



**Spelthorne
Borough Council**

Council Meeting
Thursday, 24 February 2022



16 February 2022

Please reply to:

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To the Councillors of Spelthorne Borough Council

I hereby summon you to attend a meeting of the Council to be held at The Council's Offices, Knowle Green, Staines-upon-Thames on **Thursday, 24 February 2022** commencing at **7.00 pm** for the transaction of the following business.

Daniel Mouawad
Chief Executive

Councillors are encouraged to wear their badge of past office at the Council meeting.

For those Councillors wishing to participate, prayers will be said in the Mayor's office, starting at 6.45pm. Please email mayor@spelthorne.gov.uk if you wish to attend.

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.

AGENDA

| Description | Page nos. |
|--|-----------|
| <p>1. Apologies for absence To receive any apologies for non-attendance.</p> | |
| <p>2. Minutes To confirm as a correct record the minutes of the Council meeting held on 9 December 2022.</p> | 9 - 26 |
| <p>3. Disclosures of Interest To receive any disclosures of interest from Councillors in accordance with the Council's Code of Conduct for Members.</p> | |
| <p>4. Announcements from the Mayor To receive any announcements from the Mayor.</p> | |
| <p>5. Announcements from the Leader To receive any announcements from the Leader.</p> | |
| <p>6. Announcements from the Chief Executive To receive any announcements from the Chief Executive.</p> | |
| <p>7. Questions from members of the public The Leader, or his nominee, to answer any questions raised by members of the public in accordance with Standing Order 13.</p> | 27 - 28 |
| <p>8. Petitions To receive any petitions from members of the public.</p> | |
| <p>9. Recruitment of Monitoring Officer To delegate to the Chief Executive the appointment of an Interim Group Head of Corporate Governance. To designate (or delegate the designation to the Appointments Panel) the Interim Group Head of Corporate Governance as Monitoring Officer. To constitute the Appointments Panel. To delegate authority to the Appointments Committee to designate the next Group Head of Corporate Governance as Monitoring Officer. Report to follow.</p> | |

- 10. Application of the six months' rule to Councillor M. Madams**
To consider granting a dispensation for non-attendance in accordance with Section 85 of the Local Government Act 1972. 29 - 30
- 11. 2021-22 additional pay uplift**
To consider an additional pay uplift for 2021/22, as recommended by the Corporate Policy and Resources Committee. 31 - 34
- 12. Pay Award 2022-23**
To consider the staff pay award for 2022/23, as recommended by the Corporate Policy and Resources Committee. 35 - 38
- 13. Pay Policy Statement**
To consider the Pay Policy Statement, as recommended by the Corporate Policy and Resources Committee. 39 - 62
- 14. Treasury Management Strategy Statement**
To consider the Treasury Management Strategy Statement, as recommended by the Corporate Policy and Resources Committee. 63 - 144
- 15. Detailed Revenue Budget 2022/23**
To consider the detailed Revenue Budget for 2022/23, as recommended by the Corporate Policy and Resources Committee. 145 - 178
- 16. Capital Strategy 2022 to 2027**
To agree the Capital Strategy for 2022 to 2027, as recommended by the Corporate Policy and Resources Committee.

Report to follow.
- 17. Estimated 2022/23 to 2025/26 Capital Programme**
To agree the Capital Programme for 2022/23, as recommended by the Corporate Policy and Resources Committee. 179 - 188
- a) Estimated 2022/23 to 2025/26 Capital Programme update - Victory Place
To consider an amendment to the Capital Programme for 2022/23, as recommended by the Development Sub-Committee.

Report to follow.
- 18. Ashford Victory Place – Appointment of Contractor for Construction Works Contract**
To consider a recommendation from the Development Sub-Committee on the appointment of a contractor for construction works at Victory

Place in Ashford.

Report to follow.

19. Referral of a decision of the Development Sub-Committee on 5 January 2022

To consider the referral made by Councillors M Beecher, S Mooney, D Saliagopoulos, J Sexton, C Bateson and V Siva in accordance with the Council's Reservation Scheme, in relation to the following item:

189 - 190

Development Sub-Committee – 5 January 2022 - Oast House/Kingston Road Car Park and Health & Wellbeing Centre - Pre-application Consultation.

Further documents to follow.

20. Report from the Leader of the Council

To receive the report from the Leader of the Council on the work of the Corporate Policy and Resources Committee at its meetings on 19 January 2022 and 7 February 2022.

Report to follow.

21. Report from the Chairman of the Administrative Committee

The Administrative Committee has not met since the last Council.

22. Report from the Chair of the Community Wellbeing and Housing Committee

To receive the report from the Chair of the Community Wellbeing and Housing Committee on its work at the meeting on 1 February 2022.

191 - 192

23. Report from the Chairman of the Environment and Sustainability Committee

To receive the report from the Chairman of the Environment and Sustainability Committee on its work at the meeting on 18 January 2022.

193 - 194

24. Report from the Chair of the Economic Development Committee

To receive the report from the Chair of the Economic Development Committee on its work at the meeting on 25 January 2022.

Report to follow.

25. Report from the Chair of the Neighbourhood Services Committee

To receive the report from the Chair of the Neighbourhood Services Committee on its work at the meeting on 13 January 2022.

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- 26. Report from the Chairman of the Audit Committee**
The Audit Committee has not met since the last Council.
- 27. Report from the Chairman of the Planning Committee**
To receive the report from the Chair of the Planning Committee on its work at the meetings on 5 January 2022 and 2 February 2022. 197 - 198
- 28. Report from the Chairman of the Standards Committee**
The Standards Committee has not met since the last Council.
- 29. Report from the Chairman of the Licensing Committee**
The Licensing Committee has not met since the last Council. 199 - 200
- 30. Motions**
To receive any motions from Councillors in accordance with Standing Order 16. 201 - 202
- Motion 1
- Proposed by Councillor Richard Smith-Ainsley
Seconded by Councillor Christopher Bateson
- “That consultation be undertaken into the possibility of the Council making a Public Spaces Protection Order (PSPO) under Section 59 of the Anti- Social Behaviour, Crime and Policing Act 2014 in respect of the areas and activities in Spelthorne determined by the borough Commander.”
- This motion is accompanied by an explanatory note (see attached).
- Motion 2
- Proposed by Councillor Veena Siva
Seconded by Councillor Joanne Sexton
- “This Council notes that one Committee seat has been vacant on the Community, Well-being and Housing Committee since 10th June 2021 and hence, for over seven months this Committee has had 12 Councillors sitting on it instead of 13 which is the number designated to sit on it.
- This Council agrees that Cllr Malcolm Beecher be allocated a seat on the Community, Well-being and Housing Committee.”
- 31. General questions**
The Leader, or his nominee, to answer questions from Councillors on matters affecting the Borough, in accordance with Standing Order 15. 203 - 204

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**Minutes of the Council
9 December 2021**

Present:

Councillors:

| | | |
|-------------------|---------------|--------------------|
| I.T.E. Harvey | R.D. Dunn | S.C. Mooney |
| S.M. Doran | S.A. Dunn | L. E. Nichols |
| M.M. Attewell | T. Fidler | R.J. Noble |
| C.L. Barratt | N.J. Gething | O. Rybinski |
| R.O. Barratt | M. Gibson | D. Saliagopoulos |
| C. Bateson | K.M. Grant | J.R. Sexton |
| I.J. Beardsmore | A.C. Harman | R.W. Sider BEM |
| M. Beecher | H. Harvey | V. Siva |
| J.R. Boughtflower | N. Islam | R.A. Smith-Ainsley |
| A. Brar | T. Lagden | B.B. Spoor |
| S. Buttar | V.J. Leighton | J. Vinson |
| R. Chandler | J. McIlroy | |
| J.T.F. Doran | A.J. Mitchell | |

Apologies: Councillors C.F. Barnard and M.J. Madams

643/21 Minutes

The minutes of the Council meeting held on 14 October 2021 were agreed as a correct record.

644/21 Disclosures of Interest

There were no disclosures of interest.

645/21 Announcements from the Mayor

The Mayor made the following announcements:

“Since the last Full Council on 14th October the Mayoress and I have attended numerous events, both in and outside of Spelthorne and whilst it would be unfair to mention favourites, a particular highlight was the Youth Speaks competitions organised by Shepperton Aurora Rotary Club last month, where the standard of public speaking by those young people was outstanding. The Spelthorne Business Awards dinner was an outstanding event and the attendees were clearly keen to let their hair down, many I believe for the first time in 18 months.

What has been especially rewarding for me has been the recent opening of three significant brand new Spelthorne properties. These were in each case the culmination of projects started under my Council leadership, and really demonstrate what we are about, caring for and meeting the needs of our residents.

Since the last Council meeting and following on from the opening of the White House Single Homeless Hostel at the end of September, we have opened the Harper House emergency Family accommodation, which now provides emergency accommodation for up to 20 families. We no longer have to send homeless families to locations outside the Borough, as far away as Croydon and Wembley, as we used to.

Furthermore, just last Friday we opened the newly completed converted West Wing, just behind us here at Knowle Green. This will provide 25 families with long term high quality accommodation at affordable rents. In each case these developments have been completed to a very high standard and we can all be very proud of them. I would like to thank all Spelthorne officers involved in delivering these projects, including Assets, Housing, Planning and Legal.

Looking forwards we have the charity film night next Wednesday, at the Koda Theatre, Shepperton, showing “Love Actually”, kindly hosted by Shepperton Studios, and if you would like to come along, please book soon. You should all have received an invitation.

Also next week the Mayoress and I will be visiting both Fordbridge and Greeno Day Centres to enjoy lunch with their day guests, as well as other Mayoral events throughout the Christmas period. I will be delivering my Mayors Christmas message at the end of the meeting.”

646/21 Announcements from the Leader

The Leader made the following announcements:

“An online awards ceremony was held on 7 December to celebrate the achievements of 30 very special young people, aged between 5 and 19. Organised by the Council, the Spelthorne Youth Awards recognise the outstanding talents and successes of local young people and the contributions they make to their communities. Many congratulations to all the nominees and winners.

Planning permission has been granted for the Council’s development of key-worker and affordable homes on Victory Close in Ashford. The approved design was modified to achieve double the energy savings proposed under the initial design, demonstrating the Council’s commitment to sustainable homes. The development will comprise 127 dwellings, including 5 family homes, 8 three-bedroom family flats, 78 two-bedroom flats and 36 one-bedroom flats, all with car parking and amenity space.

We recently issued an urgent appeal to landlords to help fulfil our pledge to house Afghans who supported the UK in Afghanistan. Following approval by the Community Wellbeing and Housing Committee, we have pledged to resettle up to five families under the Government’s Afghan Relocations and Assistance Policy scheme. The Council is looking for homes with a minimum of 3-bedrooms, close to local amenities and good transport links. These homes will be funded by the government scheme and will not impact on those already on the Council’s housing list.

A campaign is underway to let residents know about the Household Support Fund scheme. Under the programme, we will provide financial grants of between £50 and £80 for households in need of help with food, energy and water costs. To qualify, households must receive certain benefits, such as Universal Credit or Pension Credit.

The hard work and achievements of local businesses was celebrated at the Spelthorne Business Awards at the Holiday Inn in Shepperton on 11 November. Congratulations to all the finalists and winners, and in particular Taste Creative which was named ‘Best Business in Spelthorne’.

Lisa O’Sullivan was named overall winner of the Capture Spelthorne photography competition on 2 December at Shepperton Studios. Congratulations to Lisa and all the category winners and nominees. The standard of photography was outstanding this year and the winning photographs can viewed on the Council’s social media streams.

The Council was presented with the Gold Award in the Defence Employer Recognition Scheme at an event in London last month. The award is the

Ministry of Defence's highest badge of honour in recognition of an organisation's support for the Armed Forces community.

Last week saw the formal opening of 25 affordable apartments built here in the West Wing of the council offices. The redevelopment has made our offices much more efficient and, together, with our digital investments, gained us a national public sector transformational award in 2020. All the apartments will be let through the Council's Housing Options team to ensure those who most need the accommodation are prioritised. The tenants will also be offered five-year tenancies to provide more stability than they would receive in the private rented sector.

An event was held on 24 November to mark the completion of our new homeless facility in Ashford. Located on Fordbridge Road in Ashford, Harper House will provide emergency accommodation for 20 families and opens on 3 January 2022. Social housing provider Metropolitan Thames Valley Housing will be managing the facility on the Council's behalf."

647/21 Announcements from the Chief Executive

The Deputy Chief Executive, Terry Collier read out the announcements from the Chief Executive.

"On behalf of the Corporate Management Team, I would like to make a few comments.

2021 has been yet another extremely challenging year, with extraordinary service pressures in the ongoing context of dealing with COVID-19 and its Impact on the Council, our communities and businesses across the Borough. At the same time we have transitioned, within a very tight timescale, from the Cabinet governance system to the Committees system which is generating additional workloads for both councillors and staff. I am sure councillors would like to like to join me in thanking staff for their fantastic service and commitment in these challenging times.

On top of the pressures I have just highlighted, our staff and voluntary partners have stepped up and welcomed Afghan families in their hour of need Into the Borough. Since the initial families arrived in August in the Borough on a holding basis, 15 families have been relocated on a longer term basis

across the country. Once family has been received, from elsewhere in the country, last week and housed within the Borough on a longer term basis. A second family is being housed in the Borough next week. The Home Office are providing the funding to cover the costs we are incurring. So, we are making progress in working towards accommodating up to five families approved by councillors within the Borough on a longer term basis.

To conclude, despite the latest challenges with the new variant and the tighter COVID-19 regulations, I would like to wish all councillors, staff and our partners seasonal greetings and hope that we can look forward to a healthier and prosperous year in 2022.”

648/21 Questions from members of the public

The Mayor reported that, under Standing Order 14, three questions had been received from a member of the public.

1. Question from Kath Sanders

“Regarding the Local Green Space assessment being carried out as part of the Local Plan process, I understand that the current 71 Protected Urban Open Space (PUOS) sites will go forward for assessment (together with any others suggested in response to Q5 of the Issues & Options consultation in June 2018).

As part of the Call for Green Spaces and given the importance of Open Space identified in the Council's own Open Space Assessment (Nov 2019), will the Council themselves be proposing some or all of the sites with the outgoing Protected Urban Open Space designation for the new Local Green Space designation OR perhaps certain 'functional' categories (such as allotments, cemeteries and churchyards, school playing fields and public parks and recreation grounds), regardless of ownership status? This would hopefully ensure that current levels of provision are at least maintained.

