



Please reply to:

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Date: 19 January 2021

Notice of meeting

Cabinet

Date: Wednesday, 27 January 2021

Time: 6.00 pm

Place: Skype Conference call

The members of the Cabinet	Cabinet member areas of responsibility
J.R. Boughtflower	Leader
J. McIlroy	Deputy Leader
M.M. Attewell	Deputy Leader and Portfolio Holder for Community Wellbeing and Housing
R.O. Barratt	Portfolio Holder for Compliance, Waste and Risk
S. Buttar	Portfolio Holder for Finance
R. Chandler	Portfolio Holder for Leisure Services and New Leisure Centre Development
A.J. Mitchell	Portfolio Holder for Planning and Economic Development
R.J. Noble	Portfolio Holder for Environment, Communications and Corporate Management

Councillors are reminded to notify Committee Services of any Gifts and Hospitality offered to you since the last Council meeting so that these may be entered in the Gifts and Hospitality Declaration book.

Spelthorne Borough Council, Council Offices, Knowle Green

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AGENDA

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- 1. Apologies for absence**
To receive any apologies for non-attendance.
- 2. Minutes** **5 - 12**
To confirm the minutes of the meeting held on 3 December 2020 as a correct record.
- 3. Disclosures of Interest**
To receive any disclosures of interest from councillors in accordance with the Council's Code of Conduct for members.
- 4. Leader's announcements**
To receive any announcements from the Leader.
- 5. Recommendation from the Overview and Scrutiny Committee on the Lendy Memorial Lion Petition** **To Follow**
To consider the recommendations of the Overview and Scrutiny Committee on the Lendy Memorial from its meeting held on 19 January 2021.
- 6. Determination of the 2021/22 Council Tax base for tax setting** **13 - 16**
Councillor S. Buttar
To determine the 2021/22 Council Tax base for Tax setting.
- 7. Reserves Policy** **17 - 24**
Councillor S. Buttar
To approve the reserves policy effective from 31 March 2020 and note the restatement of earmarked reserves.
- 8. Outline Budget 2021-22 to 2024-25** **25 - 56**
Councillor S. Buttar
To agree the net budgeted expenditure and support the overall strategy set out in the report.

- 9. Treasury Management Half Yearly Report 2020/21** **57 - 70**
Councillor S. Buttar
- To note the treasury position achieved during the first six months of 2020/21 and the financial environment in global markets.
- 10. Managed Service for the Incubator** **71 - 102**
Councillor T. Mitchell
- To agree to enter a contract to manage the Business Incubator.
- This item contains exempt appendices.**
- Reason for exemption**
The appendices contain exempt information within the meaning of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985 and by the Local Government (Access to information) (Variation) Order 2006 Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information) and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.
- 11. Urgent Items**
To consider any items which the Chairman considers as urgent.
- 12. Urgent Actions** **103 - 104**
To note those urgent actions which have been taken by the Chief Executive in consultation with the Leader since the last Cabinet meeting on 3 December 2020.
- 13. Exempt Business**
To move the exclusion of the Press/Public for the following item, in view of the likely disclosure of exempt information within the meaning of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985 and by the Local Government (Access to information) (Variation) Order 2006.
- 14. Exempt Report - Proposal for an in-house Planned and Reactive Repairs and Maintenance Service** **105 - 112**
Councillor J. McIlroy
- To consider the proposal for an in-house Planned & Reactive Repairs and Maintenance Service.

Reason for exemption

This report contains exempt information within the meaning of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985 and by the Local Government (Access to information) (Variation) Order 2006 Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information) and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Minutes of Cabinet

3 December 2020

Present:

Councillor J.R. Boughtflower, Leader
Councillor J. McIlroy, Deputy Leader
Councillor M.M. Attewell, Deputy Leader and Portfolio Holder for Community Wellbeing and Housing
Councillor R.O. Barratt, Portfolio Holder for Compliance, Waste and Risk
Councillor S. Buttar, Portfolio Holder for Finance
Councillor A.J. Mitchell, Portfolio Holder for Planning and Economic Development
Councillor R.J. Noble, Portfolio Holder for Environment, Communications and Corporate Management

Councillors in attendance:

Councillor C. Bateson
Councillor A. Brar
Councillor R.D. Dunn
Councillor M. Gibson
Councillor R.W. Sider BEM

2789 Minutes

The minutes of the Cabinet meeting held on 4 November 2020 were agreed as a correct record.

2790 Disclosures of Interest

There were none.

2791 Leader's announcements

The following are the latest service updates from various Council departments:

- This Borough, along with the rest of England has just endured a second period of lockdown and I know this continues to be a very difficult time for many of our residents and business in Spelthorne. From Wednesday 2 December, Spelthorne Borough and the rest of Surrey will sit within Tier 2 Covid restrictions. The Council has sought to reassure residents that we are still there to support them through our Support4Spelthorne offering and through available grants to many local businesses who face new guidelines and restrictions as we continue to face this pandemic. The new rules for Spelthorne have been communicated to residents and businesses through all our channels.

- The winter edition of the Bulletin is being distributed to residents this week containing 28 pages of Council news, local information, community messages, leisure updates and environmental stories from around the Borough. You can also read an online version by visiting our website. This edition includes a centre spread to highlight the services this Council offers and contact details for services and Councillors.
- Spelthorne Borough Council has launched a Covid Champion scheme - the first of its kind in Surrey. The Council will be updating over 30 Champions weekly with the latest information and guidance about the Coronavirus pandemic for them to share within their own networks.
- Over the October half-term, the Council responded swiftly and efficiently, through Support4Spelthorne and supported vulnerable families by providing food parcels, which consist of either hot/cold meals or a sandwich through our community centres.
- As we head into a winter that none of us have experienced before, it is more important than ever to look after your own health and home. As a result, we issued our 'Winter Prep' newsletter for information on flooding, driving, snow risks, mental health and the latest Covid advice.
- The Chair of Spelthorne's Overview & Scrutiny Meeting has agreed to hold an Extraordinary meeting to discuss the mounting number of complaints from residents worried about unacceptable noise levels and air pollution from the Eco Park.
- Following a thorough procurement process, Metropolitan Thames Valley Housing (MTVH) have won a five-year contract to provide an intensive housing management and resident support service at two of the Council's residential developments. The White House and Harper House, both in Ashford are due to open for new residents in May 2021.
- The Council also announced that we intend to revise the housing needs figure for the new Local Plan. The decision to use a lower figure has come from a recent Government consultation that proposes a revised method for calculating housing need that would see Spelthorne's need figure reduced from 606 homes per year to 489. Whilst there are no guarantees that this new methodology will be adopted once the Government has concluded the consultation, it represents the most likely figure at this stage and enables further work to continue on the Local Plan rather than waiting months for a decision to be made.
- The Council have also completed an improvement biodiversity project on the River Ash, next to Bronzefield Prison. The project helped naturalise the river using berms in locations to increase water flow and create a gentle meandering river.

- Finally, the Council's litter campaign continues to gather pace and we have now named over 50 young litter heroes in the Borough who have been awarded certificates by the Mayor. The neighbourhood services team are continuing to work with volunteers across the Borough to make Spelthorne a cleaner and greener place to live.

2792 Recommendation from the Audit Committee

Cabinet considered the recommendation from the Audit Committee on the Corporate Risk Register.

Resolved to approve the Corporate Risk Register as submitted.

Reason for the decision:

The Register summarises the Council's most significant risks. It sets out the controls which have been put in place and identifies any further action which might be needed to mitigate risks.

2793 *Capital Monitoring Quarter 2

Cabinet considered a report on the Capital Programme 2020-2025, the current level of spend in 2020/21 and the estimated Capital Outturn.

Resolved to:

1. note the current level of capital spend;
2. recommend to Council the approval of a Supplementary Capital Estimate of £40,000 for a replacement minibus to be funded from Revenue Reserves; and
3. recommend to Council that the amount of £15,730,000 is allocated by virement from Future Development Projects to the individual Development Projects in 2020/21.

2794 Revenue Monitoring Quarter 2

Cabinet considered a report on the current level of revenue spend and a summary of the forecast outturn position at the end of the 2020-21 financial year, based on income and expenditure up to the end of September 2020.

Resolved to note the current level of revenue spend.

2795 Adverse Weather Plan

Cabinet considered a report on the adoption of an Adverse Weather Plan.

The Plan would facilitate a commonly agreed, understood and co-ordinated approach outlining roles and responsibilities, communication to staff and the public. A scalable approach will simplify decision making and response requirements at the time of an adverse weather event.

Alternative options considered and rejected by Cabinet:

- Proceed without documenting the processes and respond on a case by case basis

Resolved to adopt the Adverse Weather Plan as attached at Appendix A to the report.

Reason for Decision

The plan will provide a framework for the Council's adverse weather preparedness and response.

2796 Sandbag Distribution Policy

Cabinet considered a report on proposals for adopting a sandbag distribution policy.

The current approach of delivering sandbags to properties thought to be at risk of flooding or at the request of vulnerable residents, had no clear strategic objective or evidence of direct benefit in terms of protecting properties from flooding or the impact of flood water.

The options available to support flood response and the provision of sandbags effectively and efficiently were reconsidered in consultation with community groups in Surrey.

Alternative options considered and rejected by the Cabinet.

- Continue to distribute under the current reactive arrangements without a clear strategic objective
- Not provide sandbags as there is no statutory duty on the Council to do so

Resolved to adopt the Sandbag Distribution Policy as set out in Appendix A to the report.

Reasons for Decision

Distribution to areas considered to be most at risk of flooding, where it is viable and safe to do so, and supporting the distribution of sandbags by community-based groups provides a clear and achievable strategy for supporting the local community, in relation to sandbags, in a flood event.

2797 Safeguarding Children and Adults at Risk Policy

Cabinet considered a report on the safeguarding children and adults risk policy for 2020-22.

Spelthorne Borough Council has a statutory duty under section 11 of the Children's Act 2004 and the Care Act 2014 to have a robust Safeguarding Policy for both adults and children.

The Policy for 2020-2022 has been updated and replaces the previous version. It covers all aspects of safeguarding best practice and sets out how Spelthorne Borough Council will work independently and alongside other agencies to meet its obligations to safeguard children and adults at risk.

Resolved to:

1. Approve the Safeguarding Children and Adults at Risk Policy attached at Appendix 1 to the report; and
2. Delegate authority to the Portfolio Holder and the Designated Strategic Lead for Safeguarding to approve any minor amendments to the policy.

Reasons for Decision

1. It is a statutory requirement for the Council to have a Safeguarding Policy.
2. Minor changes to procedures and personnel will inevitably occur and as such the policy will need updating to reflect this. Delegation of approval to the Portfolio Holder and the designated Strategic Lead for Safeguarding would expedite this process.
3. Any major changes or updates will seek the appropriate approval.

2798 Professional Services Framework Agreement

Cabinet considered a report on the procurement and award of a professional services framework agreement.

Alternative options considered and rejected by the Cabinet:

- Procure professional services on a project by project basis.
- Continue the use of other external frameworks.

Resolved to

1. approve the Professional Services Framework Agreement and
2. approve the named providers in each lot for the Professional Services Framework Agreement as set out in Confidential Appendix C

Reasons for Decision

The establishment of the Framework Agreement will provide a faster and more compliant route to market.

The fees proposed by the Professional Services provider are the basis for a negotiation to obtain the lowest possible project fees which demonstrate value for money.

2799 Construction Contractors Framework Agreement

Cabinet considered a report on a proposed construction contractors framework agreement.

Alternative options considered and rejected by the Cabinet:

- Procure professional services on a project by project basis.
- Continue the use of other external frameworks

Resolved to

1. approve the Construction Contractors Framework Agreement and
2. approve the named providers in each lot for the Construction Contractors Framework Agreement as set out in Confidential Appendix C

Reasons for Decision

The establishment of the Construction Contractors Framework Agreement will provide a faster and more compliant route to market, and deliver additional benefits, e.g. such as improved social value.

The fees proposed by the Construction Contractors are the basis for a negotiation to obtain the lowest possible project fees which demonstrate value for money.

2800 Urgent items

There were none.

2801 Urgent Actions

Cabinet noted urgent actions taken by the Chief Executive in consultation with the Leader since the last Cabinet meeting in November 2020.

NOTES:-

- (1) *Members of the Overview and Scrutiny Committee are reminded that under Overview and Scrutiny Procedure Rule 16, the “call-in” procedure shall not apply to recommendations the Cabinet makes to the Council. The matters on which recommendations have been made to the Council, if any, are identified with an asterisk [*] in the above Minutes.***
- (2) *Members of the Overview and Scrutiny Committee are entitled to call in decisions taken by the Cabinet for scrutiny before they are implemented, other than any recommendations covered under (1) above.***
- (3) *Within five working days of the date on which a decision of the Cabinet or a Cabinet Member is published, not less than three members [one of whom must be the Chairman] of the Overview and Scrutiny Committee are able to “call in” a decision;***
- (4) *To avoid delay in considering an item “called in”, an extraordinary meeting of the Overview and Scrutiny Committee will be convened within seven days of a “call in” being received if an ordinary meeting is not scheduled in that period;***
- (5) *When calling in a Cabinet decision for review the members doing so should in their notice of “call in”:-***
 - Outline their reasons for requiring a review;***
 - Indicate any further information they consider the Overview and Scrutiny Committee needs to have before it in order to conduct a review in addition to the written report made by officers to the Cabinet;***

- ***Indicate whether, where the decision was taken collectively by the Cabinet, they wish the Leader or his nominee (who should normally be the Cabinet Member) or where the decision was taken by a Cabinet Member, the member of the Cabinet making the decision, to attend the committee meeting; and***
 - ***Indicate whether the officer making the report to the Cabinet or the Cabinet Member taking the decision or his/her representative should attend the meeting.***
- (6) ***The deadline of five working days for "call in" by Members of the Overview and Scrutiny Committee in relation to the above decisions by the Cabinet is the close of business on 11 December 2020.***

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Cabinet

27 January 2021



Title	Determination of the 2021/2022 Council Tax base for tax setting
Purpose of the report	To make a decision
Report Author	Terry Collier
Cabinet Member	Councillor Sati Buttar
Confidential	No
Corporate Priority	Financial Sustainability
Recommendations	<p>In accordance with its delegated powers Cabinet is asked to agree that:</p> <ol style="list-style-type: none"> 1. the gross Council Tax Base for 2021/22 is determined at 40,223.0 after taking account of the Council's agreed Council Tax Support Scheme, and 2. the net Council Tax Base for 2021/22 calculated as Band D equivalents, is determined at 39,016.3 after adjustment by 3% to allow for; irrecoverable amounts, appeals and property base changes.
Reason for Recommendation	Not applicable

1. Statutory Powers

- 1.1 Section 67 of the Local Government Finance Act 1992 requires the Council to determine and approve its Council Tax Base for the following financial year before 31st January each year.
- 1.2 The Council is required to calculate the Council Tax Base for its area and has a statutory obligation to notify the figure to the major precepting authorities (Surrey County Council and the Surrey Police Authority) with the Council tax base no later than 31st January 2020.

2. Tax Base

- 2.1 The Council Tax Base is one of the key elements of the calculation concerned with setting the Council Tax under the Local Authorities (Calculation of Council Tax Base) (England) Regulation 2012.

- 2.2 All domestic properties within the District are banded by the Valuation Officer in one of eight bands. The tax base calculation includes the estimated number of chargeable dwellings, which after allowing for discounts and exemptions, appeals and voids for each parish for the period to 31st March 2022 results in the number of chargeable properties. Chargeable properties are converted to a Band D equivalent by applying the prescribed formula and an allowance for losses on collection.
- 2.3 This report sets out the various factors which have to be taken into account and provides the calculations to arrive at the tax base for 2021/22.
- 2.4 The 2021/22 Council Tax base is set out in **Appendix A**.

3. Financial implications

- 3.1 The Local Government Finance Act 2012 (LGFA 2012) includes a number of amendments to the LGFA 1992 which affects the calculation of the Council of the council tax base. These amendments gave powers to determine discounts and set premiums in certain circumstances.
- 3.2 Section 10 of the Local Government Finance Act 2012 imposes an obligation on Billing Authorities to set up a Council Tax Reduction Scheme to replace Council Tax Benefit from 1 April 2013. The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 specify that the tax base must be adjusted to take account of the amount to be paid in accordance with the reduction scheme.

4. Legal Implications

- 4.1 The Council Tax Base is a key element of the statutory calculation of the Council Tax.

5. Conclusion

- 5.1 In arriving at a net base, allowance must be made for irrecoverable amounts, movements as a result of appeals and property base changes (new properties). For this purpose an allowance of 3% is proposed.
- 5.2 The Council Tax Base for 2021/22 has been calculated in accordance with the prescribed guidelines.

