a. That the nominal value for gifts be raised to £50;**
 - b. Offers of hospitality open to all members to be recorded by officers**
 - c. Gifts below the nominal value received by Refuse operatives, Community Day centre staff, Meals on Wheels and Spelride drivers from grateful members of the public are not required to be recorded**
 - d. Gifts below the nominal value received by the Mayor or Deputy Mayor, in the course of fulfilling their civic role are not required to be recorded.**

Murray Litvak

Chairman of the Members' Code of Conduct Committee

21 February 2019

Appendix 1

Policy on Gifts, Hospitality and Sponsorship

1. Introduction

- 1.1 The Council has adopted a Code of Conduct for Members and a Staff Code of Conduct. Each code is based on the Nolan Committee's Seven Principles of Public Life. All councillors, co-opted members and staff are expected to abide by the code which is relevant for them. In addition all councillors, co-opted members and staff are also bound by this Policy on Gifts, Hospitality and Sponsorship which contains provisions which are applicable to all those working for the Council in their respective capacity.

2. General provisions

- 2.1 It is a criminal offence for you corruptly to receive or give any gift, loan, fee, reward or advantage for doing or not doing anything or showing favour or disfavour to any person in your official capacity. It is for you to demonstrate that any such rewards have not been corruptly obtained.
- 2.2 The Council has adopted the following guidelines to help but they may be used in a disciplinary setting to determine if you are in breach of the relevant Code of Conduct.
- 2.3 One of the most difficult questions on which advice is sought, is the giving and receiving of hospitality and gifts. Staff and councillors need to appreciate that gifts, hospitality and sponsorship, wrongly accepted, can amount to or be construed as bribery within the meaning of the Bribery Act 2010.
- 2.4 It is impossible to prepare guidance to cover all situations, and you should always take advice whenever complex or potentially contentious situations occur. Staff can talk to their Chief Officer, to the Head of Human Resources or the Head of Corporate Governance. Councillors can talk to the Chief Executive or the Head of Corporate Governance.
- 2.5 One test to apply in this situation is "What would the man or woman in the street think"? Ask yourself whether if they knew the circumstances, they would think that you might be influenced in your future conduct by the gift or hospitality offered. Would they think that your past conduct might have been influenced by the hope of, or designed to encourage, such a gift or hospitality? If the answer to either of these questions is "yes", you should refuse the offer.
- 2.6 Bear in mind that it is not enough to avoid actual impropriety. It is important for your reputation and that of the Council to avoid any occasions for suspicion and any appearance of improper behaviour.

3. Advice on when to accept or refuse gifts and hospitality

<u>Who is it from?</u>	<u>What is it?</u>	<u>Action</u>	<u>Explanatory Paragraph</u>
<u>Grateful member of public</u>	<u>A gift of nominal value (below £35) and no ulterior motive is apparent</u>	<u>Accept if refusal would give offence.</u> <u>Record in Register</u>	<u>4.1, 4.3, 6.1, 6.2</u>
<u>Grateful member of</u>	<u>A gift of value</u>	<u>Refuse unless refusal</u>	<u>4.2, 6.1, 6.2</u>