Failing that, and to give many valuable sites the best chance of success, please could the Council make the 'long list' of potential LGS sites public once the Stage 1 "Desktop review and first sieve" has been completed with the opportunity for the community to provide any further evidence required to successfully complete the Stage 2 "Detailed Analysis"? This would again help to ensure that communities don't inadvertently lose out.”

Response from Councillor Ian Beardsmore, Chair of the Environment and Sustainability Committee

“This matter will be discussed further when we get to the motions to Council, but I can advise that all Protected Urban Open Spaces (PUOS) will be considered

for the designation of Local Green Space (LGS). Each space will be reviewed against the guiding principles within the Local Green Space Assessment methodology. This is regardless of whether each PUOS was submitted by members of the public.

Through the Call for Green Spaces, we provided the opportunity for those wishing to nominate particular spaces to submit evidence and information which could support this nomination. If any further information is required to help inform the decision-making process in respect of specific spaces, then the Council will contact the nominators to ask if they can supply any additional evidence that may be of use. The proposed list of designations will then be considered by the Local Plan Task Group, which comprises a councillor from every ward in the Borough. Once agreement has been reached as to which spaces will be designated, we will publish the full list of spaces that were assessed, including those put forward by the public, and give reasons why they are proposed for designation or discounted. There are likely to be varied reasons why a space has not been considered suitable and did not meet the assessment criteria, but we will explain those reasons and what other protections are in place, such as playing pitch legislation, Green Belt designation or the operational requirements of a statutory undertaker. It is important to note that Government policy affords protection to all open spaces without the need for formal designation through Local Plans.”

2.Question from Kath Sanders

“It was really encouraging to see the Spelthorne response to the Climate Emergency and consideration of projects for the Green Initiatives Fund presented at the Environment & Sustainability Committee meeting on 30th June 2021. Please could residents get an update specifically about the 2021/22 Green Initiatives Fund of £747k, how much of the £39k Green Better Neighbourhood Grant element has been allocated as of 30th September and what progress has been made since the June paper in terms of a plan for utilising the remaining funds?”

Response from Councillor Ian Beardsmore, Chair of the Environment and Sustainability Committee

“Thank you for your question. With the move to the Committee system and subsequent but delayed formation of the Climate Change Working Group, projects are being developed as quickly as possible. However, to date the following proposed allocations of spend from the Green Initiatives Fund have been made:

As you have outlined, £39,000 has been set aside for Councillor green initiatives within their wards. As of 30 September, for the Green Better Neighbourhood Grant element several projects had been allocated by Councillors, but it is expected more projects will come through in the next few months, especially where, to maximise benefits from projects, Councillors combine funds. For example, funds have been allocated to Talking Tree for a biodiversity project, green enterprise hub and growing education programme. Other projects have

involved the purchase of litter collecting equipment and tree planting. These projects have resulted in a spend of £5,150 by 30 September 2021:

£8,000 was allocated for an energy audit of Council buildings and a report will be produced before Christmas identifying key areas for us to focus on in terms of carbon reduction in the Council's estate, so we can initiate detailed projects to move us to net zero as quickly as possible.

£5,000 has been allocated for the Colne Valley Partnership membership which will bring biodiversity and well-being benefits, as it will open up opportunities to bid for funding to improve the biodiversity of Staines Moor and other areas along the River Colne. Working within the Partnership provides greater access to funding opportunities and projects.

£24,000 has been allocated towards Phase 1 of the development of a Spelthorne Local Cycling and Walking Infrastructure Plan, which will identify opportunities for schemes to be put in place that will enhance cycling and walking routes in the Borough."

3. Question from Kath Sanders

"As you are no doubt aware Michael Gove gave evidence to the House of Commons Housing, Communities and Local Government Committee on Monday 8th November 2021 (Qs 78-87). His answers included the following statements:

- Q80: "We absolutely want to hit that target [of 300,000], but we also want to take account of beauty, the environment, quality, decency, local democratic control and infrastructure"
- Q84: "There is a legitimate concern on the part of local government that the resources have not always been there to help. That is why some of the changes that we can make, not just to provide the resource but to simplify the process, are important"
- Q85: "Yes. My colleague Chris Pincher has made it clear that in developing a plan a local authority can say, "Right, this is the number to which we have been working. However, in this community, in this area, you have to take account of the fact that we have AONBs here, SSSIs here, green belt there and so on. It would be unrealistic to expect us, consistently with all those factors, to meet the figure that has been produced.

He also answered questions from MPs on planning rules on 25th October 2021 where he said that he was still considering all the responses to the consultation on the "Planning for the future" White Paper and would make an announcement on next steps in due course. I understand this will be before Christmas.

Michael Gove also stated, "As we take forward our proposals for planning reform, we will be balancing the need for new housing with environmental concerns and also the vital importance of listening to local people."

Given Michael Gove's answers, what further work is now being done internally to either take stock or to build a case for a reduction in the housing target in Local Plan proposals to reduce the imperative to build on Green Belt and to build blocks of tiny flats in Staines?”

Response from Councillor Ian Beardsmore, Chair of the Environment and Sustainability Committee

“Ministers can make statements and promises, but unless they are supported by a tangible change in policy guidance it is unwise to base a Local Plan on them. Indeed over the years there have been so many such announcements, you could paper the walls with them. Unfortunately none has ever come close to being given enough status to stand up to a public inquiry. That is why our aim has been to have the standard method for calculating housing need amended by the Government rather than taking forward a Plan that does not meet our need, as every authority that has attempted to do so since the methodology was introduced has failed. We have written to the Ministry ourselves, met with its officers and sought the help of our MP in order to try and get the standard method changed to reflect more recent lower projections of household growth, but these efforts have not yet been fruitful. We know that there will be a new white paper on planning reform, which will follow a Levelling Up paper, but the latter has now been pushed into next year, April we believe, so the planning reform paper will be delayed even further. Delay has been the enemy of our Local Plan as we have seen developments allowed on Green Belt in our borough using the fact that we are not meeting our housing as a reason. Indeed even now we are facing another predatory attack on our Green Belt using this same reason. We are trying to resist inappropriate high-rise buildings near the river in Staines, without having the Staines Development Framework in place that could have provided a policy basis to say no. Our best defence against predatory development is to have a Local Plan and framework for Staines in place that meets our need and therefore allows us to make the decisions on what is built where. That means a very small loss of Green Belt, which we know is a difficult concept, but we have selected small sites that do not meet the purposes of Green Belt and can deliver wider community benefits, whilst some have already been built on. We are working incredibly hard with officers to accelerate progress and get our plans in place as soon as we can, as evidenced by having had over 40 task group meetings since last summer. We believe this work will result in a sound Local Plan when we get to examination that the inspector will recommend be adopted. If there is a tangible change on Government policy and guidance before adoption, which is not expected before Summer 2023, we will have time to adjust our plans accordingly.”

649/21 Petitions

No petitions were received from members of the public.

650/21 Replacement of Spelthorne Leisure Centre

The Chamber agreed that the agenda order be changed in accordance with Standing Order 17.(c) to enable Councillor H. Harvey to ask her question submitted in accordance with Standing Order 15.

“In view of the opposition to bringing forward the Council’s planned developments and the consequential impact on revenue streams, can the Leader advise this chamber where exactly the revenue stream to cover the £17 million unfunded element of the capital costs of the new Spelthorne Leisure Centre will come from.”

Response from the Leader, Councillor L Nichols:

“When, in October 2020, the Council approved the decision to include the new Leisure Centre on the Council’s Capital Programme, it was made clear to councillors at that time that the additional income generated by the new centre with its mix of facilities would not fully cover the cost of financing the scheme. The precise proportion of the funding cost which will not be fully covered will depend on two factors: a) the income generating potential of leisure centres post the COVID-19 pandemic, and b) the prevailing interest rates at time the finance is fixed. It is still relatively early to fully understand the longer-term impacts the pandemic will have on people’s behaviour and what impact this will have on leisure centres’ income in Spelthorne and across the UK. With regards to interest rate costs of financing the scheme, whilst the base rate is expected to rise between now and the scheme completing, the long-term gilt rates which drive the Public Works Loans Board interest rates which the Council access have in recent months fallen to new historic lows (the 50 year certainty rate is currently 1.29%). It is therefore clear, that although it is not possible to precisely calculate the Revenue Budget impact of the funding shortfall, pressing ahead with construction of the centre as soon as possible could help reduce the financing shortfall. Similarly, as outlined in the report presented to Council this evening, it is in Spelthorne’s interest to fix the build price as soon as possible if we are to minimise the anticipated increase in material and construction costs, otherwise that shortfall may rise to the point where it would be more difficult to address.

In the Outline Budget Report approved by November Corporate Policy and Resources Committee, officers have estimated that the funding shortfall could equate to a £750,000 per annum pressure on the Revenue Budget, commencing from 2024-25 following the completion of the scheme.

The Outline Budget report which went to Corporate Policy and Resources indicated that there are potential Revenue Budget gaps in each of the next four financial years which the Council will need to work to close through its medium-term financial strategy. For the years 2024-25 and 2025-26, these gaps projected include the anticipated impact of the Leisure Centre financing gap. As the Outline Budget report highlighted, a mix of strategies can be pursued to close the funding gap which include:

- o Maximising income streams from across our property portfolio and their net contribution to the Revenue Budget
- o Partnering with other councils/bodies to reduce costs
- o Knowle Green Estates (KGE) generating a net revenue contribution towards the Council's Revenue Budget
- o Increasing fees and charges income
- o 'Invest to save' initiatives led by the Continuous Improvement Team
- o Digital Transformation including the potential to reduce the number of applications the Council is paying for
- o Looking at options to reduce the cost of the Council's office accommodation footprint, particularly in the context of more hybrid work post the pandemic
- o Procurement savings
- o Green initiatives. Whilst some may require additional investment, some will potentially generate revenue savings

The current Revenue Budget gaps in years 3 and 4 of the Outline Budget period at £2.6m for 2024-25 and £3.4m for 2025-26 are of a similar scale as projected in the past for years 3 and 4 in the Outline Budget cycle. As such, we believe there is sufficient time to close these gaps and thereby address the Leisure Centre funding shortfall. The detailed Budget report coming to February Corporate Policy and Resources Committee and Council will be presenting a balanced Budget for 2022-23 which would in turn help reduce the scale of projected gaps for the years two to four of the Outline Budget period.

Councillor H. Harvey asked a supplementary question as follows:

'Does the Leader feel confident that this Chamber should proceed with this state of the art Leisure Centre when it appears to me that this answer does not project far enough into the future as to how the gap will be closed ongoing'.

The Leader advised that he would provide Councillor H. Harvey with a more detailed written answer to this question but stated the following:

"Council agreed to build this Leisure Centre and we were aware of the costs; this is something that we should be doing for our residents. There is a concept in economics known as 'public good' which relates to things that no individual can purchase but which individuals would like eg parks. I put Spelthorne Leisure Centre in this category, something we want to have and should provide to our residents.

I am strongly in favour of this and am confident that we will find the revenue so that we can bridge this gap but it won't be simple",

Council considered a report on the proposed replacement of Spelthorne Leisure Centre and **resolved** to:

1. note progress to date with the Pre-Construction Services Agreement (PCSA) with the preferred bidder as the main contractor for the construction of the proposed new Spelthorne Leisure Centre and,
2. delegate authority to the Deputy Chief Executive in conjunction with the Chairs of the Corporate Policy & Resources Committee and Community Wellbeing & Housing Committee to agree the fixed contract sum and award the contract to build the new leisure centre to the preferred bidder as the main contractor, provided that the final price for construction is within the Capital Programme provision agreed by Council on 29 October 2020 and reflected in the 2021-22 Capital Programme.

Council agreed that the order of the Agenda be amended in accordance with Standing Order 17. (c) to consider both Notices of Motions at this point in the meeting.

In accordance with Standing Order 16 the Council received two written Notices of Motions.

1. Councillor R. Smith-Ainsley moved and Councillor M. Beecher seconded the following motion:

There has been real concern amongst residents and councillors about the lack of a Vision for Spelthorne. In order to create one, three important Visioning sessions were held and the councillors attending worked hard to produce a Vision. An opportunity has been given to all councillors to review it and it has also been checked by officers to ensure it is sound.

I therefore move that:

Council incorporate the Vision into the new Local Plan and from the next meeting of the Local Plan Task Group use it to review existing policies and inform future ones.

Councillor J. Boughtflower requested a recorded vote.

For: Councillors S. Doran, C. Bateson, M. Beecher, J. Doran, R. Dunn, S. Dunn, T. Fidler, K. Grant, T. Lagden, L. Nichols, D. Saliagopoulos, J. Sexton, V. Siva, R. Smith-Ainsley, B. Spoor and J. Vinson (16)

Against: I. Harvey, M. Attewell, C. Barratt, R. Barratt, I. Beardsmore, J. Boughtflower, A. Brar, S. Buttar, R. Chandler, N. Gething, A. Harman, H. Harvey, N. Islam, V. Leighton, J. McIlroy, A. Mitchell, S. Mooney, R. Noble, O. Rybinski and R. Sider BEM (20)

Abstain: Councillor M. Gibson (1)

The Motion **FELL**

2. Councillor S. Dunn moved and Councillor M. Beecher seconded the following motion:

This Council seeks to clarify its position in respect of the Local Green Spaces' consultation. This consultation is designed to give extra protection to the Local Green Spaces where possible.

Our current scheme for this - Protected Urban Open Space (PUOS) has failed completely to offer any extra protection. After we introduced PUOS the government produced a new standard to add protection to smaller Green Spaces 'Local Green Space'. (LGS). LGS can only be protected as part of the local plan process, such as we are undertaking currently.

This Motion therefore urges all Councillors to support the following:

1. That all existing PUOS sites be submitted for possible inclusion in the list of proposed new Local Green Spaces sites
2. That after consultation held with Spelthorne residents finishes that further individual sites are discussed through the Local Plan Task Group as potential LGS sites

The motion was carried.

The meeting was adjourned at 20:54

The meeting was re-convened at 21:09

651/21 Referral of a decision of the Development Sub-Committee on 15 November 2021

Council considered a decision made by the Development Sub-Committee on 15 November 2021 on the Thameside House Development:-

"The Development Sub-Committee agreed to proceed on the basis of Block A being 11, 9 and 7 storeys in height and Block B being 8, 6 and 5 storeys in height."

Council voted on whether to either:

1. Note the decision of the Development Sub-Committee (Note)
2. Refer the decision back to the Development Sub-Committee (Refer)
3. Withdraw the decision of the Development Sub-Committee (Withdraw)

Proposed by Councillor S. Mooney
Seconded by Cllr V. Leighton

Councillor H. Mooney requested that a recorded vote be taken.