Background papers: None

Appendices: A

APPENDIX A

	Council Tax Base for 2021/22						
2020/21 Band D equivalent	Band	Total dwellings	Number of dwellings after applying discounts and premiums	Less adjustment for Council Tax Support	Chargeable dwellings	Ratio to Band D	2021/22 Band D equivalent
1	A(DR*)	2	1.8	0.0	1.8	5/9	1.0
207.2	A	432	370.0	52.9	317.1	6/9	211.4
885.1	B	1,678	1,420.0	324.1	1,095.9	7/9	852.3
6,208.5	C	9,318	8198.0	1,346.1	6,851.9	8/9	6,090.6
12,632.8	D	14,604	13,552.8	1,138.0	12,414.8	1	12,414.7
11,036.4	E	9,856	9,248.5	286.2	8,962.3	11/9	10,953.9
6,138.8	F	4,540	4297.2	67.1	4,230.1	13/9	6,110.3
3,349.1	G	2,117	2019.2	11.8	2,007.4	15/9	3,345.8
196.0	H	106	101.5	0	101.5	18/9	203.0
40	O						40.0
	Total	42,653	39,209.0	3,226.2	35,982.8		
40,694.9	Gross Tax base						40,223.0
610.4	Less adjustment for losses in collection 3%						1,206.7
40,084.5	Net Tax Base						39,016.3

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Cabinet**27 January 2021**

Title	Reserves Policy
Purpose of the report	To approve the reserves policy effective from 31 March 2020 and note the restatement of earmarked reserves.
Report Author	Paul Taylor Chief Accountant
Cabinet Member	Cllr. Sati Buttar
Confidential	No
Corporate Priority	Financial Sustainability
Recommendations	Cabinet is asked to: Approves as part of its Outline Budget strategy and to apply in the 2021-22 Detailed Budget use of approximately £1.5m of reserves to offset impacts of COVID-19 and to help close the 2021-22 Revenue Budget gap and note the restatement of reserves
Reason for Recommendation	Not applicable.

1. Key issues

- 1.1 Benchmarking carried out by Local Government Improve on Council's reserves as at 31 March 2020, has highlighted that Spelthorne has the highest ratio of unallocated revenue reserves to net revenue budget of any district or borough in the country. This positively reflects the Council's strategy of building up these reserves over the last few years in order to mitigate risk.
- 1.2 On 21 May 2020, the Council agreed to utilise £2.2 million of the Council's General Fund reserves to support taxpayers and businesses in the Borough through the COVID-19 pandemic, before any formal Government announcements on financial support.
- 1.3 Having subsequently received additional Government support for COVID-19 the Council only needed £0.7 million and subject to any further impact on the Council between January and March 2021, the Council will be looking to review the earlier decision and return £1.5 million of an earmarked COVID-19 support reserve for 2021/22.
- 1.4 As part of its annual strategic review of reserves, it is proposed that the General Fund Reserves at 31 March 2020 as set out in appendix A(i) be restated on 1 April 2020 as set out in appendix A(ii) to reflect and realign the

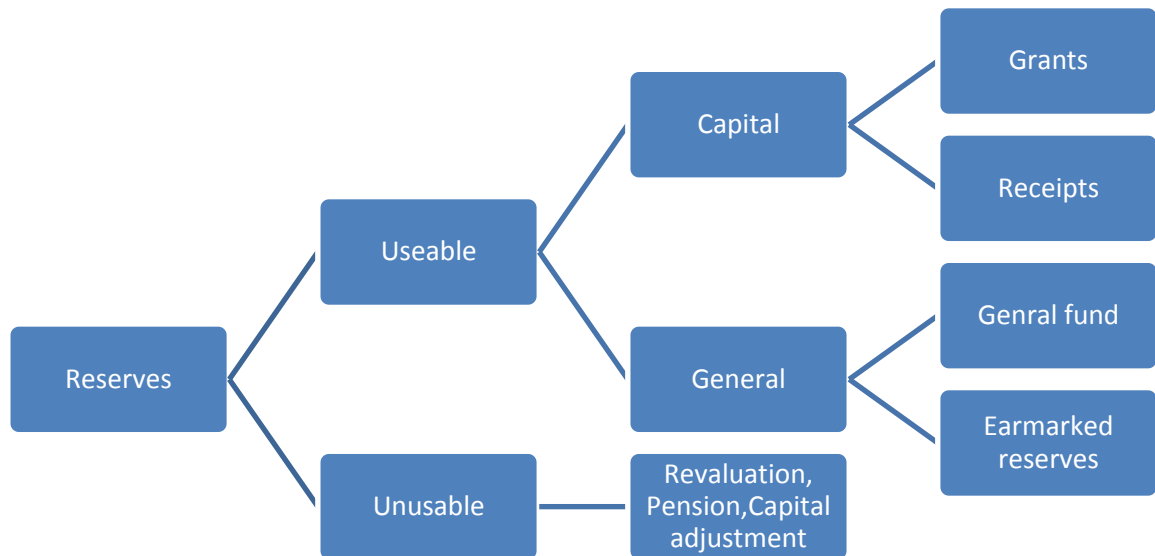
Council's General Fund reserves with its strategic goals for the next three years.

2. Overview, background, strategic context, purpose and management

2.1 The Council manage its money by dividing it between two types of reserves - useable reserves and unusable reserves (an explanation of these terms can be found below).

2.2 Managing our money in this way means that we can budget successfully for what we need to deliver services now whilst building up funds that will grow over time and so protecting services in the future.

2.3 The chart and explanations below illustrate how those reserves are split.



2.4 **Useable reserves:** This is money that each council has set aside to provide services such as rubbish collection and for its day to day running. Useable reserves are made up of two further pots known as the 'general fund' and 'capital reserves'. These two useable reserves are in turn made up of other pots of money.

- (a) **General Fund balance:** This is a contingency fund - money set aside for emergencies or to cover any unexpected costs that may occur during the year, such as unexpected repairs.
- (b) **Earmarked reserves:** This is money that has been set aside for a particular purpose, such as buying or repairing equipment or the maintenance of public parks or buildings or equalising over time a particular income stream.
- (c) **Capital receipts:** This is the name given to the income received when assets are sold (such as land or buildings) in Spelthorne BC, these receipts will include the monies received from KGE. Capital receipts can only be used to buy or fund capital expenditure. Capital expenditure is the money spent on buying assets that have a lasting value. These assets could be land, buildings or large pieces of equipment such as vehicles.
- (d) **Capital grants:** Capital grants are sums of money given to councils by the government. This money can only be used as capital expenditure, in other words this money can only be used to buy assets of lasting value.

2.5 **Unusable reserves:** The unusable reserves pot contains funds that cannot be used to provide services or used for day to day running costs. These reserves required by the accounting and statutory regulations the Council follows and enable proper accounting practice to be applied and then reversed out to ensure no impact on council tax bottom line. The unusable reserves hold funds that have 'unrealised gains or losses'. This means that we have assets such as buildings whose value changes over time. There may also be commitments linked to these assets such as loans or maintenance needs. The funds held in the unusable reserves fund can only be unlocked and turned into usable money if the assets are sold.

2.6 **Background**

- (a) Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to consider the level of reserves when setting a Budget Requirement. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (Section 151 Officer) to report formally on the adequacy of proposed reserves when setting the Budget Requirement each February.
- (b) Reserves are an important part of the Council's financial strategy and are held to create long-term budgetary stability. They enable the Council to manage change without undue impact on the Council Tax and are a key element of its strong financial standing and resilience. The Chartered Institute of Public Finance and Accountancy (CIPFA) monitors trends in movements in reserves as part of its Resilience Index. In recent years the Council has been steadily increasing the level of its reserves, particularly its Sinking Funds. The Council's key sources of funding face an uncertain future and the Council therefore holds earmarked reserves and a working balance in order to mitigate future financial risks.
- (c) Earmarked reserves are reviewed annually as part of the budget process, to determine whether the original purpose for the creation of the reserve still exists and whether the reserves should be released in full or in part. Particular attention is paid in the annual review to those reserves whose balances have not moved over a three-year period.
- (d) The Council's overall approach to reserves will be defined by the system of internal control. The system of internal control is set out, and its effectiveness reviewed, in the Annual Governance Statement. Key elements of the internal control environment are objective setting and monitoring, policy and decision-making, compliance with statute and procedure rules, risk management, achieving value for money, financial management and performance management.
- (e) The Council currently maintains:
 - i) - a General Fund general reserve.
 - ii) - various earmarked general reserves.
 - iii) - a Capital Grants reserve; and
 - iv) - a Capital Receipts reserve.
- (f) Additionally, the Council is required to maintain unusable reserves to comply with accounting requirements although, as the term suggests, these reserves are not available to fund expenditure.

- (g) The level of the general reserve is a matter for the Council to determine having had regard to the advice of the Chief Finance (S151) Officer. The level of the reserve will be a matter of judgement which will take account of the specific risks identified through the various corporate processes. It will also take account of the extent to which specific risks are supported through earmarked reserves.
- (h) In principle, only the income derived from the investment of reserve funds should be available to support recurring spending.

2.7 **Strategic context**

- (a) The Council is facing a significant withdrawal of grant funding and the transfer of funding risk from Government with demand for at least some services forecast to grow. The impact of COVID 19 upon our fees and charges has been significant, and similarly on the income it has collected from council tax and business rates and Council must annually review its priorities in response to these issues.
- (b) Reserves play an important part in the Council's medium-term financial strategy and are held to create long-term budgetary stability. They enable the Council to manage change without undue impact on the Council Tax and are a key element of its strong financial standing and resilience.
- (c) The Council holds reserves in order to mitigate future risks, such as increased demand and costs; to help absorb the costs of future liabilities; and to enable the Council to resource policy developments and initiatives without a disruptive impact on Council Tax.
- (d) Capital reserves play a crucial role in funding the Council's Capital Strategy. The Capital Receipts Reserve are used to create capacity to meet future capital investment.
- (e) The Council relies on interest earned through holding reserves to support its general revenue spending plans.
- (f) Reserves are one-off money. The Council aims to avoid using reserves to meet ongoing financial commitments other than as part of a sustainable budget plan. The Council has to balance the opportunity cost of holding reserves in terms of Council Tax against the importance of interest earning and long-term future planning.

2.8 **Purpose**

2.9 Reserves are therefore held for the following purposes, some of which may overlap and include:

- (a) Providing a working balance i.e. the General Fund general reserves.
- (b) Smoothing the impact of uneven expenditure profiles between years e.g. local elections, structural building maintenance and carrying forward expenditure between years.
- (c) Holding funds for future spending plans e.g. Capital Expenditure Reserve, and for the renewal of operational assets e.g. repairs and renewal, and Information Technology renewal.
- (d) Meeting future costs and liabilities where an accounting 'provision' cannot be justified.

- (e) Meeting future costs and liabilities to cushion the effect on services e.g. The Insurance Reserve for self-funded liabilities arising from insurance claims.
 - (f) To provide resilience against future risks.
 - (g) To create policy capacity in a context of forecast declining future external resources e.g. COVID-19 Resilience Reserve
- 2.10 All earmarked reserves are held for a specific purpose. This, together with a summary on the movement on each reserve, is published annually, to accompany the annual Statement of Accounts.
- 2.11 The use of some reserves is limited by regulation e.g. the Collection Fund balance must be set against Council Tax levels
- 2.12 As part of the Annual Budget, Treasury Management Strategy and the Capital Strategy setting process, Officers will review the reserves and apply reserves as part of the Capital Financing Requirement (CFR), typically, using Capital Receipts, Capital Grants or contributions from revenue in the first instance. (The CFR is the amount of capital expenditure that has not yet been financed by capital receipts, capital grants or contributions from revenue)
- 2.13 **Management**
- 2.14 All reserves are reviewed as part of the budget preparation, financial management and closing processes. The Council will consider a report from the S151 Officer on the adequacy of the reserves in the annual budget-setting process. The report will contain estimates of reserves where necessary. The Cabinet will consider actual reserves when approving the statement of accounts each year.
- 2.15 The following matters apply to our major useable reserves as restated:
- (a) The General Fund working balance will not fall below £1.25 million without the approval of The Council.
 - (b) The Asset Improvement Reserve is applied to meet future costs of improving or maintaining our properties.
 - (c) The Rent Equalisation Reserve (Sinking Funds) is available to cover rent free periods for incoming tenants, voids and defaults.
 - (d) The Business Rates Equalisation Reserve is available to smooth out the irregularity of business rates income retained
 - (e) The Interest Equalisation Reserve is available to smooth out interest rate fluctuations in volatile market conditions.
 - (f) There are several minor reserves that are still required going forward, i.e., Youth Council and Social housing Initiative as they are currently still required.
- 2.16 Going forward the Council will review the Reserves Policy on an annual basis as part of the budget setting process and from time to time may restructure its reserves to meet its future needs and plans.
- 2.17 As at 1 April 2020 the Council proposes to reclassify its -£46,170,872 of useable reserves as set out in Appendix A (ii)
- 2.18 Appendix A (iii) shows the adjustment to useable reserves to reflect Council's decision on 21 May 2020 to reallocate £2.2m for COVID 19.

3. Supporting the Outline Budget Strategy

- 3.1 Clearly the financial impacts of COVID-19 on the Council's Budget is going to take some time before they diminish. In order to help ensure a more medium approach is undertaken to delivering savings and transformation to help manage down net budget overtime it is proposed to make some limited use of reserves to help close the 2021-22 Revenue Budget Gap as outlined in the Outline Budget Report
- 3.2 At the 21 May 2020 Extraordinary Council Meeting, the Council approved use of up to £2.2m of reserves to help support the Council through the impacts of COVID-19. Currently it is anticipated that approximately only £0.7m of those reserves will be required to achieve a balanced budget outturn in 2020-21. It is proposed that the Council applies the balance of £1,5m to support reducing the Budget gap in 2021-22.

4. Financial implications

- 4.1 There are no financial implications because of restating our General fund Earmarked reserves.

5. Other considerations

- 5.1 There are no other considerations to be considered in respect of **Equality and Diversity** as a result of the restatement of General Fund reserves.

6. Sustainability/Climate Change Implications

- 6.1 Not applicable.

7. Timetable for implementation

- 7.1 To be implemented straight away once approved.

Background papers:

Appendix A

- (i) General Fund Reserves as at 31 March 2020**
- (ii) General Fund Reserves as at 1 April 2020 (restated)**
- (iii) General Fund Reserves as at 21 May 2020 (restated for COVID 19)**

Reserves Policy – Appendix A (i), (ii) & (iii)

Appendix A (i)	2020-21	New Reserve
	£	
Reserves at 31 March 2020	Closing	
Usable Reserves		
General Fund Balance	-1,277,327	No change
Capital Grants Unapplied	-3,583,771	No change
Revenue Grants Unapplied	-2,276,955	No change
Earmarked Reserves		
Capital Fund	-432,193	Asset Improvement Reserve (AIR)
Social Housing Initiatives	-135,750	No change
NSF Revenue	-1,220,817	No change
Interest Equalisation Reserve	-493,454	No change
Bridge Street Car Park Reserve	-33,229	Renamed
BP Main Site Sinking Fund Reserve	-4,409,037	Rent Equalisation Reserve (RER)
BP SWC Sinking Fund Reserve	-998,196	RER
Elmbrook House Sinking Fund Reserve	-487,651	RER
12 Hammersmith Grove Sinking Fund Reserve	-4,243,056	RER
Stockbury Park Sinking Fund Reserve	-1,327,645	RER
WBC4 Sinking Fund Reserve	-400,000	RER
Communications House Sinking Fund Reserve	-1,554,163	RER
Thames Tower Sinking Fund Reserve	-4,437,973	RER
Charter Building Sinking Fund Reserve	-4,073,895	RER
Porter Building Sinking Fund Reserve	-1,384,212	RER
Summit Centre Sinking Fund Reserves	-640,661	RER
Elmsleigh Centre Sinking Fund Reserves	-1,272,445	RER
Building Control	-162,676	AIR
Heathrow Third Runway	-317,143	Renamed
Planned Projects Fund	-1,367,146	RER
Planning Perform. Agree. Riser	-125,000	RER
CIL Admin Reserve	-238,158	No change just consolidated
CIL Local Reserve	-131,374	No change just consolidated
CIL Strategic Reserve	-2,945,527	No change just consolidated
Bronzefield Maintenance Reserve	-231,669	AIR
Insurance Fund Reserve	-50,041	AIR
PDG Reserve	-50,000	AIR
Carry Forward Reserve	-1,291,761	AIR
Business Rates Equalisation Reserve	-4,162,582	No change
Youth Council	-19,814	No change
S106 Parks	-21,773	No change
S106 London Irish	-654	No change
S106 Hengrove Park	-100,000	No change
S106 Stanwell	-273,124	No change
Total Earmarked Reserves	-39,032,819	
Total Usable Reserves	-46,170,872	

Reserves Policy – Appendix A (i), (ii) & (iii)

Appendix A (ii)	2020-21	Restatement
Restatement of reserves at 1 April 2020	£	
General Fund Balance	-1,277,327	No change
Capital Grants unapplied	-3,583,771	No change
Revenue Grants Unapplied	-2,276,955	No change
Earmarked Reserves		
CIL - Consolidated	-3,315,059	No change - consolidated
S106	-395,551	No change - consolidated
Business Rates Equalisation Reserve	-4,162,582	No change
Interest Equalisation Reserve	-493,454	No change
Social Housing Initiatives	-135,750	No change
Youth Council	-19,814	No change
NSF Revenue Reserve	-1,220,817	No change
Environ. Impact Ass. Reserve	-317,143	Change of name
Car Park Reserve	-33,229	Change of name
Asset Improvement Reserve (AIR)	-3,710,486	Consolidated
Rent Equalisation reserve (RER)	-25,228,934	Consolidated
	<u>-39,032,819</u>	
Total Usable Reserves as restated 1 April 2020	<u>-46,170,872</u>	

Appendix A (iii)	2020-21	
Restatement after allocating £2.2m for COVID 19	£	
General Fund Balance	-1,277,327	No change
Capital Grants unapplied	-3,583,771	No change
Revenue Grants Unapplied	-2,276,955	No change
Earmarked Reserves		
CIL - Consolidated	-3,315,059	No change
S106	-395,551	No change
Business Rates Equalisation Reserve	-4,162,582	No change
Interest Equalisation Reserve	-493,454	No change
Social Housing Initiatives	0	To COVID 19
Youth Council	-19,814	No change
NSF Revenue Reserve	0	To COVID 19
Environ. Impact Ass. Reserve	-317,143	No change
Car Park Reserve	-33,229	No change
Asset Improvement Reserve (AIR)	-2,867,052	part to COVID 19
Rent Equalisation reserve (RER)	-25,228,934	No change
COVID 19 Reserve	-2,200,000	
	<u>-39,032,819</u>	
Restatement as at 21 May 2020	<u>-46,170,872</u>	

Cabinet

27 January 2021



Title	Outline Budget 2021-22 to 2024-25
Purpose of the report	To make a Decision
Report Author	Terry Collier
Cabinet Member	Councillor Satvinder Buttar
Confidential	No
Corporate Priority	Financial Sustainability
Recommendations	<p>Cabinet is asked to:</p> <ol style="list-style-type: none"> 1. Agree the net budgeted expenditure (before investment and use of reserves) for 2021-22 be set at a maximum level of £22.1m 2. To support the overall strategy set out in the report for addressing efficiencies and achieving medium term financial sustainability
Reason for Recommendation	The report sets out the parameters in which a detailed balanced for 2021-22 can then be worked up and puts forward an updated Medium Term Financial Strategy designed to respond to the challenges of COVID-19.