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28/04/16 21/2/2019

Policy on Gifts, Hospitality and Sponsorship

Appendix 1

<u>public</u>	<u>above £35</u>	<u>would give offence</u> <u>If accepted, donate to</u> <u>Mayor's Charity Appeal</u> <u>Record in Register</u>	
<u>Frequent gifts</u> <u>from a member</u> <u>of public</u>	<u>A gift of nominal</u> <u>value (below £35)</u>	<u>Refuse unless refusal</u> <u>would give offence.</u> <u>If accepted, donate to</u> <u>Mayor's Charity Appeal.</u> <u>Record in Register</u>	<u>4.3, 6.1, 6.2</u>
<u>A person or</u> <u>company</u> <u>engaged in</u> <u>negotiating a</u> <u>contract or other</u> <u>matter with the</u> <u>Council</u>	<u>Any gift,</u> <u>hospitality or</u> <u>sponsorship</u>	<u>Try to avoid such</u> <u>situations. If they arise,</u> <u>refuse.</u> <u>Record in Register.</u>	<u>4.4, 6.1, 6.2</u>
<u>Any member of</u> <u>the public</u> <u>Any Community</u> <u>Group</u> <u>Any business</u> <u>connected with</u> <u>the Council</u>	<u>Offers of</u> <u>hospitality in the</u> <u>course of</u> <u>business</u>	<u>Consult Chief Executive</u> <u>in advance</u> <u>Accept if there is a</u> <u>genuine need to impart</u> <u>information, represent or</u> <u>promote the interests of</u> <u>the Council in the</u> <u>community.</u> <u>Record in Register.</u>	<u>5.1 – 5.3,</u> <u>6.1, 6.2</u>
<u>Any member of</u> <u>the public</u> <u>Any Community</u> <u>Group</u> <u>Any business</u> <u>connected with</u> <u>the Council</u>	<u>Offers to attend</u> <u>purely social or</u> <u>sporting functions</u>	<u>Consult Chief Executive</u> <u>in advance</u> <u>Accept only when these</u> <u>are part of the life of the</u> <u>community or where the</u> <u>Council should be seen</u> <u>to be represented.</u> <u>Record in Register</u>	<u>5.1 - 5.3,</u> <u>6.1, 6.2</u>
<u>Any business</u> <u>connected with</u> <u>the Council</u>	<u>Attendance at</u> <u>relevant</u> <u>conferences and</u> <u>courses</u>	<u>Consult Chief Executive</u> <u>in advance</u> <u>Accept where it is clear</u> <u>the hospitality is</u> <u>corporate rather than</u> <u>personal.</u> <u>Record in Register</u>	<u>5.4, 6.1, 6.2</u>

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3.4. Gifts

3.4.1 A gift offered to you may be accepted if refusal would give offence, if:-

- (a) it is of nominal value (below £35.00) e.g. calendars, diaries, pens, a bottle of wine, flowers etc., and
- (b) no ulterior motive is apparent nor is there any danger of misinterpretation by the public (be careful where the offer comes from a person or company seeking work from the Council).

3.4.2 Gifts outside the scope of the above guidelines, should normally be refused, unless refusal would give offence. In such a case, the gift could be accepted and donated to the Mayor's Charity Appeal, with a suitable explanation to the person or company concerned. Receipt of gifts in these circumstances should be reported in accordance with paragraphs relating to Register for Gifts and Hospitality below. They should always be refused if an ulterior motive is apparent.

3.4.3 ~~Gifts offered by grateful members of the public can similarly be accepted where the value is nominal (below £35.00) and a refusal might otherwise give offence.~~ Some members of staff and councillors however, regularly come into contact with the public and a frequent recurrence of small gifts might give the impression that they are expected or a reward for favourable treatment. In these circumstances, gifts should normally be refused. Alternatively, if refusal would give serious offence, they could be accepted and the rules mentioned above applied.

3.4.4 In any event, you should refuse an offer or try to avoid situations where you are likely to be offered a gift from a person or company engaged in negotiating a contract or other matter with the Council, or who has negotiated such a matter and where you are directly responsible for formulating recommendations to the Council, for making a decision on a contract or for monitoring the service received from the person or Company concerned. If the contract or other matter has been completed, and there is no obvious likelihood of a renewal, then the previous paragraphs apply.

4.5. Hospitality

4.5.1 You should only accept offers of hospitality if there is a genuine need to impart information, represent or promote the interests of the Council in the community. Offers to attend purely social or sporting functions should be accepted only when these are part of the life of the community or where the Council should be seen to be represented. Any hospitality accepted, should be properly authorised and recorded. (See paragraphs relating to Register for Gift and Hospitality below).

4.5.2 When hospitality has to be declined, those making the offer should be courteously but firmly informed of the procedures and standards operating within the Council.

4.5.3 When receiving authorised hospitality you should be particularly sensitive as to its timing in relation to decisions which the Council may be taking affecting those providing the hospitality.

Appendix 1

[4.45.4](#) Acceptance of hospitality through attendance at relevant conferences and courses is acceptable where it is clear the hospitality is corporate rather than personal, where the Chief Executive is consulted in advance and where the Council is satisfied that any purchasing decisions are not compromised.