Note: Councillors I. Harvey, A. Brar, H. Harvey, R. Noble, O. Rybinski and B. Spoor (6)

Refer: Councillors S. Doran, M. Attewell, C. Barratt, R. Barratt, C. Bateson, I. Beardsmore, J. Boughtflower, R. Chandler, J. Doran, R. Dunn, S. Dunn, T. Fidler, N. Gething, M. Gibson, K. Grant, A. Harman, N. Islam, T. Lagden, V. Leighton, J. McIlroy, A. Mitchell, S. Mooney, J. Sexton, R. Sider BEM, V. Siva and J. Vinson (26)

Withdraw: Councillors M. Beecher and D. Saliagopoulos (2)

Abstain: Councillors S. Buttar, L. Nichols and R. Smith-Ainsley (3)

Council **resolved** to:

Refer the decision back to the Development Sub-Committee.

The meeting was adjourned 22:23

The meeting reconvened 22:29

652/21 Corporate Plan 2021-2023

Council considered the recommendation from The Corporate Policy and Resources Committee that the Council adopt the proposed Corporate Plan for 2021-23.

Council **resolved** to agree and adopt the Spelthorne's proposed Corporate Plan for 2021-23.

Cllr V Siva left the meeting at 22:55

Cllr A Harman left the meeting at 22:55

Cllr N Islam left the meeting at 22:56

Cllr R Chandler left the meeting at 22:56

Cllr D Saliagopoulos left the meeting at 22:56

653/21 Re-tender of External Audit Contract - opt in of National Public Sector Audit Appointments scheme

Council considered a recommendation from the Audit Committee that Council opt into the national scheme managed by Public Sector Auditor Appointments as the 'Appointing Person'.

Proposed by Councillor J Boughtflower

Seconded by Councillor T. Fidler

Council **resolved** that the Council opt into the national scheme as outlined in the report.

654/21 Appointments

- a) Council considered the appointment of an independent person on the Audit Committee, following the recent interview panels.
- b) Council considered the appointment of a Chair for the Development Sub-Committee.
- c) Council considered the appointment of a Vice-Chair of the Development Sub-Committee.

- a Appointment of Independent Person for the Audit Committee
Council considered the appointment of Mr Sandeep Sehmi as the independent person on the Audit Committee, following the recent interview panels.

Proposed by Councillor J Boughtflower
Seconded by Councillor R. Noble

Council **resolved** to appoint Mr Sandeep Sehmi as the independent person on the Audit Committee.

- b Appointment of Chairman and Vice-Chairman of the Development Sub-Committee for the remainder of the municipal year

Council considered the appointment of Councillor R. Noble as Chair of the Development Sub-Committee.

Proposed by Councillor L. Nichols
Seconded by Councillor R. Sider BEM

Council **resolved** to appoint Councillor R. Noble as Chair of the Development Sub-Committee.

Council considered the appointment of Councillor R. Smith-Ainsley as Vice-Chair of the Development Sub-Committee.

Proposed by Councillor R. Noble
Seconded by Councillor L. Nichols

Councillor J. Boughtflower requested a recorded vote.

For: Councillors I. Harvey, S. Doran, C. Bateson, I. Beardsmore, M. Beecher, A. Brar, J. Doran, R. Dun, S. Dunn, T. Fidler, M. Gibson, K. Grant, H. Harvey, T. Lagden, L. Nichols, O. Rybinski, J. Sexton, R. Smith-Ainsley, B. Spoor and

J. Vinson (20)

Against: Councillors M. Attewell, C. Barratt, R. Barratt, J. Boughtflower, S. Buttar, N. Gething, V. Leighton, J. McIlroy, A. Mitchell, S. Mooney, R. Noble and R. Sider BEM (12)

Abstain (0)

Council **resolved** to appoint Councillor R. Smith-Ainsley as Vice-Chair of the Development Sub-Committee.

Councillor T. Lagden left the meeting at 23:09

Councillor C Barratt left the meeting at 23:10

Councillor R. Barratt left the meeting at 23:10

Councillor J. McIlroy left the meeting at 23:10

- c Appointment of a representative Trustee
There was no appointment considered.

655/21 Report from the Leader of the Council

The Leader of the Council, Councillor L. Nichols, presented the report of the Corporate Policy and meetings held on 19 October 2021 and 29 November 2021, which outlined the matters the Committee had decided since the last Council meeting.

656/21 Report from the Chair of the Administrative Committee

The Chairman of the Administrative Committee, Councillor T. Mitchell, presented the report of the Administrative Committee meeting held on 07 October 2021 which outlined the matters the Committee had decided since the last Council meeting.

657/21 Report from the Chair of the Community Wellbeing and Housing Committee

The Chairman of the Community Housing and Wellbeing Committee, Councillor S. Dunn, presented the report of the Community Housing and Wellbeing Committee meeting held on 23 November 2021 which outlined the matters the Committee had decided since the last Council meeting.

658/21 Report from the Chair of the Economic Development Committee

The Chairman of the Economic Development Committee, Councillor C. Barnard, presented the report of the Economic Development Committee

meeting held on 16 November 2021 which outlined the matters the Committee had decided since the last Council meeting.

659/21 Report from the Chair of the Environment and Sustainability Committee

The Chairman of the Environment and Sustainability Committee, Councillor I. Beardsmore, presented the report of the Environment and Sustainability Committee meetings held on 03 November 2021 and 09 November 2021, which outlined the matters the Committee had decided since the last Council meeting.

660/21 Report from the Chair of the Neighbourhood Services Committee

The Chairman of the Neighbourhood Services Committee, Councillor A. Brar, presented the report of the Neighbourhood Services Committee meeting held on 11 November 2021 which outlined the matters the Committee had decided since the last Council meeting.

661/21 Report from the Chair of the Audit Committee

The Chairman of the Audit Committee, Councillor J. Boughtflower, presented the report of the Audit Committee meeting held on 25 November 2021, which outlined the matters the Committee had decided since the last Council meeting.

662/21 Report from the Chair of the Licensing Committee

No meeting of the Licensing Committee had taken place since the last Council meeting on 14 October 2021 so no report was presented.

663/21 Report from the Chair of the Planning Committee

In the absence of the Chairman of the Planning Committee, Councillor R. Smith-Ainsley presented the report of the Planning Committee meetings held on 10 and 17 November 2021, which outlined the matters the Committee had decided since the last Council meeting.

664/21 Report from the Chair of the Standards Committee

The Chairman of the Members' Code of Conduct Committee, Mr I. Winter, presented the report of the Standards Committee meeting held on 20 October 2021, which outlined the matters the Committee had decided since the last Council meeting.

665/21 Motions

The two written Notices of Motions were considered and voted on after the Replacement of Spelthorne Leisure Centre item.

666/21 General questions

General questions were considered as part of Agenda Item 9 – Replacement of Spelthorne Leisure Centre.

667/21 Mayor's Christmas message

Council received the Mayor's Christmas message as follows:

“Obviously 2021 has not been the year that most of us had hoped for. Many of us have suffered, be it loss of loved ones, or significant COVID related illness, jobs, finances or other family or personal impacts. However, we have seen recovery and I would suggest that compared to this time last year, and in spite of the current Omicron spike, we do appear to be heading in the right direction. All of us have now had the opportunity to receive protective vaccines.

Spelthorne Council has been able to continue its outstanding endeavours in supporting those who have suffered, as well as continuing our work in providing the community with the services they need and rightly expect. We have not had to make any cuts to services here. I would like to thank all Council staff for their hard work and commitment to the Borough and its residents.

It is important to reflect on the meaning of Christmas. As it comes at the end of our year it should be a time for reflection, renewal and refreshment. It is a time to spend with family and loved ones, cherishing what we have. I think this is particularly poignant this year, as indeed it was last year.

For Christians it is the time to remember the birth of Jesus Christ and why he came to this Earth. We reflect on this as the precursor to our ultimate redemption and forgiveness.

Let us enter 2022 with a new spirit of peace, gratitude, hope and optimism. Together with the Mayoress, I wish you and your loved ones a very happy and blessed Christmas and a safe, prosperous and healthy New Year 2022.

Happy Christmas.”

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Questions from members of the public

Council – 24 February 2022

Question 1 – Nigel Rowe

“Surrey 2050 has a long history. It seems clear from reading the documentation, the Surrey Interim Local Strategic Statement and Minutes of meetings of the EM3 Joint Leaders Board that decisions and commitments on the future development of Staines were made a very long time ago, based on proposals by or with the acquiescence of Spelthorne Borough Council to the Surrey Joint Leaders Board and Surrey Future Steering Board. The then Leader of SBC (Cllr Ian Harvey) was a member of the Surrey Joint Leaders board at the time. SBC’s Chief Executive was and still is a member of the Surrey Future Steering Board. The Council’s apparent long-standing commitment to EM3, to Staines as a ‘Step Up’ town, and to the Longcross-Staines-Heathrow corridor has major implications for how the town will develop and the need for a significant increase in its population. When does the Council plan to explain all of this to residents of Staines? Surrey County Council Leader Cllr Tim Oliver says it is important Surrey 2050 is something done “with” and not “to” the affected communities. Spelthorne Borough Council has a constitutional requirement “to work in partnership with residents to make Spelthorne a place where people are fully engaged, and to encourage the active involvement of the community in the decisions that affect them”. The community is surely entitled to know what ‘vision’ the Council has committed to for the future development of the town; how this vision will impact on the town’s amenity, townscape, skyline and character; and how the Council intends to deal with the high demands of its infrastructure requirements (schools, medical services, utility supply, road access to the town, etc)? Network Rail is mounting a drop-in exhibition and consultation on its plans to rebuild the Iron Bridge and has invited residents across Staines and on the other side of the Thames. Given such an exercise for such a comparatively minor undertaking, does the Council agree that it should mount a major drop-in exhibition and consultation over a few days to inform the residents of Staines on the planned dramatic transformation of the town and, if so, when can we expect it to happen?”

Question 2 – Nigel Rowe

“As we understand it, there are two routes to securing a lower housing ‘target’ for the borough. One would be for Spelthorne to present the Planning Inspectorate with a Local Plan supported by a compelling case that justifies a departure from the national standard methodology. The other is to persuade the relevant government department to make an exception for Spelthorne and apply a different methodology to this borough. Does the Council believe the case it has put to Kwasi Kwarteng MP in response to his offer last summer to assist the Council in its endeavours to secure a lower number is compelling and persuasive, and, if it does, why has it steadfastly refused to pursue the first option via its Local Plan and instead opted to rely on the government making an exception for Spelthorne?”

Question 3 – Nigel Rowe

“Why has the Council not yet published a summary (called for by the Environment & Sustainability Committee last October) of the findings of its public consultation last summer on the future development of Staines, what conclusions has the Council drawn from the findings of the consultation, and why has it not committed to take any account of

these findings/conclusions in its development plans for the town? To simply state that the consultation will inform work on the Local plan means nothing if there is not clarity on the conclusions the Council has drawn from it and those aspects it accepts must be accommodated.”

Question 4 – Nigel Rowe

“A large proportion of flats in new high-rise tower blocks are often bought by buy-to-let investors or overseas buyers, some apparently happy to let them remain unoccupied while the value of their investment grows or simply as a depository for their funds. This is already happening in Staines, with flats in new apartment blocks being advertised worldwide. Does the Council agree it should insist that developers allocate a high/defined number of flats in any new tower block development for sale to owner-occupiers only and, if the answer to this is ‘yes’, will it seek urgently to overcome whatever obstacles there are to achieving this?”

Question 5 – Nigel Rowe

“The chair of the Environment & Sustainability Committee, who is also chair of the Local Plan Task Group, some time ago proposed a zoning approach for new developments in Staines. This would restrict the height of new developments to defined limits close to the river Thames and adjacent to existing residential areas. This was enthusiastically welcomed by residents and embraced by the Staines Development Framework Task Group. What is the current status of this proposal, and can we be assured it will be enshrined in the new Local Plan and strictly adhered to?”

Question 6 – Kath Sanders

“Thank you very much to Cllr Beardsmore for the answer to my question in December about the 2021/22 Green Initiatives Fund and how much of the £747k had been allocated as of 30th September 2021. It was also good to see the information on the bidding process discussed at the Environment & Sustainability meeting on 18th January 2022 (Item 11/22).

Please would it now be possible for residents to get a further update as to how much of the £39k Green Better Neighbourhood Grant element has been allocated as of 31st December 2021 and what further progress has been made in terms of utilising the remaining funds this year (or whether agreement has been reached to rollover and potentially add to the Green Initiatives Fund in the next fiscal year)? Thank you.”

Council

24 February 2022



| | |
|------------------------------|--|
| Title | Application of the six months' rule to Councillor M. Madams |
| Purpose of the report | To make a decision |
| Report Author | Victoria Statham, Monitoring Officer |
| Recommendation | That the Council approves Councillor Madams's absence from attendance from 14 October 2021 until the Annual Meeting of the Council on 26 May 2022. |

1. The six month's rule

1.1 Section 85 of the Local Government Act 1972 states:

- (1) Subject to subsections (2) and (3) below, if a member of a local authority fails throughout a period of six consecutive months from the date of his last attendance to attend any meeting of the authority, he shall, unless the failure was due to some reason approved by the authority before the expiry of the period, cease to be a member of that authority.
- (2) Attendance as a member at a meeting of any committee or subcommittee of the authority, or at a meeting of any joint committee, joint board or other body by whom for the time being any functions of the authority are being discharged, or who were appointed to advise the authority on any matter relating to the discharge of their functions, and attendance as representative of the authority at a meeting of any body of persons shall be deemed to be attendance at a meeting of the authority.
- (3) [Not applicable as it relates to service in the armed forces]

2. Attendance by Councillor Madams

- 2.1 Councillor M. Madams's last attendance at any meeting as defined in Section 85 (2), was at the Council meeting on 14 October 2021. She has been suffering ill health which has prevented her from attending any meeting since that date.
- 2.2 Under the six-months' rule, she will cease to be a member of the authority if she does not attend any meeting before 14 April 2022, unless the Council approves the reason for her absence.