1. Key issues

- 1.1 The key issue facing this Council, as indeed all Councils, is the impact of COVID-19 on the Council's finances and what the longer term financial effects of the pandemic will be. COVID-19 has resulted in the steepest economic shock to the UK economy for more than three hundred years.
- 1.2 In 2020-21 the Council has experienced significant reductions in services fees and charges income, drops in treasury management income, reductions in amounts of council tax and business rates collected, more residents moving on to localised council tax support. Additionally, the Council has incurred extra expenditure for example supporting the re-opening of its leisure centres, providing food and welfare support to shielded residents. In 2020-21 the Council has received additional grant support to offset much of this impact.
- 1.3 In modelling a possible range of Budget scenarios and outcomes for the period 2021-22 to 2024-25 and revising and refreshing in response the

Council's Medium Term Financial Strategy the Council needs to take a view on a number of factors including:

- (a) Extent to which services income such as car parking charges return to pre-pandemic levels, taking into account that some people's behaviour (for example increased online shopping) may have permanently changed and how long any recovery may take
- (b) Impact on local economy in terms of jobs, particularly with furlough not now ending until April 2021 and what this means for number of residents on localised council support (this reduces the Council's tax base), requiring housing support and struggling to pay council tax
- (c) What is a realistic council tax collection rate to assume?
- (d) What is the likelihood of additional Government financial support in 2021-22 in recognition of the above pressures?
- (e) Refreshing its reserves strategy and consideration of some planned short term use of reserves as part of a longer term strategy. The Council as at end of 2019-20 has £40m in cash backed reserves, and whilst a significant proportion of them are earmarked for specific purposes some could be applied to offset COVID-19 impacts
- (f) The interrelationship between the Council's housing and regeneration Capital Programme and the Council's Revenue Budget in terms of returns the Council will receive from its housing delivery company Knowle Green Estates. This will be influenced by the proportion of the housing programme delivered as affordable housing.

1.4 For all these reasons it is important, as the recent Local Government Association independent Finance Peer Review commented, that the Council carefully reviews and refreshes its MTFs and ensures it achieves a sensible balance between short and longer term measures and does not make knee jerk cuts which a more medium term approach could be applied to manage down the gaps.

1.5 As a result of COVID-19 the financial and economic world the Council is facing has changed. When the Council set its 2020-21 Budget in February 2020 it also on an indicative basis balanced its 2021-22 and 2022-23 Budgets. As a result of modelling since the government funding announcement in December 2020, the Council is still in a strong position and forecasting budget headroom in 2021/22 and 2022/23. However, the council anticipates experiencing budget gaps in 2023/24 and 2024/25. now on current assumptions, before Government funding announcements,

1.6 Whilst the Council is in a relative strong position, the impact of COVID-19 has been considerable and our modelling assumes that COVID-19 will still impact on our financial results until 2024/25, when we anticipate an improvement in general economic conditions.

The recent change in Council policy towards affordable housing delivery has been a key factor in the changes to the financial returns being generated from Knowle Green Estates.

2. **Provisional Local Government Finance Settlement 2021/22**

2.1 The Government announced the Local Government Finance Settlement on the 17th December this year.

The 2021/22 local government finance settlement is for one year only and is based on the Spending Review 2020 funding levels. The details are shown below: -

- **Council Tax** –The council tax referendum limit will be 2% for local authorities, with social care authorities allowed a 3% social care precept, although this can be deferred to 2022/23. The provisional settlement confirmed that Districts and Boroughs will be allowed to apply the higher of the referendum limit or £5, latter in Spelthorne’s case is 2.4%.
- **Business Rates Retention** –The business rates multiplier has been frozen for 2021/22. Therefore, the three elements of the Business Rates Retention system (Baseline Need, NNDR Baseline and Tariff/Top Up amounts) remain at 2020/21 levels. However, the under-indexing multiplier grant has been increased, in order that local authorities do not lose what would have been the increase to the multiplier.
- **Revenue Support Grant (RSG)** – For those authorities still receiving RSG, this has been increased by 0.55%, in line with what would have been the increase to the multiplier.
- **New Homes Bonus** - The 2021/22 allocations have been announced. These will be paid with the legacy payments due from previous years (2018/19 and 2019/20). There will be no legacy payments for the new 2021/22 in-year allocation announced in the settlement.
- **Top Up/Tariff Adjustments (Negative RSG)** –The government has decided to eliminate the negative RSG amounts. This removes a medium term pressure in our Outline Budget projections/
- **Social Care Funding** –There has been an increase to the Social Care Support Grant of £300m. This has been allocated based on Adult Social Care relative need (£60m) and the ability to raise resources through the social care precept (£240m).
- **Lower Tier Services Grant** – A new un-ringfenced lower tier services grant of £111m was announced by the Minister. This has been allocated via 2013/14 Settlement Funding Assessment levels (£86m) to ensure that no authority has a total Core Spending Power less than in 2020/21 (£25m). It appears that this is a one off grant for 2021-22
- **COVID-19 Funding** –Funding was announced of £2.2bn to support local government in 2021/22, alongside support for local tax income and the spreading of deficits. This funding is not included in the Core Spending Power figures.
- **Local Government Funding Reform** – No papers were published relating to the Fair Funding Review or the Business Rates Reset and the Minister would not confirm that the reforms will even take place next year.

2.2 The specific implications from the settlement for Spelthorne are:-

- **Council Tax**- Spelthorne will be able to increase Council Tax in 2021/22 by the greater of 2% or £5 (2.4%)without a referendum.

- **Business Rates-** Local Businesses will not face an increase in Business Rates in 2021/22 as a result of an increase in the multiplier, as this has been frozen at the 2020/21 level. The Council will be compensated for this loss of income through Section 31 Grant.
- **Collection Fund Deficits-** The Government is introducing legislation to enable Councils to spread Council Tax and Business Rate deficits on the Collection Fund over a 3 year period. This will reduce the 2020/21 deficits which need to be addressed as part of budget setting in 2021/22 which have resulted from Covid-19 in 2020/21 but will add to the pressures in the two subsequent years.
- **Irrecoverable Council Tax and Business Rate Losses-** MHCLG has introduced arrangements to meet 75% of irrecoverable losses, this is subject to consultation and will recompense Councils for any losses incurred. This excludes losses relating to non-payment of Council Tax or Business Rates.
- **Negative RSG-**MHCLG has fully funded Negative RSG as part of the Comprehensive Spending Review, there is now no threat of this being imposed as part of the roll-out of Business Rate Reset.
- **New Homes Bonus-** The Council will receive legacy payments of £252,000 in 2021/22, which consists of legacy payments of £247,000 plus an additional allocation of £5,000 announced in the settlement.
- **Lower Tier Services Grant-** The Council will receive £82,000 in Lower Tier Services Grant in 2021/22.
- **Covid-19 Funding-** The Council will receive £506,000 in Covid-19 Grant in 2021/22 for COVID-19 expenditure pressures in 2021/22. The Council will continue to receive a Sales, Fees and Charges Grant for the 3 month period April-June 2021. This grant is to mitigate the loss of income occurring as a result of Covid-19 and provides for 71.25% of income losses overall for the 3 month period. The Council will receive £114,000 in Local Council Tax Support Grant as compensation for higher levels of Council Tax Support claimants.
- **Surrey Business Rates Pool-** For 2021/22 Spelthorne will be part of the Surrey wide business rates pool. A business rates pool is where a top up council (i.e. a council, such as a county council, which receives a transfer of business rates from other councils) combines with a group of tariff councils (i.e. councils which are making transfers to other councils, for example any of the Surrey districts and boroughs) in such a combination that the 50% levy the tariff councils have to pay on any growth in their tax base above the baseline set by the Government is reduced to more or less zero. If the pool proposal were accepted Spelthorne would be one of four Surrey districts and boroughs combined with Surrey CC. This would enable us to potentially retain an additional £300k to £600k of business rates which are not ring-fenced.

The overall funding provided to the Council through Council Tax and Business Rates raising powers and in the form of government grant to the Council is measured and controlled by Government through the Core Spending Power.

The increase in the Council's Core Spending Power in 2021/22 is 1%. A detailed breakdown of the Council's Core Spending Power showing a comparison with other Authorities is shown at Appendix A.

3. Options analysis and proposal

3.1 The Outline Budget needs to cover the following areas:

- (a) Funding support from the Government including New Homes Bonus, and short term Covid-19 funding and address the risks and volatility associated with increasing reliance on business rates retention and the potential for the amount of business rates allowed to be retained to be reduced in future years. Given the impact of Covid-19, future additional revenue from Business Rates may not be assured in the short to medium term.
- (b) Anticipated external pressures such as statutory changes impacting over the outline budget period.
- (c) Need to invest in meeting the challenges of climate change, which may generate upfront capital requirements whilst potentially generating future revenue benefits.
- (d) The impact of pressures on Surrey County Council cascading down as a result of reduced funding from the upper tier authority and its transformation proposals which may have knock on effects on districts and boroughs.
- (e) How we fund our corporate priorities by generating increased sustainable income streams
- (f) The level of Council Tax, which the Council wishes to levy
- (g) Future assumptions on interest rates and investment types.
- (h) The level of services that the Council wishes to provide and the level of revenue expenditure the Council wishes to incur in the provision of those services. This is particularly important in light of the significantly constrained Government funding the Council will now receive.
- (i) The level and range of charges the Council should make for its services.
- (j) The use of revenue reserves (if any) the Council wishes to use to support that level of service.
- (k) The level of reserves the Council wishes to retain to provide investment income and ensure stability for the future.
- (l) The alternative use of reserves to generate future savings.
- (m) To review the Council's portfolio of assets to ensure that it is maximising value obtained from use of assets (both in terms of cost of maintaining those assets and income generated from them) and to review opportunities to rationalise the portfolio and generate additional income streams.
- (n) The level of capital expenditure which the Council wishes to support and how it will seek to borrow, including being prepared to borrow where there are robust business cases in support. This will be more fully

expanded on in the Capital Strategy document which will be updated and will go to February Council for approval.

- 3.2 There is still some uncertainty around Business Rates, with the roll out of 75% business rate retention which has been pushed back to 2022-23 or later. When the change happens it is anticipated that in relative terms Surrey councils may lose and that there may also be a further shift in resources towards upper tier councils with responsibilities for adult social care. We therefore have anticipated in the years beyond 2021-22 there will be steady reductions in the amount of business rates we as a borough council will be allowed to retain, other districts and boroughs are making similar assumptions. These assumptions have been fed into our projections are a key factor in the increase in the budget gap, this is further discussed below.
- 3.3 The above uncertainties are some of the main drivers in the projected budget gaps summarised in Appendix B which will not be sustainable if not addressed.
- 3.4 The projected gaps currently include an assumption around the level of growth required by departments. The actual growth bids and savings have been reviewed by Management Team. The Council has identified some further potential savings options, which are more extensive in nature and far reaching and these would take some time to review and implement.

Projected Budget (Surplus)/Deficit if mitigating actions not put in place (positive figures indicate a budget shortfall to be addressed):

	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000
Estimated Gap	(658)	1,284	2,324	282

All Councils are facing significant financial pressures, this problem is particularly acute amongst District and Borough Councils. The current discussions with neighbouring Districts and Boroughs within Surrey in relation to Unitary debate introduces both a need and an opportunity to work together collaboratively to share services and make savings as partners. This is not a solution in the short term but could certainly make a contribution over the medium term if Members were so minded.

4. OUTLINE BUDGET 2021/2022 – 2024/2025

- 4.1 Attached as Appendix B-1 is a summary of projected expenditure and possible financing to 31 March 2025. The budget gap shown in the table above is the base case projection (AppB-2) which assumes no increase in Council Tax and a 2.5% Pay Award and service expenditure totals £22.1m in 2021/22 in this projection. Alternative scenarios are also provided with a reduced pay award of 0% and 1% and with varying Council Tax increases (AppB3-8).
- 4.2 The scenario which yields the smallest aggregate budget gap for the outline budget period is AppB-8, with a £5 increase in Council Tax and a 1% overall Pay Award.

4.3 Discussions have taken place with Unison pay award based around a 1% package. This is based on

- 0.75 % Pay Award for all staff
- An additional 0.25% for the lowest scales Scale 1-3.
- A fixed one of payment, at a cost of 0.25%, which equates to a payment of approximately £100 for all staff.

Following a discussion between Officers and Unison, it has been agreed that the Council will honour any national award agreed in excess of the above.

4.4 Currently the Council's treasury management investments are performing well with the core investments achieving an average of 4.2% in 2019-20. It is anticipated this level of performance can be maintained and has been built into the Outline Budget projections. This level of performance will also help generate interest on the monies being set aside in the sinking funds building up to cover future needs to incur expenditure on our commercial assets such as capital refurbishments or to cover rent free periods.

4.5 The Council has made excellent progress with respect to taking opportunities to maximise income streams from assets. As result of recent acquisitions the Council has secured additional income from assets for a sustained period well beyond the outline budget period of around £10m per annum net of financing and management costs. The Council has grown its dedicated property unit to ensure that it has the right mix of expertise to manage a significant commercial portfolio. The Council also uses a range of advisors to ensure it continually monitors the performance of its portfolio.

4.6 In 2021-22 the Council's commercial assets portfolio will generate a net (after paying interest, loan repayments, supervision costs, and sinking funds set asides) £10.4m to support the Council's revenue budget, see table below:

	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000
Gross Rental Income due	(53,964)	(54,032)	(52,640)	(52,745)
Loan Interest Payable	23,349	23,176	23,029	22,864
Minimum Revenue Provision	12,327	12,637	13,070	13,081
Contribution to Sinking Funds	6,814	7,709	6,814	5,674
Set aside for specific revenue purposes	1,030	1,030	955	955
Net Income (used to fund Revenue budget)	(10,444)	(9,480)	(8,772)	(10,171)

4.7 The projected sinking fund balances at the 1 April each year is summarised in the table below:

	2021-22	2022-23	2023-24	2024-25
	£'000	£'000	£'000	£'000
BP Main Site	4,409	5,409	6,909	8,409
BP SW Corner	998	1,148	1,298	1,448
Elmbrook House	488	538	588	638
Hanover House	0	0	400	850
12 Hammersmith Grove	4,244	3,657	4,615	5,772
Stockley Park	1,327	1,087	1,287	1,487
WBC4	400	600	1,000	1,450
Communications House	1,554	2,054	2,054	2,054
Thames Tower	3,048	4,098	5,123	5,048
Charter Building	5,264	7,064	8,924	10,424
Porter Building	1,584	1,674	1,124	839
Summit Centre	641	891	1,141	1,391
Elmsleigh Centre	770	695	1,076	1,653
Total	24,727	28,915	35,539	41,463

The downward movement in the sinking fund reserve for a property over the budget period reflects a drawdown to offset a estimated or known void/rent free period.

- 4.8 The budget assumes the Harper House and the Whitehouse Hostels will be completed and open for use in 2021-22.
- 4.9 The Council will continue to take forward the strategies outlined above to help support the revenue budget in future years. Additionally, the following factors and actions are anticipated to help close the gaps:
- Review identified proposals for expenditure reductions identified as part of 5%, 7.5% and 10% exercise.
 - Further prioritisation of growth proposals
 - Capitalise on potential for sharing of back office services and front of house services through collaboration with Surrey Boroughs and Districts
 - Focus on cross cutting savings in areas such as printing, postage
 - Assessing one off use of new and existing grants
 - Pursuing external funding from business partners
 - Reviewing revenue contributions to finance capital to ensure sustainability of the Capital Programme
 - Root and Branch efficiency outcomes

- Additional income levels being generated by some service areas

5. **The Level of Revenue Reserves to use in Support of the Council Tax**

5.1 Reserves are financial balances set aside within the Council's balance sheet to enable future financing of revenue or capital expenditure. These can be held for three main purposes:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves
- A contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves. The key general reserve is the General Fund.
- Funds to meet known or predicted liabilities and future spending are often referred to as earmarked or specific reserves. This purpose is reflected in the build-up of sinking fund reserves for our commercial assets.

The cash balances held in our reserves are invested to earn interest income which helps support the overall revenue budget and the provision of services.