[5.6.](#) Register for Gifts and Hospitality

[5.16.1](#) You must record all gifts and hospitality received, **including any offered but rejected**, in the Register maintained by the Chief Executive. This must include all offers of gifts and hospitality. Each entry in the Register must be authorised by the Chief Executive and in the case of hospitality accepted, it must be authorised in advance of attendance of the particular event.

[5.26.2](#) In all cases, it is better to err on the side of caution. If you have doubts, seek advice. What matters above all else, are the reputations of yourself, the Council and local government generally.

[6.7.](#) Sponsorship - giving and receiving

[6.47.1](#) Where an outside organisation wishes to sponsor or is asked to sponsor a Council activity, whether by invitation, tender, negotiation or voluntarily, the basic conventions concerning acceptance of gifts or hospitality apply. How would this look to the ordinary man or woman in the street? Particular care must be taken when dealing with contractors or potential contractors (i.e. contractors who could bid for Council work).

[6.27.2](#) Where the Council wishes to sponsor an event or service neither you nor any person connected with you must benefit personally from such sponsorship in any way. In all cases there ought to be full disclosure of the arrangements and consultation with the Chief Executive at an early stage.

[6.37.3](#) Similarly, where the Council through sponsorship, grant aid, financial or other means, gives support in the community, you should ensure that impartial advice is given and that there is no conflict of interest involved with your work as a councillor or member of staff and any outside interests.

[6.47.4](#) In each arrangement for sponsorship, care shall be given to recording the arrangement and the decision making process so that there is a clear audit trail for the purposes of transparency and accountability.

Report from the Leader of the Council on the work of the Cabinet

Meeting held on 20 February 2019

This is my report as the Leader of the Council on the work of the Cabinet. It is an overview of the main business considered by the Cabinet at its meeting on 20 February 2019. However, it should be noted that seven items of business; the Capital Strategy, detailed Revenue Budget for 2019/20, Capital Programme 2019/20 to 2022/23, Pay Award 2019/20, Pay Policy Statement 2019/20, Members' Allowances 2019 and Laleham Park Pavilion were recommendations to Council and therefore these have already been considered earlier on this agenda.

1. Recommendation from Members' Development Steering Group – Induction Programme

- 1.1 We considered a recommendation from the Members' Development Steering Group outlining an induction programme for new and re-elected councillors. The comprehensive programme included internal and external training sessions, e-learning opportunities and meetings with key officers.
- 1.2 We approved the induction programme and noted that further workshops and seminars are to be arranged later in the year.

2. Annual Grants Awards 2019/20

- 2.1 We considered a report on the proposed grants to organisations in the voluntary and community sectors for 2019/20 and other support for charities and community organisations.
- 2.2 We agreed grants of £195,300 to the organisations set out in the report. A further £4,000 has been carried forward from 2018/19 leaving £18,300 available which is being ring-fenced for projects which arise during the course of the year.

3. Fees and Charges 2019/2020

- 3.1 We considered a report and schedule of proposed fees and charges to be introduced with effect from 1 April 2019. The proposals took into account the inflation rate (RPI) of 2.7% at December 2018, comparisons with other authorities, and market forces. Car park charges will remain at the 2018/19 rates, reflecting the Council's desire to support local retailers and the business community.
- 3.2 We agreed the fees and charges for 2019/20 as set out in the report.

4. Members' ICT 2019

- 4.1 We considered a report recommending the provision of a Council owned tablet computer to all councillors following the local elections in May 2019. It was estimated that this would result in savings over a 4 year period of approximately £30,000 when taking into account the reduced members ICT allowance and printing costs.

- 4.2 We approved the provision of a Council owned tablet to councillors after the elections in May 2019 and an ICT allowance of £250 per member for the four year term of office.

5. Food and Health and Safety Service Plans

- 5.1 We agreed to adopt the proposed food and health and safety service plans for 2019/20, which outline the aims and objectives for the year ahead and evaluate the achievements of the previous year.

6. Acquisition of Property U – Key Decision

- 6.1 We considered an urgent exempt report on the proposed acquisition of a residential property in the borough which presented the opportunity to provide much-needed emergency accommodation for vulnerable homeless households. This would also assist in avoiding costly emergency placements outside of Spelthorne.
- 6.2 We agreed to approve the acquisition of the property by Knowle Green Estates Ltd as set out in the report.

Councillor Ian Harvey
Leader of the Council

21 February 2019