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Corporate Policy and Resources Committee



19 January 2022

| | |
|----------------------------------|--|
| Title | Supplementary Pay Award 2021/22 |
| Purpose of the report | To make a recommendation to Council |
| Report Author | Debbie O'Sullivan/Angela Tooth, Human Resources Managers |
| Ward(s) Affected | Not applicable |
| Exempt | No |
| Exemption Reason | Not applicable |
| Corporate Priority | This item is not in the current list of Corporate Priorities but still requires a Committee/Council decision. |
| Recommendations | Committee is asked to: Recommend to Council that the preferred option (Option A) of the 2021/22 supplementary pay award or other option is approved. |
| Reason for Recommendation | As a result of moving to local pay on 1 April 2019, pay awards are to be decided by full Council. Under the Collective Agreement between the Council and UNISON, the Council will give due regard to the National Pay Award. The supplementary pay award is proposed to at least meet the current NJC national pay award offer of 1.75% for all staff. |

1. Key issues

- 1.1 With effect from 1 April 2019, Spelthorne Borough Council became a local pay and local terms and conditions employer. Pay awards are to be decided by full Council and Corporate Policy and Resources Committee are asked to recommend to Council a supplement 2021/22 pay award.
- 1.2 The 2021/22 pay award, effective from 1 April 2021, was agreed in early February 2021 as follows:
 - 1.2.1 0.75% to all scale points including personal salaries and apprentices
 - 1.2.2 An additional 0.25% for scales 1 to 3

- 1.2.3 A one off, non-consolidated payment of £100 (gross) to all staff (excluding casual workers)
- 1.2.4 The deletion of scale points 8 and 9 from Scale 1
- 1.2 The above provided a higher increase for those posts in the “lower grades”. For 2021/22, scales 1 to 3 were included in this definition.
- 1.3 Clause 1.1 of the Collective Agreement between Spelthorne Borough Council and UNISON states the following:

“1.1 Spelthorne will give due regard to the NJC, JNC and JNC for Chief Executives National Pay Award.”

1.3 The 2021/22 national pay award has not yet been finalised. A full and final offer of 1.75% to the majority of NJC pay points was made by the employers which has not been accepted by the unions. Balloting has taken place in relation to strike action but this will not affect Spelthorne Borough Council staff.

1.4 Meetings have been held between Management Team and UNISON under the Collective Agreement to discuss the national pay award offer. It has been accepted by both parties to work with the final national offer of 1.75% when considering point 1.1 of the Collective Agreement as it is unknown when the national award will be concluded and the national employers have indicated that they have made their full and final offer.

1.5 The proposals have been subject to consultation and negotiation, within the limits of the Collective Agreement between the Chief Executive, Deputy Chief Executive, Human Resources and UNISON.

1.6 Clause 1.4 of the Collective Agreement, Mechanism and timetable for deciding pay awards states:

“UNISON may make representations to Corporate Policy and Resources Committee when they consider the budget for the following year. The Corporate Policy and Resources Committee will consider any pay submission/representation from UNISON before they make a recommendation to Council for the Local Pay Award for the following year.”

1.7 UNISON may choose to make their own submission/representation to Corporate Policy and Resources Committee.

1.8 This explains the main criteria upon which the decision is to be based.

2. Options analysis and proposal

2.1 In order to remain competitive and retain staff the following options are proposed.

2.1.1 Option A – Preferred option

1% to all scale points including personal salaries and apprentices (excluding those staff whose terms of secondment does not qualify for a pay award).

This means that overall for 2021/22 scale points 1 to 3 will have received a 2% pay review for 2021/22, which is higher than the current national offer and all other scale points and relevant personal salaries will have received 1.75%.

This maintains the 0.25% differential between scales 1-3 and all other scales.

UNISON are supportive of this option as they are mindful that a higher award to lower scales will result in compression issues between scales.

2.1.2 Option B

As Option A, plus a one off non-consolidated payment of £100 (gross) per employee (excluding casual workers) up to and including Scale 4.

Consideration would need to be given on the reason for this payment to scales 1 to 4.

This will heighten bottom loading but will be on a one off basis. UNISON are aware of the challenges of bottom loading pay scales and the impact reducing monetary differences between grades can have on morale, retention and recruitment together with recognition of the different grade responsibilities.

2.1.3 Option C

As Option A, plus setting aside a one off payment of up to £20,000 to be placed into the Spelthorne Assistance Fund for Employees (SAFE) which is available to all employees who may be experiencing financial hardship and who can confidentially apply for support. Support is open for all (subject to criteria) and does not restrict any employee from applying. Voluntary Support North Surrey (VSNS) who previously administered the fund on behalf of Spelthorne Borough Council have stated they no longer wish to continue providing this support. A new provider would need to be appointed as this should remain independent from the Council. It should be noted that it may be challenging to source a provider willing to administer as this is a niche area plus there will be an administrative fee.

3. Financial implications

3.1 Option A - the incremental cost is £191,530 and is within the headroom in the medium term financial strategy/outline budget assumptions. The uplift can be treated as a supplementary Revenue estimate for 2021-22 which can be covered by the projected net overall Revenue underspend for 2021-22.

3.2 Options B or C – the one off cost can be covered from the additional one off head room generated by the New Homes Bonus grant.

4. Other considerations

4.1 The pay award is to be made to all staff – apart from those whose terms of secondment does not qualify for a pay award.

4.2 If agreed, the increase will be applied to certain allowances that are increased annually in line with any pay award. This is covered within the budget.

4.3 Consideration needs to be given on the effect of a higher incremental increase to lower scales as this will cause compression issues between scales and provide little differential between one grade and the next. Posts are graded according to the complexity of work, range of responsibilities and the skills and experience required

to undertake them. Reducing the differential may effectively “downgrade” the next scale up. Scales 1-3 have received a higher incremental increase and the above proposals do not reduce the differentials that are currently in place, this in turn may make it increasingly difficult to promote into roles just above these scales (for example refuse vehicle drivers).

Protecting organisational resilience

- 4.4 From a business need perspective, the organisation is finding it more difficult to recruit and retain managers and key professional roles than for the lower grades. If the organisation is unable to retain key professional staff and managers (we are shortly about to lose a few key managers), it will impact on the Council’s ability to deliver services to its residents and may also affect staff morale and well being. It should be noted that the latest Consumer Prices Index measure of inflation is 5.1% and is projected to rise to more than 6% in the coming months. We need to be mindful of the direct and indirect costs (including service discontinuity) associated with vacant posts and recruiting to posts and the hidden cost of induction and training associated with new recruitment. We are particularly aware of the difficulties some services are continually encountering when trying to recruit key qualified staff and these are often in front line services. As an example, Environmental Health has been unsuccessful in recruiting Senior/Environmental Health Officers and went out to advert on 3 separate occasions for 2 vacancies over the last 12 months. Internally, the hourly rates for these roles range from £16.17 per hour to £24.74 per hour but they are currently having to pay agency personnel / contractors between £55 to £60 per hour. This is resulting in a potential additional spend of over £1000 per week for each full-time vacant role. In other areas such as Building Control, the hourly agency rate for an experienced Building Control Officers is also between £55-£60 per hour, plus expenses. This compares with the internal hourly rate paid to staff of between £16.17 - £27.96 per hour.

5. Equality and Diversity

- 5.1 This supplementary pay award is applicable to all scales including personal salaries and apprentices.

6. Sustainability/Climate Change Implications

- 6.1 None.

7. Timetable for implementation

- 7.1 The pay award will, if approved, will be implemented in March 2022 and backdated to 1 April 2021.

Background papers: There are none.

Appendices: There are none

Council

24 February 2022



| | |
|----------------------------------|--|
| Title | Pay Award 2022/23 |
| Purpose of the report | To make a recommendation to Council |
| Report Author | Debbie O'Sullivan/Angela Tooth, Human Resources Managers |
| Ward(s) Affected | Not applicable |
| Exempt | No |
| Exemption Reason | Not applicable |
| Corporate Priority | This item is not in the current list of Corporate Priorities but still requires a Committee/Council decision. |
| Recommendations | <p>The Corporate Policy and Resources Committee is asked to recommend to Council that the 2022/23 pay award is approved as follows:</p> <p>2% to all scale points including personal salaries and apprentices and an additional 0.5% for scales 1 to 5 inclusive</p> |
| Reason for Recommendation | <p>As a result of moving to local pay on 1 April 2019, the pay award for 2022/23 is to be decided by full Council.</p> <p>The pay award is made to help attract and retain staff and is in recognition of their ongoing hard work and dedication in supporting the Council's services.</p> |

1. Key issues

- 1.1 With effect from 1 April 2019 Spelthorne Borough Council (Spelthorne) became a local pay and local terms and conditions employer. Pay awards are to be decided by full Council and the Corporate Policy and Resources Committee are asked to recommend to Council the pay award for 2022/23.
- 1.2 The Chief Finance Officer presented at a Budget Briefing for councillors on 26th January 2022, which included a proposal for the pay award which will take into consideration pay review data from other councils within Surrey and any available information from the national pay award negotiations. In order to remain competitive and retain staff a total increase of 2% for all staff is recommended. Sufficient provision will be built into the 2022/23 budget.

- 1.3 Originally it was recommended that the 2% budget is a “flat” rate across all scale points with no bottom loading. This would bring Spelthorne in line with the other Surrey District and Boroughs who we understand are budgeting between 2% to 3%. However, it was agreed that with the cost of living increases there should be an extra 0.5% for those staff on scales 1 to 5 inclusive.
- 1.4 In order to continue to delivery high quality services, Spelthorne’s focus is on retaining the breadth and depth of skills, technical knowledge and managerial experience we have together with the ability to attract suitable and qualified candidates for vacant posts. In the last 12 months up to 8 December 2021, 10 staff resigned citing their reason as either higher salary or promotion. A further 10 members of staff retired. These posts were mainly in the managerial or technical grades, for example, Building Control, ICT, Licensing, Information Governance and Housing.
- 1.5 In the last 12 months (up to December 2021), recruitment took more than one attempt or was unsuccessful for 14 posts. In addition to the hidden cost of the time involved in recruitment campaigns, some services are having to use agency personnel at rates of between £55 to £60 per hour (Environmental Health) or service delivery will take longer or is reduced.
- 1.6 The average total pay growth for the private sector was 5.4% from August to October 2021 and for the public sector it was 2.7% (www.ons.gov.uk). The latest Consumer Prices Index measure of inflation is 5.4% and is projected to rise to more than 6% in the coming months. National Insurance employee (and employer) contributions are due to increase by 1.25% from April 2022. Therefore, all staff will be experiencing significant cost of living increases.
- 1.7 The proposal has been subject to consultation and negotiation, within the limits of the Collective Agreement, between the Chief Executive, Deputy Chief Executive, Human Resources and UNISON as further detailed below.
- 1.8 UNISON made a pay submission to the Chief Executive in October 2021 with the first consultation meeting in relation to the pay award held on 10 November 2021. There have been several consultation meetings held since this date, particularly to take account of the financial, recruitment and retention challenges. Agreement has been reached on the distribution as detailed above. UNISON are supportive of all scale points receiving the same rate due to the compression issues of bottom loading on scale points, the cost of living increases all staff are experiencing and the retention and recruitment issues the Council are experiencing.
- 1.9 Clause 1.4 of the Collective Agreement, Mechanism and timetable for deciding pay awards states:

“UNISON may make representations to Corporate Policy and Resources Committee when they consider the budget for the following year. The Corporate Policy and Resources Committee will consider any pay submission/representation from UNISON before they make a recommendation to Council for the Local Pay Award for the following year.”
- 1.10 UNISON may choose to make their own submission/representation to Corporate Policy and Resources Committee.
- 1.11 This explains the main criteria upon which the decision is to be based.

2. Options analysis and proposal

- 2.1 To approve the distribution of the pay award as detailed in this report. This is required to remain competitive with our comparators and will demonstrate a commitment to all staff. **Preferred option.**
- 2.2 To not approve the pay award or award a lower pay award or implement bottom loading will impact on morale, recruitment and retention.
- 2.3 It is worth considering the effect of a higher incremental increase to lower scales as this will cause compression issues between scales and provide little differential between one grade and the next. Posts are graded according to the complexity of work, range of responsibilities and the skills and experience required to undertake them. Reducing the differential may effectively “downgrade” the next scale up. For the 2021/22 pay award, Scales 1-3 received a higher incremental increase. This in turn may make it increasingly difficult to promote into roles just above these scales (for example refuse vehicle drivers).

3. Financial implications

- 3.1 The budget for 2022/23 has built in sufficient provision to cover the proposed additional percentage increase and will add approximately £425,900 (inclusive of national insurance and superannuation). to the base budget for 2022/23. The budget for including an extra 0.5% for staff on grades 1 to 5 is £32,000 taking the total budget to £457,900.

4. Other considerations

- 4.1 If agreed the pay award, as detailed above, is applicable to all staff including those on protected salaries, personal salaries and apprentices – apart from those staff whose terms of secondment does not qualify for a pay award.
- 4.2 If agreed, the 2%, or 2.5% for scales 1 to 5, increase will be applied to certain allowances that are increased annually in line with any pay award.
- 4.3 Under clause 1.1 of the Collective Agreement, Section 1: Arrangement for agreeing the Spelthorne Local Pay Award it states the following:

“Spelthorne will give due regard to the NJC, JNC and JNC for Chief Executives National Pay Award.”

The 2021/22 National Pay award has not yet been concluded and there has been no indication of any proposals for 2022/23. Should the 2022/23 National Pay Award be higher than the Spelthorne Local Pay Award, due consideration will be given to proposing to Council that the Local Pay Award meets the National Award, subject to affordability.

5. Sustainability/Climate Change Implications

- 5.1 There will be no impact on climate change issues.

6. Timetable for implementation

The pay award will be effective from 1 April 2022.