5.2 The Council currently uses specific revenue reserves to finance expenditure in the following ways:

- a) Interest equalisation – is built up in years when investment returns are better than expected and used to support investment income in years when returns are lower.
- b) The Housing Initiatives Reserve has been identified as being a source of funding for supporting Housing Strategy initiatives.
- c) Sinking funds for commercial assets to be built up to cover potential end of lease refurbishment and possible future void and rent free periods.
- d) The Local Environmental Assessment reserve has been set up to enable the Council to react to any environmental impacts on the Borough.
- e) The Planned Project Reserve has been set up to allow the council to progress environmental and other sustainable projects

5.3 In order to deliver the Council's ambitious housing programme, as set out in the Housing Strategy and Capital Strategy, there will be a need to borrow over the outline budget period to fund the capital expenditure. Given the relatively low rates the Council can obtain from the likes of the Public Works Loan Board (PWLB); Homes and Community Agency or the European Investment Bank it is more cost effective to borrow rather than draw down medium term investment funds. The Council's treasury management advisers Arlingclose have assisted in developing the Council's borrowing strategy. It should be noted however that Council's cannot borrow to cover deficits in their Revenue Budgets.

5.4 Any underspend in the current year's budget can be set aside to assist with funding 2020-21 or beyond, at quarter 2 of 2019-20 the projected underspend that would be available to assist future years is around £3m.

5.5 At 1 April 2020 Useable Reserves were as follows:

	2020
	£'000
Capital Grants	453
Revenue Grants Unapplied	2,325
Capital Fund*	1,443
Insurance Reserve	50
Planned Spending Funds	11,295
Funds for Acquired Properties	20,511
Youth Fund	20
General Fund Balance	1,248
Local Environmental Assessment Reserve	317
Contributions from developers	2,269
Total	39,931

Note: The funds for acquired properties are being built up in a planned way to ensure that the Council has sufficient funds to protect council taxpayers in the event of future need to incur expenditure on capital refurbishments of the assets and to cover future possible void and rent free periods. The balance on these funds will increase by a further £6m by the end of 2020-21.

6. **The Level of Capital Expenditure to be supported**

6.1 Each year the Council approves a four-year Capital Programme, which is split between Housing and "Other Services."

Funding for the Capital Programme is financed by a mixture of Capital receipts, Capital Grants, S106 receipts, Revenue Contribution to Capital (£750k) and borrowing where required.

Commercial income generating assets acquisitions are funded through borrowing, however these are designed to ensure that they generate a net surplus in excess of borrowing costs in order to provide funds which can be used to support the revenue budget.

7. **Financial implications**

7.1 The financial implications are set out in the report.

8. Other considerations

- 8.1 Any service reductions put forward as part of the Budget process will be subject to Equality Impact Assessments.

9. Sustainability/Climate Change Implications

- 9.1 The Council has declared a Climate Change Emergency. In the short term this may mean additional upfront investment. However, longer term it should also be associated with reduced energy usage and transport costs for the Council. When the detailed budget proposals are brought forward environmental impacts will be part of the criteria used to evaluate savings and growth proposals.

10. Timetable for implementation

- 10.1 A detailed Budget Timetable has been issued to ensure that the Council is in a position to agree a balanced Budget at its 26th February Council meeting.

Background papers:

Appendices as at 120121:

Appendix AppB1 – Summary of 7 scenarios (AppB2 – AppB8 below)

Appendix AppB2 – Base Case scenario

Appendix App B3 - Council Tax 0%, Pay Increase 0%

Appendix AppB4 - Council Tax 0%, Pay Increase 1%

Appendix AppB5 - Council Tax Increase at 0.5% (CPI), Pay 1%

Appendix AppB6 - Council Tax Increase at 1%, Pay 1%

Appendix AppB7 - Council Tax Increase at 2%, Pay 1%

Appendix AppB8 - Council Tax Increase £5, Pay 1%

Appendix – Summary of growth bids

Appendix – Summary of savings bids

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Outline Budget - Summary of Scenario Modelling of Budget Gap – AppB1

	2021-22 £	2022-23 £	2023-24 £	2024-25 £	Workbook reference
Base Case-Council Tax 0% & Pay 2.5%	(658,371)	1,283,559	2,323,805	282,125	AppB2
Council Tax 0%, Pay Increase 0%	(1,134,371)	(42,441)	1,892,805	991,125	AppB3
Council Tax 0%, Pay Increase 1%	(916,971)	129,959	2,065,205	1,163,525	AppB4
Council Tax Increase at 0.5% (CPI), Pay 1%	(956,971)	(76,441)	1,684,605	600,025	AppB5
Council Tax Increase at 1%, Pay 1%	(996,971)	(118,341)	1,641,205	555,125	AppB6
Council Tax Increase at 2%, Pay 1%	(1,076,971)	(202,241)	1,554,305	465,225	AppB7
Council Tax Increase £5, Pay 1%	(1,112,071)	(238,941)	1,516,305	425,825	AppB8

Notes

Recommended pay award

Grades 1-3	1%	
Grades 4 and above	0.75%	
One off for all grades re COVID work	0.25%	approximately £100 per person

Council will honour national pay award if higher than the above settlement.

For every 1% movement in pay impact on budget is £190,400 approximately

For every 0.1% movement in pay impact on budget is £19,040 approximately

Council Tax (CT)

For every 1% movement in CT impact on budget is £80,000 approximately

For every 0.1% movement in CT impact on budget is £8,000 approximately

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Outline Budget - Base Case (Council Tax Increase 0%, Pay 2.5%)					
AppB2					
	2020-21 Original £	2021-22 £	2022-23 £	2023-24 £	2024-25 £
Gross Expenditure	61,359,100	61,359,100			
Less: Fees and Charges and Specific Grants (excl Housing Benefits)	(11,048,700)	(11,056,400)			
Less: Housing Benefits Grant	(29,317,500)	(29,317,500)			
Net Service Expenditure:	20,992,900	20,985,200			
Broken down over Portfolios					
Leader of the Council	1,241,400	1,241,400	1,241,400	1,241,400	1,241,400
Deputy Leader and Finance	3,241,600	3,241,600	3,241,600	3,241,600	3,241,600
Corporate Management	1,057,200	1,057,200	1,057,200	1,057,200	1,057,200
Housing	2,318,500	2,318,500	2,318,500	2,318,500	2,318,500
Planning	948,200	948,200	948,200	948,200	948,200
Environment and Compliance	5,834,000	5,822,000	5,834,000	5,834,000	5,834,000
Community Wellbeing	1,029,100	1,029,100	1,029,100	1,029,100	1,029,100
Economic Development, Customer Service, Estates and Transport	3,308,400	3,312,700	3,317,000	3,321,300	3,325,600
Investment Portfolio, Asset Management and Regeneration	2,014,500	2,014,500	2,014,500	2,014,500	2,014,500
	20,992,900	20,985,200	21,001,500	21,005,800	21,010,100
Salary expenditure - vacancy monitoring	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)
Pay Award & Increments	0	431,000	851,000	1,282,000	1,724,000
Increments	0	50,000	100,000	150,000	200,000
Pensions	1058000	205,000	0	600,000	700,000
Proposed Growth	0	1,266,315	1,134,415	822,115	722,115
Proposed Savings		(489,276)	(489,276)	(489,276)	(489,276)
Service Expenditure	21,750,900	22,148,239	22,786,915	23,559,915	24,056,215
NET EXPENDITURE	21,750,900	22,148,239	22,786,915	23,559,915	24,056,215
Interest earnings	(1,290,000)	(1,249,256)	(1,249,256)	(1,249,256)	(1,249,256)
Asset Acquisition Income	(53,006,200)	(51,339,224)	(52,948,479)	(51,752,261)	(51,855,261)
Debt Interest payable	24,234,600	24,498,320	24,461,580	24,437,470	24,285,120
Minimum Revenue Provision	11,902,900	12,327,200	12,637,706	13,070,431	13,081,231
Set Aside	1,130,000	1,030,000	1,030,000	955,000	955,000
Capitalisation of Interest on Development Properties		(1,221,100)	(1,296,900)	(1,430,300)	(1,491,280)
Net interest margin on loans to KGE	(50,000)	0	(402,413)	(853,300)	(1,803,550)
Contingency Provision for Covid	0	506,397	0	0	0
Recharge of Central Support Costs to KGE	0	(130,000)	(130,000)	(130,000)	(130,000)
NET EXPENDITURE AFTER INTEREST EARNINGS	4,672,200	6,570,575	4,889,152	6,607,698	5,848,218
Appropriation to Reserves:					
Revenue Contributions to Capital Outlay	750,000	835,100	750,000	750,000	750,000
Project Delivery Fund	1,397,400	0	0	0	0
Sinking Fund Contributions	5,814,000	6,814,000	7,709,000	6,814,000	5,674,000
Release of Funding from Sinking Fund	0	(2,625,204)	(1,085,793)	(889,793)	(889,793)
BUDGET REQUIREMENT	12,633,600	11,594,471	12,262,359	13,281,905	11,382,425
Allocation from National Non-Domestic Rate pool	0	0	0	0	0
Retained Business Rates	(3,000,000)	(1,929,000)	(1,929,000)	(1,929,000)	(1,929,000)
Section 31 Grants	(800,000)	(800,000)	(800,000)	(800,000)	(800,000)
Lower Tier Services Grant re Core Spending Power	0	(82,145)	0	0	0
Business Rates - Economic Development Set Aside	0	(800,000)	0	0	0
Covid Grant 2021/22	0	(506,397)	0	0	0
Negative RSG	0	0	0	0	0
New Homes Bonus Grant	(551,100)	(252,000)	(144,000)	0	0
Use of General Fund Reserves (Unused Covid Allocation)	0	0	0	0	0
NET BUDGET REQUIREMENT	8,282,500	7,224,929	9,389,359	10,552,905	8,653,425
Collection Fund (Surplus)/Deficit	(63,000)	117,000	117,000	117,000	100,000
CHARGE TO COLLECTION FUND	8,219,500	7,341,929	9,506,359	10,669,905	8,753,425
Tax base	40,085	39,016	40,101	40,703	41,313
Council Tax rate	205.05	205.05	205.05	205.05	205.05
Council Tax yield	8,219,500	8,000,300	8,222,800	8,346,100	8,471,300
DEFICIT/(SURPLUS)	0	(658,371)	1,283,559	2,323,805	282,125

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Outline Budget - Base Case (Council Tax Increase 0%, Pay 1%)

AppB3

	2020-21 Original £	2021-22 £	2022-23 £	2023-24 £	2024-25 £
Gross Expenditure	61,359,100	61,359,100			
Less: Fees and Charges and Specific Grants (excl Housing Benefits)	(11,048,700)	(11,056,400)			
Less: Housing Benefits Grant	(29,317,500)	(29,317,500)			
Net Service Expenditure:	20,992,900	20,985,200			
Broken down over Portfolios					
Leader of the Council	1,241,400	1,241,400	1,241,400	1,241,400	1,241,400
Deputy Leader and Finance	3,241,600	3,241,600	3,241,600	3,241,600	3,241,600
Corporate Management	1,057,200	1,057,200	1,057,200	1,057,200	1,057,200
Housing	2,318,500	2,318,500	2,318,500	2,318,500	2,318,500
Planning	948,200	948,200	948,200	948,200	948,200
Environment and Compliance	5,834,000	5,822,000	5,834,000	5,834,000	5,834,000
Community Wellbeing	1,029,100	1,029,100	1,029,100	1,029,100	1,029,100
Economic Development, Customer Service, Estates and Transport	3,308,400	3,312,700	3,317,000	3,321,300	3,325,600
Investment Portfolio, Asset Management and Regeneration	2,014,500	2,014,500	2,014,500	2,014,500	2,014,500
	20,992,900	20,985,200	21,001,500	21,005,800	21,010,100
Salary expenditure - vacancy monitoring	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)
Pay Award & Increments	0	172,400	592,400	1,023,400	1,465,400
Increments	0	50,000	100,000	150,000	200,000
Pensions	1058000	205,000	0	600,000	700,000
Proposed Growth	0	1,266,315	1,134,415	822,115	722,115
Proposed Savings	0	(489,276)	(489,276)	(489,276)	(489,276)
Service Expenditure	21,750,900	21,889,639	22,528,315	23,301,315	23,797,615
NET EXPENDITURE	21,750,900	21,889,639	22,528,315	23,301,315	23,797,615
Interest earnings	(1,290,000)	(1,249,256)	(1,249,256)	(1,249,256)	(1,249,256)
Asset Acquisition Income	(53,006,200)	(51,339,224)	(52,948,479)	(51,752,261)	(51,855,261)
Debt Interest payable	24,234,600	24,498,320	24,461,580	24,437,470	24,285,120
Minimum Revenue Provision	11,902,900	12,327,200	12,637,706	13,070,431	13,081,231
Set Aside	1,130,000	1,030,000	1,030,000	955,000	955,000
Capitalisation of Interest on Development Properties	0	(1,221,100)	(1,296,900)	(1,430,300)	(1,491,280)
Net interest margin on loans to KGE	(50,000)	0	(402,413)	(853,300)	(1,803,550)
Contingency Provision for Covid	0	506,397	0	0	0
Recharge of Central Support Costs to KGE	0	(130,000)	(130,000)	(130,000)	(130,000)
NET EXPENDITURE AFTER INTEREST EARNINGS	4,672,200	6,311,975	4,630,552	6,349,098	5,589,618
Appropriation to Reserves:					
Revenue Contributions to Capital Outlay	750,000	835,100	750,000	750,000	750,000
Project Delivery Fund	1,397,400	0	0	0	0
Sinking Fund Contributions	5,814,000	6,814,000	6,814,000	6,814,000	6,814,000
Release of Funding from Sinking Fund	0	(2,625,204)	(1,085,793)	(889,793)	(889,793)
BUDGET REQUIREMENT	12,633,600	11,335,871	11,108,759	13,023,305	12,263,825
Allocation from National Non-Domestic Rate pool	0	0	0	0	0
Retained Business Rates	(3,000,000)	(1,929,000)	(1,929,000)	(1,929,000)	(1,929,000)
Section 31 Grants	(800,000)	(800,000)	(800,000)	(800,000)	(800,000)
Lower Tier Services Grant re Core Spending Power	0	(82,145)	0	0	0
Business Rates - Economic Development Set Aside	0	(800,000)	0	0	0
Covid Grant 2021/22	0	(506,397)	0	0	0
Negative RSG	0	0	0	0	0
New Homes Bonus Grant	(551,100)	(252,000)	(144,000)	0	0
Use of General Fund Reserves (Unused Covid Allocation)	0	0	0	0	0
NET BUDGET REQUIREMENT	8,282,500	6,966,329	8,235,759	10,294,305	9,534,825
Collection Fund (Surplus)/Deficit	(63,000)	117,000	117,000	117,000	100,000
CHARGE TO COLLECTION FUND	8,219,500	7,083,329	8,352,759	10,411,305	9,634,825
Tax base	40,085	39,016	40,101	40,703	41,313
Council Tax rate	205.05	205.05	205.05	205.05	205.05
Council Tax yield	8,219,500	8,000,300	8,222,800	8,346,100	8,471,300
DEFICIT/(SURPLUS)	0	(916,971)	129,959	2,065,205	1,163,525

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Outline Budget - Base Case (Council Tax Increase 0%, Pay 0%)

AppB4

	2020-21 Original £	2021-22 £	2022-23 £	2023-24 £	2024-25 £
Gross Expenditure	61,359,100	61,359,100			
Less: Fees and Charges and Specific Grants (excl Housing Benefits)	(11,048,700)	(11,056,400)			
Less: Housing Benefits Grant	(29,317,500)	(29,317,500)			
Net Service Expenditure:	20,992,900	20,985,200			
Broken down over Portfolios					
Leader of the Council	1,241,400	1,241,400	1,241,400	1,241,400	1,241,400
Deputy Leader and Finance	3,241,600	3,241,600	3,241,600	3,241,600	3,241,600
Corporate Management	1,057,200	1,057,200	1,057,200	1,057,200	1,057,200
Housing	2,318,500	2,318,500	2,318,500	2,318,500	2,318,500
Planning	948,200	948,200	948,200	948,200	948,200
Environment and Compliance	5,834,000	5,822,000	5,834,000	5,834,000	5,834,000
Community Wellbeing	1,029,100	1,029,100	1,029,100	1,029,100	1,029,100
Economic Development, Customer Service, Estates and Transport	3,308,400	3,312,700	3,317,000	3,321,300	3,325,600
Investment Portfolio, Asset Management and Regeneration	2,014,500	2,014,500	2,014,500	2,014,500	2,014,500
	20,992,900	20,985,200	21,001,500	21,005,800	21,010,100
Salary expenditure - vacancy monitoring	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)
Pay Award & Increments	0	0	420,000	851,000	1,293,000
Increments	0	50,000	100,000	150,000	200,000
Pensions	1,058,000	205,000	0	600,000	700,000
As yet unidentified annual growth anticipated to come	0	1,266,315	1,134,415	822,115	722,115
Proposed Savings		(489,276)	(489,276)	(489,276)	(489,276)
Service Expenditure	21,750,900	21,717,239	22,355,915	23,128,915	23,625,215
NET EXPENDITURE	21,750,900	21,717,239	22,355,915	23,128,915	23,625,215
Interest earnings	(1,290,000)	(1,249,256)	(1,249,256)	(1,249,256)	(1,249,256)
Asset Acquisition Income	(53,006,200)	(51,339,224)	(52,948,479)	(51,752,261)	(51,855,261)
Debt Interest payable	24,234,600	24,498,320	24,461,580	24,437,470	24,285,120
Minimum Revenue Provision	11,902,900	12,327,200	12,637,706	13,070,431	13,081,231
Set Aside	1,130,000	1,030,000	1,030,000	955,000	955,000
Capitalisation of Interest on Development Properties		(1,221,100)	(1,296,900)	(1,430,300)	(1,491,280)
Net interest margin on loans to KGE	(50,000)	0	(402,413)	(853,300)	(1,803,550)
Contingency Provision for Covid	0	506,397	0	0	0
Recharge of Central Support Costs to KGE	0	(130,000)	(130,000)	(130,000)	(130,000)
NET EXPENDITURE AFTER INTEREST EARNINGS	4,672,200	6,139,575	4,458,152	6,176,698	5,417,218
Appropriation to Reserves:					
Revenue Contributions to Capital Outlay	750,000	835,100	750,000	750,000	750,000
Project Delivery Fund	1,397,400	0	0	0	0
Sinking Fund Contributions	5,814,000	6,814,000	6,814,000	6,814,000	6,814,000
Release of Funding from Sinking Fund	0	(2,625,204)	(1,085,793)	(889,793)	(889,793)
BUDGET REQUIREMENT	12,633,600	11,163,471	10,936,359	12,850,905	12,091,425
Allocation from National Non-Domestic Rate pool	0	0	0	0	0
Retained Business Rates	(3,000,000)	(1,929,000)	(1,929,000)	(1,929,000)	(1,929,000)
Section 31 Grants	(800,000)	(800,000)	(800,000)	(800,000)	(800,000)
Lower Tier Services Grant re Core Spending Power	0	(82,145)	0	0	0
Business Rates - Economic Development Set Aside	0	(800,000)	0	0	0
Covid Grant 2021/22	0	(506,397)	0	0	0
Negative RSG	0	0	0	0	0
New Homes Bonus Grant	(551,100)	(297,000)	(144,000)	0	0
Use of General Fund Reserves (Unused Covid Allocation)	0	0	0	0	0
NET BUDGET REQUIREMENT	8,282,500	6,748,929	8,063,359	10,121,905	9,362,425
Collection Fund (Surplus)/Deficit	(63,000)	117,000	117,000	117,000	100,000
CHARGE TO COLLECTION FUND	8,219,500	6,865,929	8,180,359	10,238,905	9,462,425
Tax base	40,085	39,016	40,101	40,703	41,313
Council Tax rate	205	205	205	205	205
Council Tax yield	8,219,500	8,000,300	8,222,800	8,346,100	8,471,300

DEFICIT/(SURPLUS) 0 (1,134,371) (42,441) 1,892,805 991,125

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Outline Budget - Base Case (Council Tax Increase 0.5%, Pay 1%)

AppB5

	2020-21 Original £	2021-22 £	2022-23 £	2023-24 £	2024-25 £
Gross Expenditure	61,359,100	61,359,100			
Less: Fees and Charges and Specific Grants (excl Housing Benefits)	(11,048,700)	(11,056,400)			
Less: Housing Benefits Grant	(29,317,500)	(29,317,500)			
Net Service Expenditure:	20,992,900	20,985,200			
Broken down over Portfolios					
Leader of the Council	1,241,400	1,241,400	1,241,400	1,241,400	1,241,400
Deputy Leader and Finance	3,241,600	3,241,600	3,241,600	3,241,600	3,241,600
Corporate Management	1,057,200	1,057,200	1,057,200	1,057,200	1,057,200
Housing	2,318,500	2,318,500	2,318,500	2,318,500	2,318,500
Planning	948,200	948,200	948,200	948,200	948,200
Environment and Compliance	5,834,000	5,822,000	5,834,000	5,834,000	5,834,000
Community Wellbeing	1,029,100	1,029,100	1,029,100	1,029,100	1,029,100
Economic Development, Customer Service, Estates and Transport	3,308,400	3,312,700	3,317,000	3,321,300	3,325,600
Investment Portfolio, Asset Management and Regeneration	2,014,500	2,014,500	2,014,500	2,014,500	2,014,500
	20,992,900	20,985,200	21,001,500	21,005,800	21,010,100
Salary expenditure - vacancy monitoring	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)
Pay Award & Increments	0	172,400	592,400	1,023,400	1,465,400
Increments	0	50,000	100,000	150,000	200,000
Pensions	1,058,000	205,000	0	600,000	700,000
As yet unidentified annual growth anticipated to come	0	1,266,315	1,134,415	822,115	722,115
Proposed Savings		(489,276)	(489,276)	(489,276)	(489,276)
Service Expenditure	21,750,900	21,889,639	22,528,315	23,301,315	23,797,615
NET EXPENDITURE	21,750,900	21,889,639	22,528,315	23,301,315	23,797,615
Interest earnings	(1,290,000)	(1,249,256)	(1,249,256)	(1,249,256)	(1,249,256)
Asset Acquisition Income	(53,006,200)	(51,339,224)	(52,948,479)	(51,752,261)	(51,855,261)
Debt Interest payable	24,234,600	24,498,320	24,461,580	24,437,470	24,285,120
Minimum Revenue Provision	11,902,900	12,327,200	12,637,706	13,070,431	13,081,231
Set Aside	1,130,000	1,030,000	1,030,000	955,000	955,000
Capitalisation of Interest on Development Properties		(1,221,100)	(1,296,900)	(1,430,300)	(1,491,280)
Net interest margin on loans to KGE	(50,000)	0	(402,413)	(853,300)	(1,803,550)
Contingency Provision for Covid	0	506,397	0	0	0
Recharge of Central Support Costs to KGE	0	(130,000)	(130,000)	(130,000)	(130,000)
NET EXPENDITURE AFTER INTEREST EARNINGS	4,672,200	6,311,975	4,630,552	6,349,098	5,589,618
Appropriation to Reserves:					
Revenue Contributions to Capital Outlay	750,000	835,100	750,000	750,000	750,000
Project Delivery Fund	1,397,400	0	0	0	0
Sinking Fund Contributions	5,814,000	6,814,000	6,814,000	6,814,000	6,814,000
Release of Funding from Sinking Fund	0	(2,625,204)	(1,085,793)	(889,793)	(889,793)
BUDGET REQUIREMENT	12,633,600	11,335,871	11,108,759	13,023,305	12,263,825
Allocation from National Non-Domestic Rate pool	0	0	0	0	0
Retained Business Rates	(3,000,000)	(1,929,000)	(1,929,000)	(1,929,000)	(1,929,000)
Section 31 Grants	(800,000)	(800,000)	(800,000)	(800,000)	(800,000)
Lower Tier Services Grant re Core Spending Power	0	(82,145)	0	0	0
Business Rates - Economic Development Set Aside	0	(800,000)	0	0	0
Covid Grant 2021/22	0	(506,397)	0	0	0
Negative RSG	0	0	0	0	0
New Homes Bonus Grant	(551,100)	(252,000)	(144,000)	0	0
Use of General Fund Reserves (Unused Covid Allocation)	0	0	0	0	0
NET BUDGET REQUIREMENT	8,282,500	6,966,329	8,235,759	10,294,305	9,534,825
Collection Fund (Surplus)/Deficit	(63,000)	117,000	117,000	117,000	100,000
CHARGE TO COLLECTION FUND	8,219,500	7,083,329	8,352,759	10,411,305	9,634,825
Tax base	40,085	39,016	40,101	40,703	41,313
Council Tax rate	205	206	210	214	219
Council Tax yield	8,219,500	8,040,300	8,429,200	8,726,700	9,034,800
DEFICIT/(SURPLUS)	0	(956,971)	(76,441)	1,684,605	600,025

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Outline Budget - Base Case (Council Tax Increase 1%, Pay 1%)

AppB6

	2020-21 Original £	2021-22 £	2022-23 £	2023-24 £	2024-25 £
Gross Expenditure	61,359,100	61,359,100			
Less: Fees and Charges and Specific Grants (excl Housing Benefits)	(11,048,700)	(11,056,400)			
Less: Housing Benefits Grant	(29,317,500)	(29,317,500)			
Net Service Expenditure:	20,992,900	20,985,200			
Broken down over Portfolios					
Leader of the Council	1,241,400	1,241,400	1,241,400	1,241,400	1,241,400
Deputy Leader and Finance	3,241,600	3,241,600	3,241,600	3,241,600	3,241,600
Corporate Management	1,057,200	1,057,200	1,057,200	1,057,200	1,057,200
Housing	2,318,500	2,318,500	2,318,500	2,318,500	2,318,500
Planning	948,200	948,200	948,200	948,200	948,200
Environment and Compliance	5,834,000	5,822,000	5,834,000	5,834,000	5,834,000
Community Wellbeing	1,029,100	1,029,100	1,029,100	1,029,100	1,029,100
Economic Development, Customer Service, Estates and Transport	3,308,400	3,312,700	3,317,000	3,321,300	3,325,600
Investment Portfolio, Asset Management and Regeneration	2,014,500	2,014,500	2,014,500	2,014,500	2,014,500
	20,992,900	20,985,200	21,001,500	21,005,800	21,010,100
Salary expenditure - vacancy monitoring	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)
Pay Award & Increments	0	172,400	592,400	1,023,400	1,465,400
Increments	0	50,000	100,000	150,000	200,000
Pensions	1,058,000	205,000	0	600,000	700,000
As yet unidentified annual growth anticipated to come	0	1,266,315	1,134,415	822,115	722,115
Proposed Savings		(489,276)	(489,276)	(489,276)	(489,276)
Service Expenditure	21,750,900	21,889,639	22,528,315	23,301,315	23,797,615
NET EXPENDITURE	21,750,900	21,889,639	22,528,315	23,301,315	23,797,615
Interest earnings	(1,290,000)	(1,249,256)	(1,249,256)	(1,249,256)	(1,249,256)
Asset Acquisition Income	(53,006,200)	(51,339,224)	(52,948,479)	(51,752,261)	(51,855,261)
Debt Interest payable	24,234,600	24,498,320	24,461,580	24,437,470	24,285,120
Minimum Revenue Provision	11,902,900	12,327,200	12,637,706	13,070,431	13,081,231
Set Aside	1,130,000	1,030,000	1,030,000	955,000	955,000
Capitalisation of Interest on Development Properties		(1,221,100)	(1,296,900)	(1,430,300)	(1,491,280)
Net interest margin on loans to KGE	(50,000)	0	(402,413)	(853,300)	(1,803,550)
Contingency Provision for Covid	0	506,397	0	0	0
Recharge of Central Support Costs to KGE	0	(130,000)	(130,000)	(130,000)	(130,000)
NET EXPENDITURE AFTER INTEREST EARNINGS	4,672,200	6,311,975	4,630,552	6,349,098	5,589,618
Appropriation to Reserves:					
Revenue Contributions to Capital Outlay	750,000	835,100	750,000	750,000	750,000
Project Delivery Fund	1,397,400	0	0	0	0
Sinking Fund Contributions	5,814,000	6,814,000	6,814,000	6,814,000	6,814,000
Release of Funding from Sinking Fund	0	(2,625,204)	(1,085,793)	(889,793)	(889,793)
BUDGET REQUIREMENT	12,633,600	11,335,871	11,108,759	13,023,305	12,263,825
Allocation from National Non-Domestic Rate pool	0	0	0	0	0
Retained Business Rates	(3,000,000)	(1,929,000)	(1,929,000)	(1,929,000)	(1,929,000)
Section 31 Grants	(800,000)	(800,000)	(800,000)	(800,000)	(800,000)
Lower Tier Services Grant re Core Spending Power	0	(82,145)	0	0	0
Business Rates - Economic Development Set Aside	0	(800,000)	0	0	0
Covid Grant 2021/22	0	(506,397)	0	0	0
Negative RSG	0	0	0	0	0
New Homes Bonus Grant	(551,100)	(252,000)	(144,000)	0	0
Use of General Fund Reserves (Unused Covid Allocation)	0	0	0	0	0
NET BUDGET REQUIREMENT	8,282,500	6,966,329	8,235,759	10,294,305	9,534,825
Collection Fund (Surplus)/Deficit	(63,000)	117,000	117,000	117,000	100,000
CHARGE TO COLLECTION FUND	8,219,500	7,083,329	8,352,759	10,411,305	9,634,825
Tax base	40,085	39,016	40,101	40,703	41,313
Council Tax rate	205	207	211	215	220
Council Tax yield	8,219,500	8,080,300	8,471,100	8,770,100	9,079,700
DEFICIT/(SURPLUS)	0	(996,971)	(118,341)	1,641,205	555,125

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Outline Budget - Base Case (Council Tax Increase 2%, Pay 1%)

AppB7

	2020-21 Original £	2021-22 £	2022-23 £	2023-24 £	2024-25 £
Gross Expenditure	61,359,100	61,359,100			
Less: Fees and Charges and Specific Grants (excl Housing Benefits)	(11,048,700)	(11,056,400)			
Less: Housing Benefits Grant	(29,317,500)	(29,317,500)			
Net Service Expenditure:	20,992,900	20,985,200			
Broken down over Portfolios					
Leader of the Council	1,241,400	1,241,400	1,241,400	1,241,400	1,241,400
Deputy Leader and Finance	3,241,600	3,241,600	3,241,600	3,241,600	3,241,600
Corporate Management	1,057,200	1,057,200	1,057,200	1,057,200	1,057,200
Housing	2,318,500	2,318,500	2,318,500	2,318,500	2,318,500
Planning	948,200	948,200	948,200	948,200	948,200
Environment and Compliance	5,834,000	5,822,000	5,834,000	5,834,000	5,834,000
Community Wellbeing	1,029,100	1,029,100	1,029,100	1,029,100	1,029,100
Economic Development, Customer Service, Estates and Transport	3,308,400	3,312,700	3,317,000	3,321,300	3,325,600
Investment Portfolio, Asset Management and Regeneration	2,014,500	2,014,500	2,014,500	2,014,500	2,014,500
	20,992,900	20,985,200	21,001,500	21,005,800	21,010,100
Salary expenditure - vacancy monitoring	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)
Pay Award & Increments	0	172,400	592,400	1,023,400	1,465,400
Increments	0	50,000	100,000	150,000	200,000
Pensions	1,058,000	205,000	0	600,000	700,000
As yet unidentified annual growth anticipated to come	0	1,266,315	1,134,415	822,115	722,115
Proposed Savings		(489,276)	(489,276)	(489,276)	(489,276)
Service Expenditure	21,750,900	21,889,639	22,528,315	23,301,315	23,797,615
NET EXPENDITURE	21,750,900	21,889,639	22,528,315	23,301,315	23,797,615
Interest earnings	(1,290,000)	(1,249,256)	(1,249,256)	(1,249,256)	(1,249,256)
Asset Acquisition Income	(53,006,200)	(51,339,224)	(52,948,479)	(51,752,261)	(51,855,261)
Debt Interest payable	24,234,600	24,498,320	24,461,580	24,437,470	24,285,120
Minimum Revenue Provision	11,902,900	12,327,200	12,637,706	13,070,431	13,081,231
Set Aside	1,130,000	1,030,000	1,030,000	955,000	955,000
Capitalisation of Interest on Development Properties		(1,221,100)	(1,296,900)	(1,430,300)	(1,491,280)
Net interest margin on loans to KGE	(50,000)	0	(402,413)	(853,300)	(1,803,550)
Contingency Provision for Covid	0	506,397	0	0	0
Recharge of Central Support Costs to KGE	0	(130,000)	(130,000)	(130,000)	(130,000)
NET EXPENDITURE AFTER INTEREST EARNINGS	4,672,200	6,311,975	4,630,552	6,349,098	5,589,618
Appropriation to Reserves:					
Revenue Contributions to Capital Outlay	750,000	835,100	750,000	750,000	750,000
Project Delivery Fund	1,397,400	0	0	0	0
Sinking Fund Contributions	5,814,000	6,814,000	6,814,000	6,814,000	6,814,000
Release of Funding from Sinking Fund	0	(2,625,204)	(1,085,793)	(889,793)	(889,793)
BUDGET REQUIREMENT	12,633,600	11,335,871	11,108,759	13,023,305	12,263,825
Allocation from National Non-Domestic Rate pool	0	0	0	0	0
Retained Business Rates	(3,000,000)	(1,929,000)	(1,929,000)	(1,929,000)	(1,929,000)
Section 31 Grants	(800,000)	(800,000)	(800,000)	(800,000)	(800,000)
Lower Tier Services Grant re Core Spending Power	0	(82,145)	0	0	0
Business Rates - Economic Development Set Aside	0	(800,000)	0	0	0
Covid Grant 2021/22	0	(506,397)	0	0	0
Negative RSG	0	0	0	0	0
New Homes Bonus Grant	(551,100)	(252,000)	(144,000)	0	0
Use of General Fund Reserves (Unused Covid Allocation)	0	0	0	0	0
NET BUDGET REQUIREMENT	8,282,500	6,966,329	8,235,759	10,294,305	9,534,825
Collection Fund (Surplus)/Deficit	(63,000)	117,000	117,000	117,000	100,000
CHARGE TO COLLECTION FUND	8,219,500	7,083,329	8,352,759	10,411,305	9,634,825
Tax base	40,085	39,016	40,101	40,703	41,313
Council Tax rate	205	209	213	218	222
Council Tax yield	8,219,500	8,160,300	8,555,000	8,857,000	9,169,600
DEFICIT/(SURPLUS)	0	(1,076,971)	(202,241)	1,554,305	465,225

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Outline Budget - Base Case (Council Tax Increase £5, Pay 1%)