Background papers:

There are none

Appendices:

There are none

Corporate Policy and Resources Committee



19 January 2022

| | |
|----------------------------------|--|
| Title | Pay Policy Statement 2022/23 |
| Purpose of the report | To make a recommendation to Policy and Resources Committee/Council |
| Report Author | Debbie O'Sullivan/Angela Tooth, Human Resources Manager |
| Ward(s) Affected | Not applicable |
| Exempt | No |
| Exemption Reason | Not applicable |
| Corporate Priority | This item is not in the current list of Corporate Priorities but still requires a Committee/Council decision |
| Recommendations | Committee is asked to: Recommend to Council that the Pay Policy Statement is approved. |
| Reason for Recommendation | The Pay Policy Statement must be agreed by full Council and be published by 31 March each year. |

1. Key issues

- 1.1 Local authorities are required to publish an annual pay policy statement to increase transparency regarding the use of public funds to pay council staff. This requirement was set out in the Localism Act 2011 with guidance on items to be included issued by the Secretary of State for Communities and Local Government.
- 1.2 Pay Policy Statements must be agreed by full Council and be published by 31 March each year to apply to pay decisions during the next financial year.
- 1.3 The Pay Policy Statement must set out the Council's policies on a range of issues relating to the pay of its workforce, particularly its senior staff and the lowest paid employees. The statement must set out the policies for the financial year relating to:
 - Remuneration of its Chief Officers
 - Remuneration of its lowest paid employees
 - The relationship between the remuneration of its Chief Officers and the remuneration of those employees who are not Chief Officers

- The publication of and access to information relating to remuneration of Chief Officers.
- 1.4 The term ‘Chief Officer’ in this context is as set out in the Local Government and Housing Act 1989 (‘the Act’) and includes
- The Head of Paid Service (the Chief Executive)
 - The Monitoring Officer
 - Statutory and non-statutory Chief Officers under section 2 of the Act
 - A deputy Chief Officer mentioned in section 2 of the Act
- This is a wider definition than is usually understood by the term: in other contexts, the term Chief Officer at Spelthorne is used to mean posts on Management Team (Chief Executive and Deputy Chief Executives only).
- 1.5 It is up to the Council to determine who its lowest paid employees are, but they must give reasons as to why they have defined them as such. At Spelthorne the lowest paid employees are those in jobs paid at the lowest grade and apprentices.
- 1.6 The term ‘remuneration’ is defined as follows:
- The Chief Officer’s salary
 - Any bonuses payable
 - Any charges, fees or allowances payable by the Council to the Chief Officer
 - Any benefits in kind to which the Chief Officer is entitled as a result of their office or employment
 - Any increase in or enhancement of the Chief Officer’s pension entitlement where the increase or enhancement is as a result of the resolution of the Council
 - Any amounts payable by the Council to the Chief Officer on the Chief Officer ceasing to hold office under or be employed by the Council other than amounts that may be payable by virtue of any enactment.
- 1.7 The statement must be approved by a resolution of Council before it comes into force. It can be amended by resolution after the financial year is underway but, if it is amended, it must be published on the Council’s website.
- 1.8 There has been no further guidance from the Secretary of State this financial year.
- 1.9 This explains the main criteria upon which the decision is to be based.
- 1.10 Employing authorities are also required to publish a policy on how they propose to exercise certain discretions under the Local Government Pension Scheme, Local Government Compensation Regulations and the Local Government Injury Regulations. As a minimum, an employing authority is required to publish a policy on the mandatory discretions within these regulations.
- 1.11 The Discretions Policy is an Appendix of the Pay Policy Statement and is attached as **Appendix 2**. The Policy includes the mandatory discretions

together with two optional discretions for Award of Additional Pension and Inward Transfer of Pension Rights which are useful to be included.

- 1.12 On 4 November 2020 the Exit Cap Regulations were implemented. These have now been revoked and are no longer in force. Further exit pay and pension reforms are expected to be re-introduced although the timing of these is not yet known. The Council will need to comply with any new regulations, and this has been reflected in the Pay Policy Statement and the Council's Discretionary Policy.
- 1.13 Consideration is currently being given to contributing towards a Shared Cost Additional Voluntary Contribution arrangement. This discretion (number 4) has been amended to reflect this. This will improve our benefit offering to employees and will contribute to employer national insurance savings for the Council.
- 1.14 This explains the main criteria upon which the decision is to be based.

2. Options analysis and proposal

- 2.1 The draft Pay Policy Statement for 2022/23 is in the **Appendix 1**. It is proposed that the Council resolves to approve the Pay Policy Statement for 2022/23.
- 2.2 No options as the Pay Policy Statement for 2022/23 must be published by 31 March 2022.

3. Financial implications

- 3.1 No direct financial implications to the Pay Policy Statement 2022/23. All pay decisions in the year must be in accordance with the published pay policy statement.

4. Other considerations

- 4.1 Spelthorne is required to approve and publish a pay policy statement annually. The Council is an individual employer in its own right and has autonomy on pay elements that are appropriate to local circumstances. The provisions in the Localism Act and the guidance do not seek to change this or to determine what decisions on pay should be taken or what policies individual employing authorities should have in place. Rather, the provisions require that authorities are more open about their own local policies and how their local decisions are made.
- 4.2 Arrangements for pay and employment must comply with relevant UK employment legislation, the Council's agreed Standing Orders, policies, procedures and arrangements, staff terms and conditions of employment and the regulations of the Local Government Pension Scheme. Arrangements for compensation for loss of office must comply with the Council's Discretionary Policy.
- 4.3 The matters contained in the Pay Policy Statement include arrangements which are part of the contractual terms and conditions of employment, which cannot be changed without prior consultation.
- 4.4 Since February 2015 there is also a requirement to publish other information on senior salaries/posts following the government's publication of the Local Government Transparency Code 2014. This information is published on the

Council's website alongside the Pay Policy Statement and is updated annually.

5. Equality and Diversity

- 5.1 The Pay Policy Statement is in relation to all staff and will be accessible by all staff.
- 5.2 Arrangements for pay will take into account the full scope of the job including the complexity of work, range of responsibilities and the skills and experience required to undertake them, having regard to the need for equal pay for work of equal value.
- 5.3 In accordance with the Equality Act 2010, reasonable adjustments are made to ensure safe working and to remove, prevent or reduce any obstacles there may be in carrying out a role.

6. Sustainability/Climate Change Implications

- 6.1 None.

7. Timetable for implementation

- 7.1 The Pay Policy Statement for the 2022/23 financial year must be agreed by Council by 31 March 2022 and be published on the website. All pay decisions in the year will be in accordance with the published pay policy statement and any agreed amendments.

Background papers: There are none.

Appendices:

Appendix 1: Pay Policy Statement 2022/23

Appendix 2: Discretions Policy

Spelthorne Borough Council
Pay Policy Statement 2022-23

1 Purpose

This Pay Policy Statement is the annual statement as required by the Localism Act 2011, Section 38(1), and applies for the financial year 2022-23. The purpose is to provide transparency about how Spelthorne uses public funds to pay staff.

The statement sets out Spelthorne Borough Council's policies relating to the remuneration of chief officers, the remuneration of its lowest paid employees, and the relationship between the remuneration of Spelthorne Chief Officers and other employees.

2 Definitions

For the purposes of this pay policy statement the following definitions will apply:

2.1 Chief Officers

The following Spelthorne Borough Council posts are included in the definition of chief officers:

- a) The head of paid service designated under section 4(1) of the Local Government and Housing Act 1989.

This is the Chief Executive

- b) The monitoring officer designated under section 5(1) of that Act.

This is the Group Head Corporate Governance

- c) A statutory chief officer mentioned in section 2(6) of that Act.

This is the Deputy Chief Executive who acts as the Chief Finance Officer.

- d) Non statutory chief officers mentioned in section 2(7) of that Act.

This is the other Deputy Chief Executive post.

- e) Deputy Chief officers mentioned in section 2(8) of that Act. These are posts reporting to the Head of Paid Service, the Monitoring Officer, the Chief Finance Officer and the other Deputy Chief Executive, except where the duties are clerical, secretarial or support.

Reporting to the Chief Executive

Deputy Chief Executive (Chief Finance Officer)
Deputy Chief Executive
Group Head Corporate Governance
Head of Communications and Marketing
Property Development Manager

Reporting to the Group Head Corporate Governance (monitoring officer)

Principal Solicitor (deputy monitoring officer)

Reporting to the Deputy Chief Executive (Chief Finance Officer) and the other Deputy Chief Executive

Chief Accountant
Group Head Commissioning and Transformation
Group Head Neighbourhood Services
Group Head Community Wellbeing
Group Head Regeneration and Growth
Deputy Group Head, Customer Relations
Head of Family Support (this post is shared with Elmbridge Borough Council and Epsom & Ewell Borough Councils)
Building Control Manager
Senior Environmental Health Manager

Any restructures during the year or secondments to cover short-term requirements may alter reporting relationships which could change the roles reporting to specific Chief Officer posts.

The definition of chief officers and deputy chief officers for the purposes of this Pay Policy Statement is wider than the definition normally used at Spelthorne. The 3 Management Team posts of Chief Executive and Deputy Chief Executives are generally referred to as 'chief officers' with the Group Head posts as their deputies for their area of responsibility. A number of posts are part time or shared with other councils, as noted above.

2.2 Management Team

Spelthorne Borough Council's Management Team is the Chief Executive and 2 Deputy Chief Executive posts.

2.3 Pay

In addition to salary, remuneration includes fees, allowances, benefits in kind and termination payments.

2.4 Lowest paid employees

Refers to those staff employed within grade Scale 1 of the Council's pay framework, which is the lowest grade on the Council's pay framework. Currently there are 85 posts, 16.19% of the Council's establishment, at this level.

2.5 Employees who are not a chief officer

Refers to all staff who are not covered under the 'Chief Officer' group above, including the lowest paid employees.

3 Pay framework – general principles applying to all staff

3.1 General approach

Remuneration at all levels needs to be adequate to recruit, retain and develop a skilled and flexible workforce to deliver services to the community and fulfil the Council's business objectives. Remuneration must be fair and reasonable in the circumstances and not unnecessarily excessive. Each Council has responsibility for balancing these factors in the light of the unique challenges locally and retaining flexibility to deal with circumstances that might arise. Pay arrangements must comply with UK legislation. Salary payments for individual postholders are pro-rated where they are employed for less than full time. Salary payments are pensionable payments, except where specified in the Pension Regulations.

Terms and conditions of employment are local Spelthorne terms and conditions as amended by Spelthorne.

3.2 Responsibility for decisions on remuneration

Decisions on pay are made in line with Spelthorne Borough Council's scheme of delegations and in accordance with employment policies, procedures and arrangements in place and staff terms and conditions of employment.

Approval for any change to the Chief Executive's salary is by the Leader of the Council if within the salary scale and existing policies or otherwise by the Corporate Policy and Resources Committee/Council. Approval for any changes to the salary range for Management Team posts below Chief Executive is by the Head of Paid Service (Chief Executive) in consultation with the Leader. Approval for changes for posts below management team are the responsibility of the Head of Paid Service and Management Team or Group Head within the budget, council policy framework and delegations.

Pay awards are considered annually for staff. Spelthorne operate local arrangements for deciding pay awards in consultation and negotiation with the Spelthorne Branch of UNISON ("UNISON"), within the limits of

the Collective Agreement between UNISON and Spelthorne. Pay awards are decided by full Council as part of the annual budget process. Retention, affordability and local circumstances will be taken into consideration as part of this decision.

3.3 Salary grades and grading framework

Grades are determined by taking account of the full scope of the job including the complexity of work, range of responsibilities and the skills and experience required to undertake them, having regard to the need for equal pay for work of equal value. Each grade consists of a number of points from the Spelthorne pay spine, from the bottom to the top of the grade. The top of grade is considered to be the rate of pay for a fully experienced, qualified and competent post holder. Incremental progression is subject to satisfactory performance. Accelerated increments can be awarded in exceptional circumstances within the grade but not beyond the top of the grade. Incremental progression for the two Deputy Chief Executives is subject to performance and achievement of targets.

3.4 New starters joining the Council

Appointments are made at the bottom of the salary scale, or at an appropriate point taking into account relevant skills and experience, and staff progress through the scale to the maximum of the grade over a number of years as experience is gained, subject to satisfactory performance.

3.5 Allowances and additional payments

Additional payments may be approved by the Chief Executive, Deputy Chief Executives and Management Team in the case of a member of staff undertaking additional duties for an extended period of time outside the normal responsibilities of their post or to complete specific tasks. For example to cover the duties of a vacant post which is at a higher grade, to undertake additional work in relation to a time-limited project, or where a formal partnership/secondment arrangement is in place with another local authority resulting in additional duties, responsibilities, complexity and working hours and it is not appropriate to otherwise change the grade of the post.

Spelthorne will consider paying a recruitment, retention or market supplement allowance in order to maintain service provision where it has been difficult to recruit to a vacant post or to retain staff in a particular service and specific criteria are met. Recruitment and retention payments are a separate payment, not consolidated into salary, and are subject to annual review and removed when no longer justified.

Essential user and casual user car allowances are payable where staff are required to use their own vehicles for council business. A non-pensionable car allowance is applied to the Chief Executive and Deputy Chief Executive posts. A non-pensionable car allowance is applied to Group Head posts on Chief Officer local terms and conditions of employment. Committee Allowance payments are payable where staff are required to attend Council meetings outside normal working hours (except for Management Team and Chief Officer posts who do not receive additional payment).

3.6 Pay awards

Pay awards are considered annually for staff. Spelthorne operate local arrangements for deciding pay awards in consultation and negotiation with UNISON, within the limits of the Collective Agreement between UNISON and Spelthorne. Pay awards are decided by full Council as part of the annual budget process. Retention, affordability and local circumstances will be taken into consideration as part of this decision.

3.7 Pension scheme

All Spelthorne staff including Chief Officers are eligible to join the Local Government Pension Scheme with employee contributions tiered according to salary band. Employee contributions range from 5.5% for pensionable pay up to £14,600 to 12.5% for pensionable pay above £165,001 (the top rate does not apply to any Spelthorne posts).

The Council's pension current service contribution as employer is currently 17.3% (additionally there is a past service deficit contribution paid as a single lump sum by the Council. The figure for this is £1,000,000). In 2020/21 a higher amount of £2,122,000 was paid to allow for contributions in 2021/22 and 2022/23 to decrease to £1,000,000 each year. Employer contribution rates are reviewed every 3 years following a revaluation of the pension fund and pension liabilities in relation to current and past members. The next revaluation is due as at 31 March 2022 and will impact on employers' contribution from 2023/24.

3.8 Policy on employing someone who has taken redundancy from another authority

An individual who has been made redundant from another council may apply to work at Spelthorne and would be considered against the required criteria for the post. If they accept an offer of employment with Spelthorne before the end of their employment with the other council to take effect within 4 weeks of leaving then they will not be due a redundancy payment from the previous employer and will retain continuity of service. If the gap is longer than 4 weeks their continuous service is broken, which means that they would have no eligibility for redundancy payments until they have 2 years further service.

The government are consulting on the possible implementation of exit payment reforms and, if agreed, this may affect the repayment of any redundancy payments.

3.9 Policy on employing someone who is also drawing a pension

In line with the pension regulations Spelthorne has a flexible retirement policy and will consider requests from staff who wish to draw their pension and continue working in a reduced capacity. Requests will only be agreed where there is a salary saving through either reduced hours or responsibility.

An individual who is drawing a pension in relation to a previous employment may apply to work at Spelthorne and would be considered against the criteria for the post. If they are appointed, the salary will be in accordance with the grade for the job, with abatement of their pension subject to the rules of the appropriate pension scheme of the pension in payment, as apply at the time.

3.10 Policy on increase in or enhancement to pension entitlements

Pension entitlements are in line with the Local Government Pension Scheme Regulations and Spelthorne Pensions Policy in operation at the time.

Spelthorne's Pension Policy was agreed by the Council on 27 February 2020. It applies to all Spelthorne employees including Chief Officers. The Pension Policy is attached as Appendix 2 (to the Pay Policy Statement).

3.11 Payment arrangements

Employees, including chief officers, are paid through payroll and subject to appropriate income tax and national insurance deductions.

4 Level and elements of remuneration for chief officers

4.1 Salaries for chief officers

Spelthorne policy is to pay chief officers according to the Spelthorne salary grade appropriate for the duties and responsibilities of the job. Each grade consists of a number of points from the Spelthorne pay spine, from the bottom to the top of the grade.

The salary paid to Group Head posts depends upon the range of responsibilities and consists of a salary range of a number of increments taken from a 4 point Group Head Salary band.

The current full time salary scales for chief officer posts listed in Paragraph 2.1 above are set out in the table below. Where posts are filled on a part-time basis the post holders are paid pro-rata to their contractual hours.

| Post | Bottom of salary range | Top of salary range |
|---|-------------------------------|----------------------------|
| Chief Executive | £112,808 | £127,187 |
| Group Head Corporate Governance | £74,318 | £80,933 |
| Deputy Chief Executives | £90,244 | £101,747 |
| Principal Solicitor and Deputy Monitoring Officer | £58,393 | £62,302 |
| Chief Accountant | £74,318 | £74,318 |
| Group Heads | £74,318 | £80,933 |
| Deputy Group Head Customer Relations | £63,654 | £69,044 |
| Head of Family Support | £70,947 | £70,947 |
| Building Control Manager | £48,884 | £57,975 |
| Senior Environmental Health Manager | £54,274 | £57,975 |
| Head of Communications and Marketing | £54,274 | £57,975 |
| Property Development Manager | £74,000 | £74,000 |

Any restructures during the year or secondments to cover short-term requirements may alter reporting relationships and could change the roles reporting to specific Chief Officer posts, with the appropriate salary range from Spelthorne grades applying.

4.2 Other pay elements for chief officers

A non-pensionable car allowance is applied to the Chief Executive, Deputy Chief Executives and Group Head posts as part of the total remuneration package. Current car allowance values are £6,521.83 for the Chief Executive and £5,072.48 for the Deputy Chief Executives and Group Heads.

Deputy Group Head posts are eligible for essential user car allowances if they are required to undertake business mileage and provide a car for work.

The salaries for chief officer and Chief Executives / Chief Officers (the Chief Executive, Deputy Chief Executives, Group Head, Deputy Group Head (and certain professional posts) are inclusive salaries with no additional recompense for additional hours worked, for attendance at Council or other meetings outside of normal working hours, for expenses, for telephone use or for business mileage, except for journeys of 100 miles or more. A mileage rate equivalent to the HMRC

rate for company cars applies (13p per mile for most vehicles) for journeys of 100 miles or more.

Posts listed as deputy chief officers are eligible for car allowances if they are required to undertake business mileage, committee attendance allowance if they are required to attend council or other meetings outside normal working hours, overtime payments if required to work additional hours and they may claim for reimbursement of expenses incurred in the performance of their duties.

Professional fees required for the post are paid (for example membership of CIPFA for the Chief Finance Officer and legal practising certificate for the monitoring officer).

A separate allowance is paid for the statutory monitoring officer and Section 151 officer duties.

Election fees are paid separately for additional duties and responsibilities undertaken as elections fall. The Chief Executive acts as Returning Officer at elections and other chief officers may receive payments for any additional work undertaken during a national or local election as deputy returning officers, presiding officers or poll clerks at polling stations or for working at the election counts. Election fees are set as elections are called taking account of guidance issued by the Ministry of Justice.

4.3 Remuneration of chief officers on recruitment

Starting salaries are at the bottom of the salary scale, or at an appropriate point taking into account relevant skills and experience.

Chief Executive and Management Team or Group Head approval is required before recruitment to any post below management team level. Approval to fill posts at management team level and for Group Heads requires the agreement of the Leader of the Council, with selection decisions made by a member Appointments Committee and ratified by Council if required (for Chief Executive). New appointments may be eligible for removal expenses under the Council's Home Relocation Policy.

4.4 Increases and additions to remuneration for each chief officer

Pay awards are considered annually for staff including Chief Officer. Spelthorne operate local arrangements for deciding pay awards in consultation and negotiation UNISON, within the limits of the Collective Agreement between UNISON and Spelthorne. Pay awards are decided by full Council as part of the annual budget process. Retention, affordability and local circumstances will be taken into consideration as part of this decision.

Changes to salary ranges and other pay elements must be agreed by the Leader/Council for the Chief Executive, by the Chief Executive in conjunction with the Leader for Deputy Chief Executive posts and by the Chief Executive and Management Team for all other posts.

4.5 Performance related pay for chief officers

There is no additional performance related pay for Spelthorne chief officers or any other staff. Progression through increments is subject to satisfactory performance. Incremental progression for Deputy Chief Executives is subject to performance and achievement of targets. Once an employee reaches the top of their salary scale there is no opportunity to earn more.

4.6 Bonuses for chief officers

There are no bonuses available for chief officers or for other staff.

4.7 The approach to the payment of chief officers on their ceasing to hold office under or to be employed by the authority

Spelthorne's Discretionary Compensation Policy agreed by the Executive on 6 February 2007 and confirmed by Cabinet in January 2020, sets out the approach for payments in the event of termination on the grounds of redundancy and efficiency of the service. There is a consistent method of calculating redundancy pay which is applied to all redundant employees, including chief officers, with the level of redundancy pay calculated using the statutory matrix with a multiplier of 2 and at actual weekly earnings (to a maximum of 60 weeks' pay for staff with over 20 years local government service). The redundancy payment is intended to recompense employees for the loss of their livelihood and provide financial support whilst they seek alternative employment and applies when a post is deleted. In the case of termination on efficiency grounds payments would depend on the circumstances of the case and would exceed the amount due for redundancy only in exceptional circumstances, to a maximum of 104 weeks.

The Exit Cap Regulations which came into force on 4 November 2020 have been revoked.

Further exit pay and pension reforms are expected to be re-introduced (timing not known). Any exit payments will be in line with any regulations and caps in force at the time.

The taxation of termination payments is in accordance with statutory provisions.

4.8 Additional payments for chief officers

Additional payments may be approved in the case of a chief officer undertaking additional duties for an extended period of time outside the normal responsibilities of their post. For example to undertake additional responsibilities, to cover the duties of a vacant post which is at a higher grade, to undertake additional work in relation to a time-limited project, or where a formal partnership/secondment arrangement is in place with another local authority resulting in additional duties, responsibilities, complexity and working hours and it is not appropriate to otherwise change the grade of the post.

5. The remuneration of the lowest paid employees

The lowest paid employees are those in posts graded at Scale 1, which has a current salary range from £19,489 to £20,361 per annum. The pay rate at the bottom of scale 1 is £10.38 per hour compared to the national minimum wage of £9.18 per hour (National Minimum Wage rate from 1 April 2022 for workers aged 21 to 22 years) and the National Living Wage of £9.50 per hour from April 2022 for workers aged 23 and over. The Living Wage Foundation's non-statutory UK Living Wage for 2021/2022 is £9.90 per hour.

Young people employed as Apprentices for the temporary period of their apprenticeship training are paid on an appropriate pay rate taking into account the level of work and level of qualifications to be obtained with a minimum of the appropriate statutory minimum wage rates [£4.81 per hour Apprentice rate in the first year, The National Minimum Wage rate of £4.81 per hour for under 16-17 year olds, £6.83 per hour for 18 – 20 year olds, £9.18 per hour for 21 – 22 year olds and £9.50 per hour for age 23 and over from 1 April 2022].

6. The relationship between the lowest and highest paid staff

The ratio between the lowest and highest paid salaries is less than 1:7. The lowest salary rate is £19,489, the top of the Chief Executive's salary scale is £127,187 which is a pay multiple of 1:6.52.

7. The relationship between the highest paid employee and employees who are not chief officers

The ratio between the median earnings across the organisation and the taxable pay of the highest paid employee (the Chief Executive) is 1:4.74

The ratio between the mean average earnings across the organisation and the taxable pay of the highest paid employee (the Chief Executive) is 1:4.10

8. Salary and severance payments over £100,000

- 8.1 Spelthorne has three posts with a salary package above £100,000, the Chief Executive and Deputy Chief Executives. The appointment of a new Chief Executive is made in accordance with the council's Constitution and statutory provisions. There would be a report to members on the arrangements for an appointment, including the salary level, and the appointment would be made by a member Appointments Committee and confirmed after ratification by full Council.
- 8.2 Severance payments are made in accordance with the council's Discretionary Compensation Policy. Redundancy payments are based on the statutory matrix and Spelthorne multiplier to a maximum of 60 weeks' pay. Severance payments on the grounds of efficiency will exceed that level only in exceptional circumstances.

The Exit Cap Regulations which came into force on 4 November 2020 have been revoked.

Further exit pay and pension reforms are expected to be re-introduced (timing not known). Any exit payments will be in line with any regulations and caps in force at the time.

9. The publication of and access to information relating to remuneration of chief officers

The annual pay policy statement is published on the Spelthorne Borough Council website where it can be easily accessed by tax payers and external organisations.

Appendix 1 Pay Policy Statement effective from April 2022

Appendix 2 Discretions Policy

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**Appendix 2
Discretions Policy**

The Exit Cap Regulations which came into force on 4 November 2020 have been revoked.

Further exit pay and pension reforms are expected to be re-introduced (timing not known). Any exit payments will be in line with any regulations and caps in force at the time.

| No. | Area | Regulation | Discretion | Policy Summary | Explanation |
|-----|---|---|--|---|--|
| 1 | Whether to vary an employee's contribution band | Regulations 9 and 10 Pensions Regulations | Members must pay pension contributions at the appropriate rate set on 1st April or the first day of active membership, if later. The employer may vary the contribution rate if there is a change in employment or a material change that affects the member's pensionable pay. | Spelthorne Borough Council may vary the employee's contribution rate if there is a material change and each case will be considered on its merits | Contribution bands are set on 1st April but the employer may change them if a member changes jobs or has a material pay increase / decrease. |
| 2 | Whether to increase assumed pensionable pay in certain specific circumstances | Regulation 21(5), 21(5A) and 21(5B) Pension Regulations | If a member is absent as a result of illness, child related leave or reserve forces leave their pension benefits may be based on assumed pensionable pay (APP). If, in the employer's opinion, the member's APP is materially lower than their pay in the twelve months preceding the absence they can either include (1) a "regular" lump sum received during that period or (2) substitute a higher pensionable pay having regard for their earnings in that period. | Spelthorne Borough Council may increase assumed pensionable pay and each case will be considered on its merits. | If a member's APP is lower than their regular pensionable pay the employer can either substitute a higher rate of pay, based on the pay they received in the year before the absence began, or, include regular lump sums received during that period. |
| 3 | Funding of Additional Pension Contributions | Regulations 16(2)(e) and 16(4)(d) Pension Regulations | Whether to fund, in whole or in part, a shared cost additional pension contributions (SCAPC) on behalf of an active member by regular contributions (Regulation 16 (2)(e)) or by lump sum (Regulation 16(4)(d)). Note: The amount of additional pension that may be credited to an active member's pension accounts may not exceed the overall additional pension limit of £7316 (April 2021 and uplifted annually). | Spelthorne Borough Council will only contribute towards APCs in exceptional circumstances. | The employing authority can choose to pay additional pension contributions on behalf of active employees. |

| | | | | | |
|---|---|---|---|--|---|
| 4 | Shared Cost Additional Voluntary Contributions (SCAVCs) | Regulation 17(1) and Schedule 1 (definition of SCAVC) Pension Regulations. | Whether to contribute towards a Shared Cost Additional Contribution arrangement. Pre2014 SCAVCs also fall under Regulation 17 by virtue of Regulation 15(2A) Transitional Regulations. | Spelthorne Borough Council may contribute towards a Shared Cost Additional Voluntary Contributions arrangement but each case will be considered on its merits. | An employer can choose to contribute towards a SCAVC. |
| 5 | Whether to grant early payment of pension on compassionate grounds (pre-1 st April 1998 leavers) | Regulation D11(2)(c) of 1995 Regulations | Whether to agree to early payment of pension benefits from age 50 on compassionate grounds. The employer should note that pension benefits paid before age 55 may attract an unauthorised payments surcharge and they may have to pay a strain cost because the pension benefits cannot be reduced. | Spelthorne Borough Council will only contribute to early payment of pension in exceptional circumstances. | The employer may agree to payment from age 50, but they may incur an unauthorised payments surcharge and/or a capital cost. |
| 6 | Flexible Retirement | Regulation 30(6), Pensions Regulations. Regulations 11(2) and (3) of Transitional Regulations | <p>Whether to agree to an employee aged 55 or over reducing their hours of work or their grade so that they may receive all or some of their retirement pension while still employed.</p> <p>Whether, in addition to any pre 1 st April 2008 pension benefits which the member must draw, to permit the member to draw;</p> <p>(a) all, part or none of benefits accrued between 1st April 2008 and 31st March 2014 and</p> <p>(b) all, part or none of the pension benefits built up after 31st March 2014</p> | <p>Spelthorne Borough Council will only award flexible retirement in exceptional circumstances.</p> <p>Decisions are delegated to Management Team for cases up to Group Head and to Corporate Policy and Resources Committee for members of Management Team.</p> | <p>The employing authority can agree to an employee aged 55 or over drawing all or some of their pension and continuing to work in the same employment on reduced hours, pay or grade.</p> <p>The employer should note that granting consent would trigger the 85 -year rule and may require a capital payment.</p> |
| 7 | Switching on the 85-year rule | Schedule 2 of the Transitional Regulations | Whether to switch on the 85 - year rule under Regulation 1(2) and 1(3) of Schedule 2 of the Transitional Regulations. | Spelthorne Borough Council will only switch on the 85 year rule in exceptional circumstances. | The employer can agree to switch on the 85 -year rule, which may mitigate reductions that would, otherwise, apply but the employer may have to make a capital payment. |

| | | | | | |
|---|---|---|---|--|---|
| 8 | Waiving of Actuarial Reduction to Pensions | Regulation 30(8), Pensions Regulations Schedule 2 of Transitional Regulations | <p>(Post 2014) Whether to agree to waive, in whole or in part, any actuarial reduction that would otherwise apply to the pension paid to a former employee aged 55 or over under 30(5) or 30(6) [flexible retirement] using regulation 30(8) of the Pension Regulations.</p> <p>(Pre -2014) Whether to waive actuarial reductions entirely under 30(5) or 30A(5) [deferred pensioner members] of the Benefits Regulations and Regulation 2(1), of Schedule 2 of the Transitional Regulations.</p> | <p>Spelthorne Borough Council will only waive actuarial reductions in exceptional circumstances.</p> <p>Decisions are delegated to the Chief Executive in consultation with the Leader for cases below Management Team and to Corporate Policy and Resources Committee for cases at Management Team.</p> | <p>The employing authority can agree to waive reductions to the pension of a member aged 55 or over who has left employment or been granted flexible retirement. The employer may be required to make a capital payment if they do so.</p> |
| 9 | Award of Additional Pension | Regulation 31, Pensions Regulations | <p>To award additional pension at full cost to the employer:</p> <p>(1)an active member; or</p> <p>(2)a former active member who was dismissed by reason of redundancy, business efficiency or mutual consent on grounds of business efficiency.</p> <p>NOTE: Any additional pension awarded (including any additional pension purchased by the employer or the member under Regulation 16 of the Pensions Regulations) may not exceed the overall additional pension limit of £7316 (April 2021 and uplifted annually).</p> <p>Additionally, in the case of a member falling within (2) above, the resolution to award additional pension must be made within 6 months from the date on which the employment ended.</p> | <p>Spelthorne Borough Council will only award additional pension in exceptional circumstances.</p> <p>Decisions are delegated to the Chief Executive in consultation with the Leader for cases below Management Team and to Corporate Policy and Resources Committee for cases at Management Team.</p> | <p>This means the employing authority has the power to award additional pension to an active member.</p> <p>The employer can also award additional pension to members who leave on the grounds of redundancy, business efficiency or mutual consent on grounds to business efficiency - up to six months after termination.</p> <p>The employer would be required to make a capital payment (in addition to the cost of purchase) if the member retired early on any grounds apart from permanent ill-health.</p> |