AppB8

	2020-21 Original £	2021-22 £	2022-23 £	2023-24 £	2024-25 £
Gross Expenditure	61,359,100	61,359,100			
Less: Fees and Charges and Specific Grants (excl Housing Benefits)	(11,048,700)	(11,056,400)			
Less: Housing Benefits Grant	(29,317,500)	(29,317,500)			
Net Service Expenditure:	20,992,900	20,985,200			
Broken down over Portfolios					
Leader of the Council	1,241,400	1,241,400	1,241,400	1,241,400	1,241,400
Deputy Leader and Finance	3,241,600	3,241,600	3,241,600	3,241,600	3,241,600
Corporate Management	1,057,200	1,057,200	1,057,200	1,057,200	1,057,200
Housing	2,318,500	2,318,500	2,318,500	2,318,500	2,318,500
Planning	948,200	948,200	948,200	948,200	948,200
Environment and Compliance	5,834,000	5,822,000	5,834,000	5,834,000	5,834,000
Community Wellbeing	1,029,100	1,029,100	1,029,100	1,029,100	1,029,100
Economic Development, Customer Service, Estates and Transport	3,308,400	3,312,700	3,317,000	3,321,300	3,325,600
Investment Portfolio, Asset Management and Regeneration	2,014,500	2,014,500	2,014,500	2,014,500	2,014,500
	20,992,900	20,985,200	21,001,500	21,005,800	21,010,100
Salary expenditure - vacancy monitoring	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)
Pay Award & Increments	0	172,400	592,400	1,023,400	1,465,400
Increments	0	50,000	100,000	150,000	200,000
Pensions	1,058,000	205,000	0	600,000	700,000
As yet unidentified annual growth anticipated to come	0	1,266,315	1,134,415	822,115	722,115
Proposed Savings	0	(489,276)	(489,276)	(489,276)	(489,276)
Service Expenditure	21,750,900	21,889,639	22,528,315	23,301,315	23,797,615
NET EXPENDITURE	21,750,900	21,889,639	22,528,315	23,301,315	23,797,615
Interest earnings	(1,290,000)	(1,249,256)	(1,249,256)	(1,249,256)	(1,249,256)
Asset Acquisition Income	(53,006,200)	(51,339,224)	(52,948,479)	(51,752,261)	(51,855,261)
Debt Interest payable	24,234,600	24,498,320	24,461,580	24,437,470	24,285,120
Minimum Revenue Provision	11,902,900	12,327,200	12,637,706	13,070,431	13,081,231
Set Aside	1,130,000	1,030,000	1,030,000	955,000	955,000
Capitalisation of Interest on Development Properties		(1,221,100)	(1,296,900)	(1,430,300)	(1,491,280)
Net interest margin on loans to KGE	(50,000)	0	(402,413)	(853,300)	(1,803,550)
Contingency Provision for Covid	0	506,397	0	0	0
Recharge of Central Support Costs to KGE	0	(130,000)	(130,000)	(130,000)	(130,000)
NET EXPENDITURE AFTER INTEREST EARNINGS	4,672,200	6,311,975	4,630,552	6,349,098	5,589,618
Appropriation to Reserves:					
Revenue Contributions to Capital Outlay	750,000	835,100	750,000	750,000	750,000
Project Delivery Fund	1,397,400	0	0	0	0
Sinking Fund Contributions	5,814,000	6,814,000	6,814,000	6,814,000	6,814,000
Release of Funding from Sinking Fund	0	(2,625,204)	(1,085,793)	(889,793)	(889,793)
BUDGET REQUIREMENT	12,633,600	11,335,871	11,108,759	13,023,305	12,263,825
Allocation from National Non-Domestic Rate pool	0	0	0	0	0
Retained Business Rates	(3,000,000)	(1,929,000)	(1,929,000)	(1,929,000)	(1,929,000)
Section 31 Grants	(800,000)	(800,000)	(800,000)	(800,000)	(800,000)
Lower Tier Services Grant re Core Spending Power	0	(82,145)	0	0	0
Business Rates - Economic Development Set Aside	0	(800,000)	0	0	0
Covid Grant 2021/22	0	(506,397)	0	0	0
Negative RSG	0	0	0	0	0
New Homes Bonus Grant	(551,100)	(252,000)	(144,000)	0	0
Use of General Fund Reserves (Unused Covid Allocation)	0	0	0	0	0
NET BUDGET REQUIREMENT	8,282,500	6,966,329	8,235,759	10,294,305	9,534,825
Collection Fund (Surplus)/Deficit	(63,000)	117,000	117,000	117,000	100,000
CHARGE TO COLLECTION FUND	8,219,500	7,083,329	8,352,759	10,411,305	9,634,825
Tax base	40,085	39,016	40,101	40,703	41,313
Council Tax rate	205	210	214	219	223
Council Tax yield	8,219,500	8,195,400	8,591,700	8,895,000	9,209,000
DEFICIT/(SURPLUS)	0	(1,112,071)	(238,941)	1,516,305	425,825

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Summary of Growth

Growth Item	Amount	2021/22	2022/23	2023/24	2024/25	
Microsoft licensing	65,000	65,000	65,000	65,000	65,000	Agreed by MAT to go forward to Members
Increase in contribution for membership of the EM3 LEP	10,000	10,000	10,000	10,000	10,000	Agreed by MAT to go forward to Members
To formalise temporary additional hours for HR Manager (Angela Tooth).	15,000	15,000	15,000	15,000	15,000	Agreed by MAT to go forward to Members
To regrade the Payroll Officers from scale 6 to scale M1	9,100	9,100	9,100	9,100	9,100	Agreed by MAT to go forward to Members
To regrade the HR Advisors (2 posts) from M1 to M2	5,800	5,800	5,800	5,800	5,800	Agreed by MAT to go forward to Members
To regrade HR Assistant posts (2.2 fte) from Scale 3/5 to 3/6	1,600	1,600	1,600	1,600	1,600	Agreed by MAT to go forward to Members
To regrade HR Systems and MI Officer post from scale 6 to scale 6/M1	3,900	3,900	3,900	3,900	3,900	Agreed by MAT to go forward to Members
Information Governance Co-ordinator (IGO)	42,000	42,000	42,000	42,000	42,000	Agreed by MAT to go forward to Members
Task Group co-ordinator	30,100	0	0	0	0	Not Agreed to go forward to Members
Climate change	25,000	10,000	0	0	0	Agreed by MAT to go forward to Members
Tothill Car Park loss of income	12,900	12,900	12,900	12,900	12,900	Agreed by MAT to go forward to Members
Bridge St Car Park loss of income	41,000	41,000	41,000	41,000	41,000	Agreed by MAT to go forward to Members
South Street Car Park Rents	8,300	8,300	8,300	8,300	8,300	Agreed by MAT to go forward to Members
End of partnership with RBC	21,200	21,200	21,200	21,200	21,200	Agreed by MAT to go forward to Members
Legal & Court Costs	30,000	25,000	25,000	25,000	25,000	Agreed by MAT to go forward to Members
Expert Advice	15,000	15,000	15,000	15,000	15,000	Agreed by MAT to go forward to Members
SEP Fixed Payments	0	0	0	0	0	Agreed by MAT to go forward to Members
Textile collection	7,000	7,000	0	0	0	Agreed by MAT to go forward to Members
SAT Loss of Income re Covid	25,900	0	0	0	0	Agreed by MAT to go forward to Members
GP Surveyor (Municipal portfolio and planned and responsive maintenance when brought in house April 2021) SM1	67,255	0	0	0	0	To be discussed with Members
Regrading for Property Account Manager to SM1	8,850	0	0	0	0	To be discussed with Members
Finance and Budget Manager for development projects SM1 (showing scales at 21-22 rates)	67,255	0	0	0	0	To be discussed with Members
Principal Building Surveyor (SM1) Full time	68,697	68,697	68,697	68,697	68,697	Agreed by MAT to go forward to Members
Senior Building Surveyor (M2)	52,585	52,585	52,585	52,585	52,585	Agreed by MAT to go forward to Members
Clerk of Works Full time S6	43,233	43,233	43,233	43,233	43,233	Agreed by MAT to go forward to Members
Procurement Officer as a result of the planned and responsive maintenance service coming back in house 0.5 FTE @ S6	20,309	0	0	0	0	To be discussed with Members
Annual licence for planned and responsive maintenance ICT system	10,000	10,000	10,000	10,000	10,000	Agreed by MAT to go forward to Members
Annual licence for planned and responsive maintenance ICT system	5,000	5,000	0	0	0	Agreed by MAT to go forward to Members
Interim Residential Property Manager Part time (21 hours) SM2	43,443	0	0	0	0	To be discussed with Members
Temporary resource Part time Lettings Manager for Charter Building after the departure of Landid in January 2021	26,000	0	0	0	0	To be discussed with Members
Temporary resource required to complete work on getting municipal lease and licences and all other relevant financial information onto the Blue Box System.	52,000	0	0	0	0	To be discussed with Members
Housing Data & Contracts Officer	48,152	48,152	48,152	48,152	48,152	Agreed by MAT to go forward to Members
Housing First	85,000	85,000	85,000	85,000	85,000	Agreed by MAT to go forward to Members
Step-down	No net increase	0	0	0	0	Agreed by MAT to go forward to Members
Covid TA	No net increase	0	0	0	0	Agreed by MAT to go forward to Members
Harper House	(11,000)	0	0	0	0	Agreed by MAT to go forward to Members
White House	136,000	136,000	136,000	136,000	136,000	Agreed by MAT to go forward to Members
Graphic Designer	34,600	0	0	0	0	Agreed by MAT to go forward to Members
Marketing	11,000	11,000	11,000	11,000	11,000	Agreed by MAT to go forward to Members
Computer software	2,800	2,800	2,800	2,800	2,800	Agreed by MAT to go forward to Members
Website software	5,900	5,900	5,900	5,900	5,900	Agreed by MAT to go forward to Members
Audit Fees	50,000	200,000	200,000	200,000	200,000	Agreed by MAT to go forward to Members
Increase in Fuel Duty	7,400	0	0	0	0	Agreed by MAT to go forward to Members
Increase in contribution for membership of the EM3 LEP (Duplicated)	10,000	0	0	0	0	Not Agreed to go forward to Members
Committee Services	19,800	19,800	19,800	19,800	19,800	Agreed by MAT to go forward to Members
Committee Services	74,000	74,000	74,000	74,000	74,000	Agreed by MAT to go forward to Members

Recruit an Admin Assistant in Legal. Scale 3-6	27,500	0	0	0	0	Not Agreed to go forward to Members
Legal Executive – property M1 – M3+1	44,100	44,100	44,100	44,100	44,100	Agreed by MAT to go forward to Members
Legal Assistant. Scale 3-6	27,500	0	0	0	0	Not Agreed to go forward to Members
Recruitment of Senior Contracts Lawyer M1- SM2	55,600	55,600	55,600	55,600	55,600	Agreed by MAT to go forward to Members
Legal training budget	3,000	0	0	0	0	Not Agreed to go forward to Members
Legal Books and publications	3,000	0	0	0	0	Not Agreed to go forward to Members
To pay for a member of staff to attend the (CIPFA) Diploma in Contract Management.	2,990	0	0	0	0	Not Agreed to go forward to Members
Meals on Wheels Evening Driver	16,900	16,900	16,900	16,900	16,900	Agreed by MAT to go forward to Members
Call Out Allowance MOW	7,200	7,200	7,200	7,200	7,200	Agreed by MAT to go forward to Members
SPAN Equipment purchase Increase	20,000	0	0	0	0	Agreed by MAT to go forward to Members
Covid related additional expenditure	11,100	0	0	0	0	Agreed by MAT to go forward to Members
Costs to be incurred by Local Plan examination	200,000	200,000	0	0	0	Agreed by MAT to go forward to Members
Climate change	30,100	0	0	0	0	Not Agreed to go forward to Members
Business Rates at Knowle Green	16,000	0	0	0	0	Not Agreed to go forward to Members
Cleaning Contract Increase	4,000	4,000	4,000	4,000	4,000	Agreed by MAT to go forward to Members
Active Lifestyle and Wellbeing Officer	14,000	0	0	0	0	Not Agreed to go forward to Members
Additional Hours for employee / retention	12,400	0	0	0	0	Not Agreed to go forward to Members
Education Ambassador	25,000	0	0	0	0	Not Agreed to go forward to Members
Loss of Income across Council -Contingency for COVID Uncertainty		400,000	200,000	100,000	0	Agreed by MAT to go forward to Members
Traveller Transit Site		0	150,000	0	0	Agreed by MAT to go forward to Members
Environmental Health HoS Regrade		2,700	2,700	2,700	2,700	Agreed by MAT to go forward to Members
Contingency Provision for Planning Appeals		200,000	0			Agreed by MAT to go forward to Members
Contingency Provision for Internal Audit Work		10,000	0	0	0	Agreed by MAT to go forward to Members
Proposal to move Procurement Manager to a temporary contract for 2 years with Council from her current contractor role.		104,300	60,300			To be discussed with Members
Standing charges for telephony connections are due to increase		2,000	2,000			Agreed by MAT to go forward to Members
Community Infrastructure overspend		30,000				Agreed by MAT to go forward to Members
	1,827,469	2,131,767	1,575,767	1,263,467	1,163,467	

Total Growth (excluding identified funding below)

2,131,767 1,575,767 1,263,467 1,163,467

Housing Growth to be funded from Rental Income	-48,152	-48,152	-48,152	-48,152	Funding for above growth
Housing Growth to be funded from MHCLG/Homelessness Grant	-85,000	-85,000	-85,000	-85,000	Funding for above growth
Housing have put forward savings to fund the cost of Whitehouse	-136,000	-136,000	-136,000	-136,000	Funding for above growth
Additional Meals on Wheels Income which would more than cover the cost of the additional driver/call out allowance.	-24,100				Funding for above growth
Use of Green Fighting Fund	-400,000	0	0	0	Funding for above growth
Planned & Responsive Maintenance Runnymede Contract Saving	-172,200	-172,200	-172,200	-172,200	Funding for above growth

Agreed Growth (net of funding)

1,827,469 1,266,315 1,134,415 822,115 722,115

Summary of Savings

Details of Savings Offered	Explanation of proposed saving	Amount	Full / Part Year	Ongoing or one off	Full year cost if different	Service impact Assessment of saving	Offered By
Public Halls Telephones	No Telephones in Public Halls	400	Full Year	Ongoing		None	Jackie Taylor
Green Waste	Increased income from additional customers	100,000	Full Year	Ongoing		None	Jackie Taylor
Clinical Waste	Budget no longer required	1,000	Full Year	Ongoing		None	Jackie Taylor
Kingston Road Car Park	The car park has now been purchased by SBC and rent payment is no longer required	95,000	Full Year	Ongoing		None	Jackie Taylor
Increase allotment income	Allotments are becoming more popular and income is expected to be higher	5,000	Full Year	Ongoing		None	Jackie Taylor
Lower Water Charges	Closure of Water Park at Lammas has reduced the costs	10,000	Full Year	Ongoing		None	Jackie Taylor
APC Toilet Facilities	All toilet facilities have been removed and now managed by parks	1,500	Full Year	Ongoing		None	Jackie Taylor
APC Toilet Facilities	All toilet facilities have been removed and now managed by parks	1,000	Full Year	Ongoing		None	Jackie Taylor
DS Leased cars	Leased car budget no longer required as none of staff members have a lased car	6,000	Full Year	Ongoing		None	Jackie Taylor
HMO Licensing Fees	Expected increase in income	12,700	Full Year	Ongoing		None	Tracey Willmott-French
Pest Control Service	For the last three years the pest control contract has been provided by a different provider and under a different type of	10,500	Full Year	Ongoing		None	Tracey Willmott-French
Senior Facilities Manager post	Post to be deleted as previous post holder now in a new position.	40,376	Full Year	Ongoing			Heather Morqan / John Hessbrook
Contract Cost for Planned Maitenance	Old contract cost for Planned Maintenance with Runnymede. This will now fund an inhouse service which is shown in the growth bids	172,200	Full Year	Ongoing		An inhouse service must go ahead	Heather Morgan / John Hessbrook
Parks Properties	Introduction of new budget for Parks Properties at Long Lane Pavilion & Staines Park Pavilion. This is the net affect	13,700	Full Year	Ongoing			Nick Cummings
Less reliance on external internal audit	The Council places reliance on Mazars for external internal audit. It is considered that this can be reduced with amendments to the working practices in audit	10,000	Full Year			There will be more work to be undertaken in-house and will impact on resources	Victoria Statham
KG Office Moves	Knowle Green Office Move budget can be reduced and was mainly input for Project LIMA	10,000	Full Year	Ongoing			John Hessbrook / Heather Morgan
Computer Software	Software	20,000	Full Year	Ongoing			Esme Spinks / Heather Morgan
Planning Fees	Increase in Pre-app budget due to usage and also fee increase	5,000	Full Year	Ongoing		and also fee increase put forward for 2021-22.	Esme Spinks / Heather Morgan
Planning Fees	Increase in Planning app fees due to usage and also fee increase	30,000	Full Year	Ongoing		BH would like to note that after viewing previous	Esme Spinks / Heather Morgan
Planning Policy Training Budget	No longer required as member of staff training complete.	3,000	Full Year	Ongoing			Ann Biggs / Heather Morgan
Reduction in Insurance Premium costs	As agreed and advised by Stuart Mann	134,100	Full Year	One Off			Stuart Mann
Row20 above	Remove saving pending confirmation not a cost shunt	- 20,000					
Row 16 above#	Saving funding matching growth	- 172,200					
		489,276					

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Cabinet

27 January 2021



Title	Treasury Management Half Yearly Report 2020/21
Purpose of the report	To note
Report Author	Anna Russell, Deputy Chief Accountant
Cabinet Member	Councillor Sati Buttar
Confidential	No
Corporate Priority	Financial Sustainability
Recommendations	<p>Cabinet is asked to:</p> <p>1. Note the treasury position achieved during the first six months of 2020/21 and the financial environment in global markets.</p>
Reason for Recommendation	Not applicable

1. Key issues

- 1.1 Treasury Management is the management of the Council's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- 1.2 The Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code), which requires the Council to report on performance of the treasury management function at least twice yearly (mid-year and at year end).
- 1.3 The Council's Treasury Management Strategy for 2020/21 was reviewed and approved by Cabinet on 29 January 2020, and approved by Council on 27 February 2020, and has been consistently applied since the beginning of the financial year.
- 1.4 This report is an interim statement of treasury activities for the first six months of the financial year, to the end of September 2020. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risks.

- 1.5 The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council's Capital Strategy, complying with CIPFA's requirement, was approved by Council on 27 February 2020 and will be refreshed in February 2021 for financial year 2021-22.

External Context - Economic background

- 1.6 The spread of the coronavirus pandemic dominated during the period as countries around the world tried to manage the delicate balancing act of containing transmission of the virus while easing lockdown measures and getting their populations and economies working again. After a relatively quiet few months of Brexit news it was back in the headlines towards the end of the period as agreement between the UK and EU on a trade deal was looking difficult and the government came under fire, both at home and abroad, as it tried to pass the Internal Market Bill which could override the agreed Brexit deal, potentially breaking international law.
- 1.7 The Bank of England (BoE) maintained Bank Rate at 0.1% and its Quantitative Easing programme at £745 billion. The potential use of negative interest rates was not ruled in or out by BoE policymakers, but then a comment in the September Monetary Policy Committee meeting minutes that the central bank was having a harder look at its potential impact than was previously suggested took financial markets by surprise.
- 1.8 Government initiatives continued to support the economy, with the furlough (Coronavirus Job Retention) scheme keeping almost 10 million workers in jobs, grants and loans to businesses and 100 million discounted meals being claimed during the 'Eat Out to Help Out' (EOHO) offer.
- 1.9 GDP growth contracted by a massive 19.8% (revised from first estimate - 20.4%) in Q2 2020 (Apr-Jun) according to the Office for National Statistics, pushing the annual growth rate down to -21.5% (first estimate -21.7%). Construction output fell by 35% over the quarter, services output by almost 20% and production by 16%. Recent monthly estimates of GDP have shown growth recovering, with the latest rise of almost 7% in July, but even with the two previous monthly gains this still only makes up half of the lost output.
- 1.10 The headline rate of UK Consumer Price Inflation (CPI) fell to 0.2% year on year in August before rising to 0.5% in September, further below the Bank of England's 2% target, with the largest downward contribution coming from restaurants and hotels influenced by the EOHO scheme. The Office for National Statistics' preferred measure of CPIH which includes owner-occupied housing was 0.5% year on year.
- 1.11 In the three months to July, labour market data showed the unemployment rate increased from 3.9% to 4.1% while wages fell 1% for total pay in nominal terms (0.2% regular pay) and was down 1.8% in real terms (-0.7% regular pay). On the back of this, the BoE has forecast unemployment could hit a peak of between 8% and 9%.
- 1.12 The US economy contracted at an annualised rate of 31.7% in Q2 2020 (Apr-Jun). The Federal Reserve maintained the Fed Funds rate at between 0% and 0.25% but announced a change to its inflation targeting regime. The move is to a more flexible form of average targeting which will allow the

central bank to maintain interest rates at low levels for an extended period to support the economy even when inflation is 'moderately' above the 2% average target, particularly given it has been below target for most of the last decade.

- 1.13 The European Central Bank maintained its base rate at 0% and deposit rate at -0.5%.

External Context – Financial markets

- 1.14 Equity markets continued their recovery, with the Dow Jones climbing to not far off its pre-crisis peak, albeit that performance being driven by a handful of technology stocks including Apple and Microsoft, with the former up 75% in 2020. The FTSE 100 and 250 have made up around half of their losses at the height of the pandemic in March. Central bank and government stimulus packages continue to support asset prices, but volatility remains.
- 1.15 Ultra-low interest rates and the flight to quality continued, keeping gilts yields low but volatile over the period with the yield on some short-dated UK government bonds remaining negative. The 5-year UK benchmark gilt yield started and ended the June–September period at -0.06% (with much volatility in between). The 10-year gilt yield also bounced around, starting at 0.21% and ending at 0.23% over the same period, while the 20-year rose from 0.56% to 0.74%. 1-month, 3-month and 12-month bid rates averaged 0.02%, 0.06% and 0.23% respectively over the period.
- 1.16 At the end of September, the yield on 2-year US treasuries was around 0.13% while that on 10-year treasuries was 0.69%. German bund yields remain negative across most maturities.

External Context – Credit Review

Credit default swap spreads eased over most of the period but then started to tick up again through September. In the UK, the spreads between ringfenced and non-ringfenced entities remains, except for retail bank Santander UK whose CDS spread remained elevated and the highest of those we monitor at 85bps while Standard Chartered was the lowest at 41bps. The ringfenced banks are currently trading between 45 and 50bps.

- 1.17 After a busy second quarter of the calendar year, the subsequent period has been relatively quiet for credit changes for the names on our counterparty list. Fitch assigned a AA- deposit rating to Netherlands lender Rabobank with a negative outlook and prior to that, while not related to our counterparty list but quite significant, revised the outlook on the US economy to Negative from Stable while also affirming its AAA rating.
- 1.18 There continues to remain much uncertainty around the extent of the losses banks and building societies will suffer due to the impact from the coronavirus pandemic and for the UK institutions on our list there is the added complication of the end of the Brexit transition period on 31st December and what a trade deal may or may not look like. The institutions on Arlingclose's counterparty list and recommended duration remain under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.

Local Context

- 1.19 With the purchase of properties starting with the BP international campus site in Sunbury during 2016/17, the Council now has significant levels of long-term borrowing, secured to fund historic property acquisitions.
- 1.20 The Council's current strategy for funding capital developments is to take advantage of the cheap borrowing rates available when needed, while maintaining the investment portfolio that has been built up.
- 1.21 For the year ended 31st March 2020, the Council had: capital expenditure of £78m, including £14.6m (18.7%) on investment properties; and net borrowing of £1,030m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These are summarised at Tables 1 and 2 below.

Table 1: CFR Summary as at 31st March 2020

	2019/20 £'000
Opening Capital Financing Requirement	1,051,120
<i>Capital investment</i>	
Property, Plant and Equipment	62,507
Investment Properties	14,640
Intangible Assets	19
Revenue Spend Funded from Capital under Statute	964
Total Capital Investment	78,130
<i>Sources of Finance</i>	
Capital Receipts	(565)
Government Grants and Contributions	(784)
Revenue contributions	(750)
Repayment of debt	(11,052)
Total Sources of Finance	(13,151)
Closing Capital Financing Requirement	1,116,100

- 1.22 As this shows, the CFR represents the cost of capital expenditure that remains to be financed, after applying sources of finance. This therefore is the underlying need to borrowing. The opening CFR (1 April 2019) of £1.05m was increased by £78.13m capital expenditure during 2020/21 and decreased by £13.15m of funds applied, leaving a closing CFR of £1,12m.
- 1.23 Lower official interest rates have decreased the cost of short-term, temporary loans and investment returns from cash assets that can be used instead of borrowing. The Council pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk.
- 1.24 The treasury management position on 30th September 2020 and the change over the six months is shown in Table 2 next.

Table 2: Treasury Management Summary

	31/03/2020		30/09/2020
	Balance £m	Movement £m	Balance £m
Long-term borrowing	(1,068)	8	(1,060)
Short-term borrowing	(45)	(48)	(93)
Total borrowing	(1,113)	(40)	(1,153)
Long-term investments	31	6	37
Short-term investments	35	45	80
Cash and cash equivalents	17	(12)	5
Total investments	83	39	122
Net borrowing	(1,030)	(1)	(1,031)

1.25 Short-term investments total £80m, and cash balances £5m, reflecting the increases in income generation. These cash funds are being kept liquid to ensure that funding is readily available for development project costs expected over the coming months.

2. Borrowing Update

2.1 The Chancellor's March 2020 Budget statement included significant changes to Public Works Loan Board (PWLB) policy and launched a wide-ranging consultation on the PWLB's future direction. Additional £1.15bn "infrastructure rate" funding at gilt yields plus 0.60% has been made available to support specific local authority infrastructure projects for England, Scotland and Wales, for which there is a bidding process.

2.2 In November, HM Treasury published the consultation results, and announced changes to PWLB lending terms: reduction by 1% on certainty rate loans (which had been increased by 1% in October 2019) that councils can access; but access only if an authority has no intention over three years to buy investment assets primarily for yield.

2.3 Municipal Bonds Agency (MBA): The MBA revised its standard loan terms and framework agreement. Guarantees for the debt of other borrowers are now proportional and limited and a requirement to make contribution loans in the event of a default by a borrower has been introduced. The agency has issued 5-year floating rate and 40-year fixed rate bonds in 2020, in both instances Lancashire County Council is the sole borrower and guarantor.

2.4 If the Council considers future borrowing through the MBA, it will first ensure that it has thoroughly scrutinised the legal terms and conditions of the arrangement and is satisfied with them.

3. Borrowing Strategy during the period

3.1 On 30th September 2020, the Council held £1,153m of loans, an increase of £40m from 31st March 2020, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 30th September are summarised in Table 3 next.

Table 3: Borrowing Position

	31/03/2020		30/09/2020
	Balance	Movement	Balance
	£m	£m	£m
Public Works Loan Board	1,057	(5)	1,052
Local authorities - long-term	11	(3)	8
Local authorities - short-term	45	48	93
Total Borrowing	1,113	40	1,153

- 3.2 On 30th September 2020, the Council also had short-term borrowing totalling £93m. This reflected the cash-flow impact of some of the costs associated with development capital projects. These funds were borrowed from other local authorities because of the affordable rates on offer.
- 3.3 The Council will also consider borrowing additional funds on both a long- and short-term basis for future development projects. Work is ongoing with Arlingclose and the portfolio holder to ensure that the cheapest and most appropriate duration and source are secured
- 3.4 The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term funding and asset management plans change.

Treasury Investment Activity

- 3.5 Both the CIPFA Code and Government guidance require the Council to invest funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 3.6 Continued downward pressure on short-dated cash rate brought net returns on sterling low volatility net asset value money market funds (LVNAV MMFs) close to zero even after some managers temporarily lowered their fees. Net negative returns are not the central case of most MMF managers over the short-term, and fee waivers should maintain positive net yields, but the possibility of net negative returns cannot be ruled out.
- 3.7 On 25th September the overnight, 1- and 2-week deposit rates on Debt Management Account Deposit Facility (DMADF) deposits dropped below zero percent to -0.03%, the rate was 0% for 3-week deposits and 0.01% for longer maturities.
- 3.8 The return on Money Market Funds net of fees also fell over the six months and for many funds net returns range between 0% and 0.1%. In many instances, the fund management companies have temporarily lowered or waived fees to maintain a positive net return.
- 3.9 In the light of the pandemic crisis and the likelihood of unexpected calls on cash flow, the Council has kept more cash available at very short notice than

is normal. Liquid cash was diversified over several counterparties and Money Market Funds to manage both credit and liquidity risks.

- 3.10 As at 30th September 2020, the Council's investment portfolio totalled £123.5m, with £46.0m of this being short-term and cash funds. A breakdown of investments is given in **Appendix A**.

Externally Managed Strategic Funds

- 3.11 Funds totalling £32.5m of the Council's investments are held in externally managed strategic (bond, equity, multi-asset and property) funds, where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. These funds generated a return of £0.39m to end September 2020 (October £0.56m, annualised 3.61%). A full list of these and their current performance is detailed in **Appendix B**.
- 3.12 In a relatively short period since the onset of the COVID-19 pandemic in March and the ensuing enforced lockdown in many jurisdictions, the global economic fallout has been sharp and large. Market reaction was extreme with large falls in equities, corporate bond markets and, to some extent, real estate, reflecting lockdown-induced paralysis and the uncharted challenges for governments, businesses and individuals.
- 3.13 The Council is invested in bond, equity, multi-asset and property funds. The falls in the capital values of the underlying assets, in particular bonds and equities, were reflected in the 31st March 2020 fund valuations, with most funds registering negative capital returns over a 12-month period. Since March, there has been improvement in market sentiment which is reflected in partial recovery in capital values of funds in the Council's portfolio.
- 3.14 Similar to many other property funds, dealing (i.e. buying or selling units) in the CCLA Local Authorities Property Fund and the Columbia Threadneedle Property Fund was suspended by the funds in March 2020. The relative infrequency of property transactions in March as the pandemic intensified meant that it was not possible for valuers to be confident that their valuations correctly reflected prevailing conditions. To avoid material risk of disadvantage to buyers, sellers and holders of units in the property fund, the management company was obliged to suspend transactions until the required level of certainty is re-established. The dealing suspension was lifted in September 2020. There has also been a change to redemption terms for the CCLA Local Authorities Property Fund; from September 2020 investors are required to give at least 90 calendar days' notice for redemptions.
- 3.15 The Council's investment in externally managed funds has been maintained on the basis that such funds are expected to yield returns over the long-term. Such funds have no defined maturity date but are available for withdrawal after a notice period. Consequently, fund performance and continued suitability in meeting the Council's investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will fluctuate, up and down, over months, quarters and even years; but with confidence that, over a three- to five-year period, total returns will exceed cash interest rates.

- 3.16 In 2020/21, the Council expects to receive significantly lower income from its cash and short-dated money market investments and from its externally managed funds than it did in 2019/20 and earlier years. Dividends and income paid will ultimately depend on many factors including but not limited to the duration of COVID-19 and the extent of its economic impact, the fund's sectoral asset allocation, securities held/bought/sold and, in the case of equities, the enforced or voluntary dividend cuts or deferral. The budget for income from investments, has been decreased from £1.34m (2020/21) to £1.25m (2021/22).

Non-Treasury Investments

- 3.17 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. This is replicated in the Investment Guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG), in which the definition of investments is further broadened to also include all such assets held partially for financial return.
- 3.18 The Council held such investments in directly owned property valued at £985m at the end of March 2020, as well as shareholding in Knowle Green Estates Limited, with investment property of £4.7m. A new company delivering commercial waste services, Spelthorne Direct Services Limited, was set up during 2020/21.
- 3.19 These investments are expected to generate £50m of investment income for the Council, representing a rate of return of 4.8%.

Investment Performance Monitoring

- 3.20 Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2020/21.
- 3.21 The Council seeks professional advice from Arlingclose and closely adheres to the advice set out in the Ministry of Housing, Communities and Local Government (MHCLG) guidance. Given Spelthorne's dependency on investment returns to balance the budget, the Council's investment strategy is also kept under constant review and quarterly review meetings are held with Arlingclose, the Council's treasury advisor.

Estimates for income 2020/21

- 3.22 The corporate world is still adjusting to the economic shock, with probably more to come, and it is still too early to tell which companies will withstand the economic damage in the short- to medium-term or which will choose to conserve cash in very difficult economic conditions simply to survive.
- 3.23 Investment income in 2020/21 was set against a very different economic backdrop. Bank Rate, which was 0.75% in February 2020, now stands at 0.1%. Interest earned from short-dated money market investments will be significantly lower. In relation to income from the Council's externally managed strategic funds, dividends and income distributions will ultimately

depend on many factors including but not limited to the duration of COVID-19 and the extent of its economic impact, the fund's sectoral asset allocation, securities held/bought/sold and, in the case of equities, the enforced or voluntary dividend cuts or deferral.

Compliance

- 3.24 The Chief Finance Officer reports that treasury management activities undertaken during the first half year complied with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy, although noting that limits on the bank account were exceeded on three occasions.
- 3.25 On one occasion, the current bank balance exceeded limits by end of day; on two occasions the bank account was overdrawn over the facility limit. The underlying reason for these instances was limited staff availability in the context of increasing treasury management activities, with the COVID-19 crisis resulting in a sudden and unexpected increase in the volume of work and frequency of Government returns that the Finance Team had to deal with. In response to these breaches, the Treasury Management team has tightened up on processes with particular regard to in-day progress checks.
- 3.26 The CS Lucas TM system has been implemented, and the team will continue to integrate that system into the Treasury Management function and reporting during 2020/21. This system includes reporting on upcoming loans and borrowing, which has helped strengthen related processes.

4. Other

- 4.1 **IFRS 16:** The implementation of the new IFRS 16 Leases accounting standard has been delayed until 2021/22.

5. Financial implications

- 5.1 The financial implications are as set out in this report. The ability to maximise interest returns is paramount to generate sufficient funds to support the General Fund and even a small decline in interest rates can mean a significant reduction in cash returns. Therefore, it is our aim to continue to maintain flexibility commensurate with the high level of security and liquidity and minimal risk when making investment decisions.

6. Other considerations

- 6.1 The Council fully complies with best practice as set out in CIPFA's 2019 Treasury Management and Prudential Codes and in MHCLG's Guidance on Investments effective from April 2018. As issues arise, as when limits were breached noted at section 3, measures are taken to address the underlying reasons.
- 6.2 Nothing in the Council's current strategy is intended to preclude or inhibit capital investment in local projects deemed beneficial to the local community and which have been approved by the Council.

7. Sustainability/Climate Change Implications

- 7.1 None.

8. Timetable for implementation

8.1 Not applicable.

Background papers: None.