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| 10 | Aggregation of Benefits: Concurrent Employments | Regulation 22 (7)(b), Pensions Regulations | Whether to allow an active member with concurrent employments, who ceases an employment with an entitlement to a deferred pension, more than 12 months to elect not to have their deferred pension aggregated with their active member's pension account. | Spelthorne Borough Council will only extend the deadline in exceptional circumstances. | The employing authority can allow a member who leaves one of two (or more) employments - held at the same time - longer than 12 months to elect not to combine the deferred pension with the ongoing active pension. |
| 11 | Aggregation of Benefits: Deferred Member becoming Active Member | Regulation 22 (8)(b), Pensions Regulations | Whether to allow a deferred member who becomes an active member longer than 12 months in which to elect not to have their deferred benefits aggregated with the benefits in their active member's pension account. | Spelthorne Borough Council will only extend the deadline in exceptional circumstances. | The benefits are usually aggregated (joined-up), unless the member elects to keep them separate. The employing authority can agree to a former member having longer than 12 months to choose not to combine their pensions. |
| 12 | Aggregation of Benefits: Deferred Member becoming Active Member (pre-2014 membership) | Regulation 10(6)(b) Transitional Regulations | Whether to allow a deferred member who becomes an active member longer than 12 months in which to elect for their pre-2014 deferred benefits to be aggregated with their active member's pension account (but, technically, they would lose the final salary link if they have not made an election under 5(5) Transitional Regulations within twelve months of becoming an active member of 2013 scheme). | Spelthorne Borough Council will only extend the deadline in exceptional circumstances. | The pre-2014 preserved benefits will be kept separate unless the member makes a positive election to aggregate them. The employing authority can agree to a former member having longer than 12 months to choose to combine their pensions. |

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| 13 | Inward Transfer of Pension Rights | Regulation 100, Pensions Regulations | <p>Whether to allow an employee who has been an active member in their current employment for more than 12 months to ask for the transfer of certain accrued pension rights to be considered.</p> <p>Note: Regulation 100(6) of the Pensions Regulations requires that a request must be made within 12 months beginning with the date on which the member first became an active member in an employment or such longer period as the employer and the Administering Authority may allow. The discretion is, therefore, only exercisable if both the Employing Authority and the Administering Authority agree.</p> | Spelthorne Borough Council will only extend the deadline in exceptional circumstances. | Members who have been in the pension scheme for more than twelve months can ask for a transfer -in to be considered - but it will only be investigated if both the employing authority and the administering authority agreed. |
| 14 | Redundancy Payments. | Regulation 5, Compensation Regulations 2006 | Whether to base redundancy pay on actual pay where actual pay exceeds the statutory maximum under the Employment Rights Act 1996 (£544 from April 2021). | Spelthorne Borough Council may pay statutory improved redundancy payments and each case will be considered on its merits and any limits under Regulations. | The employer can base the calculation of a week's pay for redundancy on actual pay if it is higher than the statutory limit (currently £544 from 6 April 2021). Any calculation will be subject to the new and potential Regulations detailed in Regulation 6 and may be reduced accordingly. |

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| <p>15 Compensation for loss of Employment.</p> | <p>Regulation 6, Compensation Regulations 2006</p> | <p>Whether to pay compensation to a person whose employment ceases</p> <ul style="list-style-type: none"> - by reason of redundancy; - in the interests of the efficient exercise of the employing authority's functions; or in the case of a joint appointment, because the other holder of the appointment leaves. <p>NOTE: Compensation may not be paid under this Regulation if: - a person's period of membership of the Pension Scheme has been increased under Regulation 12 of the Benefits Regulations 2007 (see above); or - a person has been awarded an additional pension under Regulation 13 of the Benefits Regulations 2007 (see above).</p> <p>In all cases the amount of compensation paid under this Regulation may not exceed 104 week's pay <u>less</u> any redundancy payment payable.</p> <p>In all cases the decision to pay</p> | <p>Spelthorne Borough Council will only award compensation for loss of employment in exceptional circumstances.</p> <p>Payments to be agreed by the Chief Executive in consultation with the Leader or the Chief Financial Officer in consultation with the Leader as appropriate.</p> <p>Payments to be agreed by Council for the Chief Executive, Management Team and Statutory Officers.</p> <p>Redundancy payments to be at twice statutory minimum using Government redundancy calculator (to maximum of 60 weeks). To be inclusive of statutory redundancy payments. The policy will be kept under review. The Council retains the right to change the policy at any time. No added years.</p> <p>Efficiency of the Service a one off lump sum payment, based on the merits of each individual case, up to the maximum of 104 weeks' pay. No added years</p> <p>The Exit Cap Regulations which came into force on 4 November 2020 have been revoked.</p> <p>Further exit pay and pension reforms are expected to be re-introduced (timing not known). Any exit payments with be in line with any regulations and caps in force at the time.</p> | <p>The employing authority can make an award of up to 104 week's pay (less any statutory redundancy payment payable). Subject to the maximum regulatory statutory maximum.</p> <p>The Exit Cap Regulations which came into force on 4 November 2020 have been revoked.</p> <p>Further exit pay and pension reforms are expected to be re-introduced (timing not known). Any exit payments with be in line with any regulations and caps in force at the time.</p> |
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| <p>16 Injury Allowances</p> | <p>14(1) of the Compensation Regulations 2011</p> | <p>Scheme employers (LGPS employers), apart from admission bodies, must formulate, publish and keep under review a policy on:</p> <p>1. whether to make an injury award to those who sustain an injury or contract a disease as a result of anything they were required to do in performing the duties of their job and in consequence of which they:</p> <ul style="list-style-type: none"> - suffer a reduction in remuneration, or - cease to be employed as a result of an incapacity which is likely to be permanent and which was caused by the injury or disease, or - die leaving a surviving spouse, civil partner or dependant, and <p>2. if the Scheme employer has a policy to make such payments, how it will determine the amount of injury allowance to be paid?</p> | <p>Spelthorne Borough Council will only pay injury allowances in exceptional circumstances</p> | <p>An employing authority may award an injury allowance to employees who contract an injury or illness related to their employment.</p> |
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This Policy is effective from 27 February 2020. The Policy will be kept under review. Any future changes to the policy will come into effect one month after the amended policy is agreed and published. The Council retains the right to change the Policy at any time.

Reviewed by Council 27 February 2020

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Council

24 February 2022



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|----------------------------------|---|
| Title | Treasury Management Strategy Statement 2022/23 |
| Purpose of the report | To approve the report based on the recommendation for the Corporate Policy & Resources Committee on 7 February |
| Report Author | Anna Russell, Deputy Chief Accountant |
| Wards affected | All Wards |
| Exempt | No |
| Corporate Priority | Community Affordable Housing Recovery Environment Service delivery |
| Recommendations | <p>Council is asked to:</p> <ol style="list-style-type: none"> 1. To approve the proposed Treasury Management Strategy for 2022/23 as set out in this report. 2. To note the updated Treasury Management Practices (TMP) and Schedules |
| Reason for Recommendation | The Treasury Management strategy is fundamental to developing the financial sustainability of the Council. |

1. Key issues

- 1.1 This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA TM Code), which requires the Council to approve a treasury management strategy before the start of each financial year.
- 1.2 The report is necessarily detailed and technical, providing essential information that the Council is required to have due regard to. Certain key information is appended for the sake of clarity. **Appendix A** provides recent benchmarking of the investment portfolio by the Council's treasury advisors, illustrating performance reporting used by the Council. Background to this report is given at **Appendices B and C**. The MRP Statement is given at **Appendix D**. The Treasury Management Practices (TMP) and Schedules, included at Appendix E, set out how this Council will seek to achieve its treasury management policies and objectives and how it will manage and control those activities.

2. Summary position

- 2.1 On 31 December 2021, the Council held £1,118.9m of borrowing, £140.1m of treasury investments and £939.7m of non-treasury investment property. Overall, the Council holds investments of £39.1m net borrowing. This is broken down further in Table 1, next.

Table 1: Current Investment & Debt Portfolio Position

| As at 31.12.2021 | Actual Portfolio £m | Average Rate % |
|--|------------------------|-------------------|
| External Borrowing: | | |
| Public Works Loan Board | (1,075.0) | 2.0% |
| Local Authorities (short term) | (43.9) | 1.1% |
| Total Gross External Debt | (1,118.9) | |
| Long-Term Investments: | | |
| Pooled Fund Investments | 36.2 | 4.9% |
| Funding Circle | 0.4 | 0.2% |
| Short-Term Investments: | | |
| Local Authorities | 55.0 | 0.2% |
| Other Investment funds | 5.0 | 0.8% |
| Fixed Rate Deposits | 10.0 | 0.03% |
| Money Market Funds | 33.5 | 0.04% |
| Total Investments | 140.1 | |
| Net (borrowing)/ investments | (978.8) | |
| Non-treasury investments: | | |
| Investment property (as at 31Mar21) | 939.7 | 5.0% |
| Overall net borrowing | (39.1) | - |

- 2.2 Funding Circle is a peer-to-peer lending platform which provides an alternative borrowing mechanism for small businesses. This investment was made in April 2015 to help diversify the investment portfolio, and as an economic development opportunity enabling the Council to support local businesses where demand exists. Following general review by the Funding Circle fund manager over the COVID period, fund management has changed so that sums from repaid loans are not being reinvested, so the fund is being run down.
- 2.3 **Minimum Revenue Provision (MRP):** Where the Council finances capital expenditure by debt, the Council is required to put aside resources to repay that debt. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), noting that there has been no statutory minimum since 2008. The Council's Annual MRP Statement is included at Appendix D. It should be noted that the Council repays borrowing each year, and that this is reflected in the MRP.

- 2.4 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. The Council's current strategy is to maintain borrowing and investments below their underlying levels, also known as internal borrowing.
- 2.5 Forecast changes in the CFR, investments and borrowing are shown in Table 2 next.

Table 2: Capital Financing Requirement and forecast

| | Actual 31.03.2021 | Forecast 31.03.2022 | Estimate 31.03.2023 | Estimate 31.03.2024 | Estimate 31.03.2025 |
|---------------------------------------|----------------------|------------------------|------------------------|------------------------|------------------------|
| | £m | £m | £m | £m | £m |
| Opening CFR | 1,116.1 | 1,128.5 | 1,128.2 | 1,156.7 | 1,237.1 |
| In-year movement (below) | 12.4 | 52.7 | 87.6 | 67.8 | 44.0 |
| Closing CFR | 1,128.5 | 1,181.2 | 1,215.8 | 1,224.5 | 1,281.1 |
| Less: External borrowing | (1,114.0) | (1,165.0) | (1,248.3) | (1,164.0) | (1,235.0) |
| Internal borrowing | 14.5 | 16.2 | (32.5) | 60.5 | 46.1 |
| <i>Capital programme:</i> | | | | | |
| Housing & Regeneration | 27.7 | 63.8 | 99.2 | 81.1 | 57.7 |
| Other capital expenditure | 0.9 | 3.4 | 2.8 | 1.4 | 1.3 |
| Total Capital Expenditure | 28.6 | 67.2 | 102.0 | 82.5 | 59.0 |
| <i>Financing:</i> | | | | | |
| Capital Receipts | (0.4) | (0.2) | (0.2) | (0.2) | (0.2) |
| Capital Grants and Contributions | (1.0) | (1.2) | (1.0) | (1.0) | (1.0) |
| Revenue Contributions | (2.9) | (0.8) | (0.8) | (0.8) | (0.8) |
| Net Financing Need | 24.3 | 65.0 | 100.0 | 80.5 | 57.0 |
| Less: Minimum Revenue Provision (MRP) | (11.9) | (12.3) | (12.4) | (12.7) | (13.0) |
| In-year movement in CFR | 12.4 | 52.7 | 87.6 | 67.8 | 44.0 |

- 2.6 The Council has an increasing CFR due to planned Capital Programme expenditure, in particular on the Council's housing delivery and regeneration programme and on service projects such as the new Leisure Centre. With limited financing to offset the spend, the Council will be required to borrow up to an additional £121.0m over the period 2021/22 to 2024/25.
- 2.7 The Authorised Borrowing Limit, at £1,350m for 2022/23, is appropriate for the above projections but will be reviewed and revised as appropriate to reflect borrowing requirements in future years.
- 2.8 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that an authority's total debt be lower than its highest forecast CFR over the next three years. Table 2 above shows that the Council expects to comply with this recommendation for 2022/23.