Appendices: TMHY20-21 Appendix A - Details of Investments
TMHY20-21 Appendix B - Strategic Funds

Details of investments held as at 30 September 2020

Investment Type	Valuation £m	Yield %	Start Date	Maturity Date
<u>Pooled Investment Funds</u>				
<i>(see Appendix B for details)</i>				
Charteris Elite Premium Income Fund	0.6	2.33%	11-May-12	N/A
Schroders UK Corporate Bond Fund	1.9	1.16%	11-May-12	N/A
Schroders Income Maximiser Fund	0.7	4.70%	06-Jul-12	N/A
Schroders Income Maximiser Fund	0.6	3.82%	24-Jul-15	N/A
Schroders Income Maximiser Fund	0.6	4.06%	26-Aug-16	N/A
Schroders Income Maximiser Fund	1.9	3.97%	25-Feb-19	N/A
M&G Global Dividend Fund	1.7	5.43%	27-Jun-12	N/A
M&G Global Dividend Fund	2.9	3.21%	20-Feb-19	N/A
M&G Optimal Income Sterling	1.7	2.76%	13-Apr-15	N/A
M&G UK Income Distribution Sterling	1.6	3.42%	15-Aug-16	N/A
Investec Diversified Income	2.8	3.71%	25-Aug-16	N/A
Investec Diversified Income	1.4	3.86%	20-Feb-19	N/A
Threadneedle Inv Services - UK Equity	1.7	2.94%	08-Sep-16	N/A
Threadneedle Inv Services - UK Equity	1.3	2.90%	21-Feb-19	N/A
Threadneedle Global Equity Fund	1.5	2.96%	21-Feb-19	N/A
CCLA - The LAs Property Fund	1.9	5.24%	31-Mar-13	N/A
CCLA - The LAs Property Fund	1.1	4.49%	30-Apr-14	N/A
UBS Multi- Asset Income Fund	1.4	4.24%	22-Feb-19	N/A
Kames Diversified Monthly Income Fund	2.8	4.08%	21-Feb-19	N/A
Total	30.1	3.61%		
<u>Fixed Rate Deposits</u>				
Network Housing Group	2.0	3.60%	28-Apr-16	27-Apr-21
Total	2.0	3.60%		
Total - Core Inv. Portfolio	32.1	3.61%	Average	
<u>Cash Flow Investments</u>				
Aberdeen Liquidity Fund	5.0	0.08%	N/A	Instant Access
Aviva (ICD Portal)	5.0	0.06%	N/A	Instant Access
CCLA (ICD Portal)	5.0	0.12%	N/A	Instant Access
Federated - Class 4 (ICD Portal)	5.0	0.05%	N/A	Instant Access
Fidelity (ICD Portal)	5.0	0.05%	N/A	Instant Access
Goldman SLR (ICD portal)	1.0	0.01%	N/A	Instant Access
Insight (ICD Portal)	5.0	0.01%	N/A	Instant Access
Invesco (ICD Portal)	5.0	0.04%	N/A	Instant Access
JP Morgan (ICD Portal)	5.0	0.01%	N/A	Instant Access
LGIM - Class 4 (ICD Portal)	5.0	0.04%	N/A	Instant Access
Total	46.0	0.04%		
Local Authorities	35.0	0.44%	N/A	Short term
Bank Deposits	5.0	0.02%	N/A	Short term
Close Brothers	5.0	1.20%	N/A	20-Dec-19
<u>Funding Circle</u>				
Loans to small businesses *	0.4	1.29%	N/A	N/A
Total Investments at 30/09/19	123.5	1.17%	Overall Av.	

* Valuation as at 31 March 2020

Note that the Yield on Pooled Funds is based on the initial investment as given at Appendix B.

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Strategic Investment Funds as at 30 September 2020

Fund	Date of Purchase	Initial Investment £	Value as at 30/03/20 £	Value as at 30/09/20 £	Dividends Received to 30/09/20 £	Annualised Dividend Yield %	Capital Gain(+)/ Loss(-) as at 30/09/20 £	Total Return as at 30/09/20 £	Total Return %
DMS Charteris Premium Income Fund	11/05/12	800,120	573,549	649,165	-	3.99%	-150,955	-150,955	-18.9%
Schroders UK Corporate Bond Fund	11/05/12	1,500,000	1,663,380	1,878,873	17,342	3.60%	+378,873	+396,215	26.4%
Schroders Income Maximiser Fund	06/07/12	1,000,000	771,474	739,150	14,751	5.89%	-260,850	-246,099	-24.6%
Schroders Income Maximiser Fund	24/07/15	1,000,000	627,159	600,882	11,992	4.79%	-399,118	-387,126	-38.7%
Schroders Income Maximiser Fund	26/08/16	1,000,000	666,341	638,422	12,741	5.09%	-361,578	-348,837	-34.9%
Schroders Income Maximiser Fund	25/02/19	3,000,000	1,953,262	1,871,423	37,348	4.97%	-1,128,577	-1,091,229	-36.4%
M&G Global Dividend Fund	27/06/12	1,000,000	1,378,729	1,656,996	12,519	3.66%	+656,996	+669,515	67.0%
M&G Global Dividend Fund	20/02/19	3,000,000	2,443,084	2,936,167	22,183	1.48%	-63,833	-41,650	-1.4%
M&G Optimal Income Sterling	13/04/15	1,690,636	1,560,599	1,696,313	444	2.71%	+5,677	+6,121	0.4%
M&G UK Income Distribution Sterling	15/08/16	2,000,000	1,584,287	1,597,861	34,117	3.18%	-402,139	-368,022	-18.4%
Ninety One Diversified Income	25/08/16	3,000,000	2,613,812	2,780,835	39,712	2.95%	-219,165	-179,453	-6.0%
Ninety One Diversified Income	20/02/19	1,500,000	1,360,391	1,447,320	20,669	3.08%	-52,680	-32,011	-2.1%
Threadneedle Inv Services - UK Equity	08/09/16	2,000,000	1,619,055	1,736,480	11,091	2.62%	-263,520	-252,429	-12.6%
Threadneedle Inv Services - UK Equity	21/02/19	1,500,000	1,198,499	1,285,423	8,210	2.59%	-214,577	-206,367	-13.8%
Threadneedle Global Equity Fund	21/02/19	1,500,000	1,305,138	1,464,561	26,294	2.63%	-35,439	-9,145	-0.6%
CCLA - The LAs Property Fund	31/03/13	1,500,000	1,954,202	1,872,919	18,834	3.97%	+372,919	+391,753	26.1%
CCLA - The LAs Property Fund	30/04/14	1,000,000	1,115,818	1,069,407	10,754	3.40%	+69,407	+80,161	8.0%
UBS Multi- Asset Income Fund	22/02/19	1,500,000	1,288,907	1,390,108	19,247	3.60%	-109,892	-90,645	-6.0%
Aegon Diversified Monthly Income Fund	21/02/19	3,000,000	2,545,539	2,762,793	74,007	4.48%	-237,207	-163,200	-5.4%
Value at 30/09/2020		32,490,756	28,223,225	30,075,098	392,255	3.61%	-2,415,658	-2,023,403	-6.2%

Strategic Fund Performance to 30 September 2020

Capital depreciation of these investments was -7.4% as at 30/09/20. However, capital gains and losses may fluctuate throughout the period the investments are held. Any gains would only be realised when the funds are sold and losses would impact on the General Fund. Dividends are received at various times during the year, generally month, quarterly or half yearly.

The income yield for 2020/21 as at 30/09/20 is 1.2% and the estimated annualised income yield on these funds is expected to be in the region of 3.6%.

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Cabinet

27 January 2021



Title	Managed Service for the Incubator
Purpose of the report	To make a decision
Report Author	Keith McGroary: Economic Development Manager
Cabinet Member	Cllr Tony Mitchell
Confidential	No
Corporate Priority	Economic Development
Recommendations	<p>Cabinet is asked to:</p> <p>Agree to enter into a contract to manage the Business Incubator with the tender specified in Appendix B to include the grant of a lease of the premises at the Summit Centre 33 Hanworth Road Sunbury on Thames for a term of 5 years at a nominal rent.</p>
Reason for Recommendation	<p>Under contract standing orders the appointment of a contractor for a contract of this value sits with Cabinet.</p> <p>The proposal for an incubator was first identified within Spelthorne's Economic Strategy 2017-22 Reference A4 which related to encouraging entrepreneurship in the Borough, and to support this aim to open a business incubator. The incubator would provide mentorship and professional guidance to nurture early start businesses so that they can thrive and grow, thereby creating more jobs, as well as encouraging and supporting the creation of new businesses within the Borough.</p> <p>The contract is for the day to day management of the premises, marketing, advertising and, ensuring the premises are fully utilised and self-sufficient, maximising the space available and providing training and access to mentorships. This is not within the capacity of the existing resources of the Economic Development Team.</p>

1. Key issues

- 1.1 In 2015 Staines-upon-Thames was identified as the number 1 location in the whole of the UK for new business start-ups (Hacker & Young), in 2016 Spelthorne was the 6th most active town for start-ups. The proposal for an incubator was first identified within Spelthorne's Economic Strategy 2017-22

Reference A4 which related to encouraging entrepreneurship in the Borough, and to support this aim to open a business incubator. The incubator would provide mentorship and professional guidance to nurture early start businesses so that they can thrive and grow, thereby creating more jobs, as well as encouraging and supporting the creation of new businesses within the Borough.

- 1.2 The creation of an incubator was approved by MAT in November 2017 when a room in the west wing of Knowle Green Offices was identified as a location and capable of providing up to 20 desks. Since then several alternative locations have been identified until finally a property the Council purchased a year ago, The Summit Centre 33, Hanworth Road, Sunbury-on-Thames was confirmed as the agreed location. This ground floor office space currently provides up to 92 desk spaces, so is significantly larger than the original location and as such, will generate more revenues when full. Indications from previous smaller locations for the incubator suggested that at best it would be cost neutral, whereas with this incubator the worst-case scenario would be cost neutral.
- 1.3 In more recent times, the whole country has been affected by Covid-19 which has led to a significant loss of jobs and the likelihood of more losses to come as we move into 2021. Spelthorne has had a significant reliance on the aviation sector linked with Heathrow and as such the Borough has suffered increases in unemployment, more so than in Surrey, the south east or indeed Great Britain.
- 1.4 In the absence of job opportunities, many people are now looking towards starting up their own business; but even with a good idea, without implementing it effectively, often leads to the business failing. This gives an added momentum to have the incubator up and running soon as possible as a beacon of light for many who are floundering in the dark looking to find gainful self-employment.
- 1.5 The Incubator requires an operator to manage the premises who can evidence demonstrable ability and experience, to carry out the requirements needed to run this enterprise efficiently and effectively. This will include the day to day management of the premises, marketing, advertising and, ensuring the premises are fully utilised and self-sufficient, maximising the space available after the initial outlay has been spent.
- 1.6 The tender provided for the operator to have a right to occupy the premises. In order to protect the council from any possible application of the security of tenure legislation a grant of a contracted out lease linked to the term of contract is recommended.
- 1.7 A variety of offers will be made available to budding entrepreneurs / businesses, from monthly contracts for desk space, office space and hot-desking, thereby maximising revenues and as such reduce / eliminate the reliance on the council to subsidise costs of running the business incubator.
- 1.8 In addition to the working space, there will be the opportunity to have low cost 'Meetups', hackathons, internship opportunities, Kiddy Commerce Days and more to involve the community. Royal Holloway University has already stated that they are keen to become involved and Set Squared (winner of the best Incubator in the World award) at Surrey University has also expressed strong interest.

- 1.9 A Request for Quote (RFQ) was published on 8th September 2020 on the e-tendering portal which is linked to Contracts Finder so available to all interested parties that uses this service.
- 1.10 There were 28 businesses that opened the RFQ but only one tender for the contract was made from a company who already successfully manage 2 other incubators / serviced offices of a similar size in Surrey. The lack of tenders is more than likely due to this being a niche market, and as a result not many businesses are equipped with the experience and skill set needed to bid.
- 1.11 When the tender was marked it achieved a very high score, so, although only one application was received, it was of a very high standard and strongly recommended for this contract. (Please see confidential Appendix B)
- 1.12 Discussions are continuing to finalise the contract which will include appropriate targets.

2. Options analysis and proposal

- 2.1 Option 1 is to enter into a contract and lease with the tenderer (as set out in confidential Appendix B) and utilise this expertise to help fill the incubator with entrepreneurs and then manage the premises on a day to day basis including the delivery of events and training opportunities.
- 2.2 Option 2: Not to enter into the contract and instead recruit a manager for the premises as a paid employee of the Council to run the incubator on behalf of the Council.
- 2.3 Option 3: Not to enter into the contract and instead use existing staff in the Economic Development Team to run and manage the incubator.
- 2.4 Option 1 is the preferred option. This would give access to an experienced company who would have the incentive of attracting talent to the incubator as their share would be based upon 40% of the revenues the Incubator generates. As an experienced operator, it is also likely that they would be able to attract suitable entrepreneurs to the incubator quite quickly utilising their existing contacts and networks.
- 2.5 As the payment for services to run the incubator is based upon a share of the revenues generated, this is a motivating factor to ensure that the quality of the offer is maintained and it becomes the destination for entrepreneurs from Spelthorne and the surrounding areas to bring their business to be developed.
- 2.6 Utilising existing staff on the Economic Development Team would dilute their ability to give support for businesses, promote the Borough as an attractive location to invest and set up business, as well as helping to retain existing businesses. The team consists of 2 full time officers, 1 full-time officer on an 18-month contract and a Town Centre Manager on an 18-month contract.
- 2.7 Entering into a contract with the tenderer would also provide opportunity to cross-fertilise entrepreneurs from three separate incubators ran by the same operator. This would provide further prospects to network and develop new contacts and mentorship opportunities.
- 2.8 Option 2: There would also be a lack of resilience when the manager is absent to cover absences, access to expertise would be reduced as that would be limited to the skills and knowledge of one individual.

- 2.9 When operating at full capacity, the amount paid to the tenderer to manage the premises is likely to be less than employing a manager including on-costs.
- 2.10 Identification of a suitable person to carry out this function may be quite difficult as this is a niche function and would probably require somebody to adapt existing roles to fit requirements. The limited availability of suitable candidates is also likely to push up costs based upon supply and demand. Based upon salaries for management positions within the broader field of economic development, this would be between £50k - £60k without including on-costs.
- 2.11 Option 3: This would require the full-time commitment from an officer to ensure that the incubator is ran well, is a success, and credit to the Council, especially in the first year or two. The resilience needed to provide full-time cover would come from other members of the team, none of which have the experience of running an incubator. It would be on the job learning and applying existing experience and knowledge to develop the operation.
- 2.12 The knock-on effect would be to reduce the capacity of the economic development team and dilute the support available, as well as the delivery of some events that are managed by the team.
- 2.13 As the incubator would be open at the weekends, there would also be a requirement for somebody to be on call-out in the event of a problem / issue.

3. Financial implications

- 3.1 The ability to maximise the revenues generated from the incubator will be hindered by the restrictions brought about by Covid-19 as the premises will need to operate at a covid-19 safe capacity. Any training may need to be on-line. The Incubator will be Covid-19 compliant with the restrictions in place when it goes live around March 2021.
- 3.2 From the proposal made by the tender (confidential appendix A) the projected annual revenue is likely to be operating at 100% capacity after 18 months. After a share of the income is deducted as part of the contract, this would leave the remaining amount to pay for the ongoing costs associated with running the incubator.
- 3.3 Further funding would also be available from Shepperton Studios as part of their S106 agreement to help with running costs and provide support for the residents of the incubator. This is likely to be available around April 2021 (if planning permission is granted for the reserved matters applications which are currently under consideration).
- 3.4 In addition to new start up entrepreneurs, the plan is to attract several established businesses to locate their company within the incubator. Experience at other incubators show that monthly rental payments by new start-ups can be erratic and not always paid on time; introducing some established businesses into the incubator gives more of a certainty around the collection of rents and also adds to the dynamics within the building as this mix tends to also provide an additional source of in-house support and guidance for inexperienced entrepreneurs.
- 3.5 Given the above, the incubator is not only likely to be self-sufficient, but could also potentially provide a small revenue stream which could further sustain additional economic support for businesses in the Borough.

4. Other considerations

- 4.1 Work is currently underway to create a disabled toilet on the premises to comply with DDA legislation.

5. Sustainability/Climate Change Implications

- 5.1 No implications.

6. Timetable for implementation

- 6.1 1GB broadband has already been installed at the premises, and painting and other preparations are due to be carried out in January 2021. Once the contract has been agreed, work can start immediately to open the incubator for business.

Background papers: There are none

Confidential Appendices:

Appendix A - Response to Request for Quote (RFQ)

Appendix B - Procurement Tender Report

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Urgent actions

Cabinet 27 January 2021

These are the urgent actions which have been taken since the last Cabinet meeting on 3 December 2020.

The following urgent actions were agreed by the Chief Executive in consultation with the Leader, on the following dates and for the reasons stated. These are not Key Decisions.

DATE	ACTION	REASON FOR URGENCY
17 December 2020	Agree the simultaneous surrender of an existing lease and approve a new letting in the Elmsleigh Centre, Staines-upon-Thames	To secure the transaction completion of the letting before the Cabinet or its Sub-Committee was next due to meet
18 December 2020	Agree the simultaneous surrender of an existing lease and approve a new letting in the Elmsleigh Centre, Staines-upon-Thames	To secure the transaction completion of the letting before the Cabinet or its Sub-Committee was next due to meet
24 December 2020	Approve the early surrender of a lease in the Elmsleigh Centre, Staines-upon-Thames	To secure the early surrender of the lease at the best possible terms for the Council before the Cabinet or its Sub-Committee was next due to meet

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