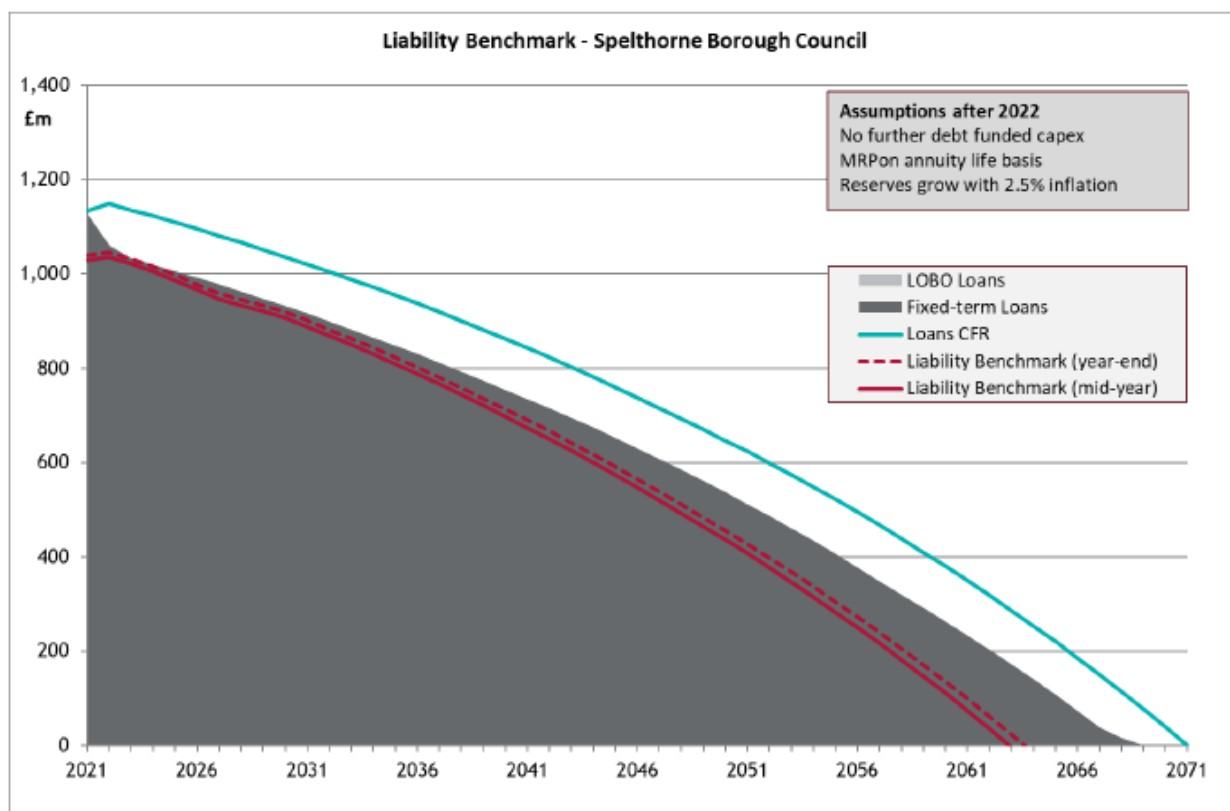
Local context - Liability benchmark

- 2.9 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark (a measure of risk outlined in the CIPFA TM Code and now required to be reported on for future years) has been calculated showing the lowest risk level of borrowing, as shown at Table 3. This assumes the same forecasts as Table 2 above, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.

Table 3: Liability benchmark

| | Actual 31.03.2021 | Forecast 31.03.2022 | Estimate 31.03.2023 | Estimate 31.03.2024 | Estimate 31.03.2025 |
|-------------------------|----------------------|------------------------|------------------------|------------------------|------------------------|
| | £m | £m | £m | £m | £m |
| CFR | 1,129 | 1,181 | 1,216 | 1,225 | 1,281 |
| Balance Sheet resources | (106) | (111) | (113) | (119) | (113) |
| Minimum investment | 10 | 10 | 10 | 10 | 10 |
| Liability benchmark | 1,033 | 1,080 | 1,113 | 1,116 | 1,178 |

- 2.10 The liability benchmark indicates that the required minimum level of borrowing is forecast to be £1,080m as at 31 March 2022 after taking into account other resources such as usable reserves and the minimum investment of £10m.
- 2.11 Following on from the medium-term forecasts in table 2 above, the longer-term liability benchmark given next shows the level of borrowing that will be required in future years – consistently low at around £0.1m to £0.2m (the gap under the top, green line). The Council will be working with Arlingclose to further develop this modelling to help identify and apply internal resources effectively.



3. Borrowing and Investment Strategies

Borrowing Strategy

- 3.1 The Council currently holds £1,118.9m of loans (Table 1) as part of its strategy for funding previous years' capital programmes. The Council was debt-free before 2016/17, when the decision was taken to make strategic property acquisitions based on the opportunities available. This continues to be the case, with the important caveat that Council has no intention to buy investment assets primarily for yield, and specifically not in the current or next two financial years. This is as set out in the Council's Capital Strategy. The Council's focus is funding its housing and regeneration programme and services expenditure.
- 3.2 The forecast in Table 2 shows that the Council expects borrowing to be up to £1,248.3m in 2022/23. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the Council's Authorised Borrowing Limit. This Limit is set at £1,350m to enable the Council to fund housing developments and place-shaping within the Borough.
- 3.3 The revised draft Capital Programme budget for 2021/22 has been set at £36.1m, although the programme has been significantly delayed this year (£3.7m spend by end December 2021) because of the impact of COVID-19. Rental income from existing investment property is set aside to increase sinking funds, which contribute towards financing of future property-related costs.
- 3.4 **Objectives:** The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.
- 3.5 **Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.
- 3.6 With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term either to use internal resources, or to borrow short-term loans instead of long-term. By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.
- 3.7 The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis, the result of which will help determine whether the Council borrows additional sums at long-term fixed rates in 2022/23 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 3.8 The Council has previously raised the majority of its long-term borrowing from the PWLB, which remains a relatively good option. The Government now prohibits authorities that have 'investments for yield' (which the Council does not intend to have) from accessing PWLB loans.
- 3.9 The Council will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing

bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding, in line with the CIPFA TM Code.

- 3.10 Specifically, the Council is working with Arlingclose to identify alternative funding options for potential acquisitions and future development projects, and at options for diversifying the Council's debt to build a portfolio from a number of sources.
- 3.11 The Council will also consider forward-starting loans, where the interest rate is fixed in advance and the cash is received in later periods. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. Forward starting loans would facilitate effective funding of major development projects such as those planned for the property portfolio.
- 3.12 In addition, the Council may borrow short-term when needed to cover unplanned cash-flow shortages.
- 3.13 **Sources of borrowing:** Approved sources of long-term and short-term borrowing are:
- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
 - Works Loan Board (PWLB) and any successor body
 - any institution approved for investments (see below)
 - any other bank or building society authorised to operate in the UK
 - any other UK public sector body
 - UK public and private sector pension funds (except Surrey Pension Fund)
 - capital market bond investors
 - UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
- 3.14 **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
- leasing
 - hire purchase
 - Private Finance Initiative
 - sale and leaseback.
- 3.15 **Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. The Agency plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Council.
- 3.16 **LOBOs:** The Council does not hold, and never has, held LOBO (Lender's Option Borrower's Option) loans, which expose borrowers to an element of refinancing risk. A LOBO lender has the option to propose an increase in the

interest rate at set dates, following which the borrower has the option to either accept the new rate or to repay the loan at no additional cost.

- 3.17 **Short-term and variable rate loans:** These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section on Related Matters from 2.57 below).
- 3.18 **Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Investment Strategy

- 3.19 The Council holds significant levels of invested funds representing income received in advance of expenditure plus balances and reserves held. Total long-term investments are £46.8m as at the end of October 2020 (Table 1). This includes £29.5m pooled funds, noting that the COVID-19 crisis resulted in a reduction in the capital value of these funds in March 2020, at the time of the first lockdown. This reduction is expected to be temporary and has since partially recovered.
- 3.20 Invested funds may be increased further if there are significant additional capital receipts and if it is agreed that these are to be invested. Total investments are higher throughout the financial year and are monitored closely and maintained at appropriate levels as part of managing short-term cash-flow requirements of the Council.
- 3.21 **Objectives:** Both the CIPFA TM Code and the DHLUC Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest yield (rate of return). 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. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.
- 3.22 **Strategy:** The Council aims to maximise liquidity of funds to ensure availability for capital expenditure, in line with the Council's significant property and housing service plans.
- 3.23 **Business models:** Under the IFRS 9 standard, accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.
- 3.24 **Approved counterparties:** The Council may invest its surplus funds with any of the counterparty types in Table 4 below, subject to the cash limits (per counterparty) and the time limits shown.

3.25 The cash limits shown have been agreed in conjunction with our treasury advisers, to enable the Council to have sufficient flexibility within the strategy being set to manage funds appropriately as they are received. This can sometimes include holding funds in advance of need in relation to making strategic acquisitions.

Table 4: Approved investment counterparties and limits

| Credit Rating | Government | Banks Secured | Banks Unsecured | Corporates | Registered Providers |
|----------------------|-------------------------|----------------------|------------------------|-------------------|-----------------------------|
| UK Gov | £ Unlimited 50 years | n/a | n/a | n/a | n/a |
| AAA | £10m 50 years | £10m 20 years | £5m 5 years | £5m 20 years | £5m 20 years |
| AA+ | £10m 25 years | £10m 10 years | £5m 5 years | £5m 10 years | £5m 10 years |
| AA | £10m 15 years | £10m 5 years | £5m 4 years | £5m 5 years | £5m 10 years |
| AA- | £10m 10 years | £10m 4 years | £5m 3 years | £5m 4 years | £5m 10 years |
| A+ | £5m 5 years | £10m 3 years | £5m 2 years | £5m 3 years | £5m 5 years |
| A | £5m 5 years | £10m 2 years | £5m 13 months | £5m 2 years | £5m 5 years |
| A- | £5m 5 years | £10m 13 months | £5m 6 months | £5m 13 months | £5m 5 years |
| None | £5m 25 years | n/a | £1m 6 months | £1m 5 years | £5m 5 years |

| | |
|--|--------------------------------------|
| Pooled funds and real estate investment trusts (REITs) | £10m per fund at point of investment |
| Money Market Funds | Unlimited per fund |

This table must be read in conjunction with the notes below.

3.26 **Credit Rating:** Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used; otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

3.27 **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years

3.28 **Banks Secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-

in. Where there is no investment-specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

- 3.29 **Banks Unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.
- 3.30 **Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in but are exposed to the risk of the company going insolvent. Loans to unrated companies would only be made either following a financial or credit assessment or as part of a diversified pool in order to spread the risk widely.
- 3.31 **Registered Providers:** Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing and Registered Social Landlords, formerly known as Housing Associations. These bodies are tightly regulated in England by the Regulator of Social Housing. As providers of public services, they retain the likelihood of receiving government support if needed.
- 3.32 **Money Market Funds:** These are pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
- 3.33 **Strategic Pooled Funds:** Bond, equity and property funds offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date and are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.
- 3.34 **Real Estate Investment Trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties. Investments in REIT shares cannot be withdrawn but can be sold on the stock market to another investor.
- 3.35 **Operational Bank Accounts:** The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £500,000 per bank as far as practicably possible, and, where practical issues necessitate, no more than £5m as per Table 4. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion

are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

- 3.36 **Risk Assessment and Credit Ratings:** Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria, then:
- no new investments will be made,
 - any existing investments that can be recalled or sold at no cost will be, and
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 3.37 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.
- 3.38 **Other information on the security of investments:** The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it might otherwise meet the above criteria.
- 3.39 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.
- 3.40 **Investment Limits:** The maximum that will be lent to any one organisation (other than the UK Government) will be £10 million, to mitigate the risk in the case of a single default. A group of entities under the same ownership will be treated as a single organisation for limit purposes.
- 3.41 Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than £500,000 in operational bank accounts count against the relevant investment limits.
- 3.42 Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as shown in Table 5 below. Investments in pooled funds and multilateral development banks do not count

against the limit for any single foreign country since the risk is diversified over many countries.

Table 5: Investment limits

| | Cash limit Per Counterparty |
|---|---|
| Any single organisation, except the UK Central Government | £10m each |
| UK Central Government | unlimited |
| Any group of organisations under the same ownership | £25m per group |
| Any group of pooled funds under the same management | £25m per manager at point of investment |
| Negotiable instruments held in a broker's nominee account | £30m per broker |
| Foreign countries | £10m per country |
| Registered Providers | £25m in total |
| Unsecured investments with Building Societies | £10m in total |
| Loans to unrated corporates | £10m in total |
| Money Market Funds | £50m in total |

- 3.43 **Liquidity management:** A cash flow forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. The Council has implemented a Treasury Management system and is currently developing the reporting available through that system, such as cash-flow forecasting, which will enable determination of the maximum period for which funds may prudently be committed.
- 3.44 The Council will spread its liquid cash over at least four providers (e.g. bank accounts and money market funds), where cash funds over £20 million are held, to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

Treasury Management Indicators

- 3.45 The Council measures and manages its exposures to treasury management risks using the following indicators.
- 3.46 **Security:** The Council adopts a voluntary measure of its exposure to credit risk of its investment portfolio through regular rating advice from its treasury management adviser and through market information from contacts such as brokers and other councils.
- 3.47 **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing:

| Liquidity risk indicator | Target |
|--------------------------------------|---------------|
| Total cash available within 3 months | £20m |

- 3.48 **Interest Rate Exposures:** The Council is exposed principally to risk in terms of its exposure to interest rate movements on its borrowing and investments. The Council is heavily reliant on investment income to support expenditure and has several strategies in place for managing such risk.
- 3.49 The Council's treasury adviser provides analysis of market movements and assists in investment decisions based on their knowledge of current market conditions and interest rate forecasting.
- 3.50 The Council generally invests medium- to long-term at fixed rates. The Council currently has no variable rate investments.
- 3.51 Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classified as variable rate.
- 3.52 **Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. We calculate this as the amount of fixed rate borrowing we can have maturing in each period as a percentage of total projected borrowing that is at a fixed rate. The calculation takes fixed rate to be whether the borrowing was taken out at a fixed rate for a fixed period of time, regardless of that length of time. The upper and lower limits on the maturity structure of borrowing are as shown in Table 6.

Table 6: Maturity Structure of Borrowing

| | Upper | Lower |
|-----------------|-------|-------|
| Under 12 Months | 10% | 0% |
| 1 – 2 Years | 15% | 0% |
| 3 – 5 Years | 20% | 0% |
| 6 – 10 Years | 25% | 0% |
| 10 – 20 Years | 50% | 0% |
| 20 – 30 Years | 75% | 0% |
| 30 – 40 Years | 90% | 0% |
| 40 – 50 Years | 100% | 0% |

- 3.53 Time periods start on the first day of each financial year. The maturity of borrowing is the earliest date on which the lender can demand repayment. In the case of PWLB, this is the maturity date.
- 3.54 This indicator allows us to have the percentage of borrowing maturing in each time range shown above, taking into account our current debt profile and providing an allowance for new borrowing, while having consideration to the Capital Programme.
- 3.55 **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end are shown in Table 7, next.

Table 7: Principal limits

| <i>Price Risk Indicator</i> | 2022/23 | 2023/24 | 2024/25 |
|---|----------------|----------------|----------------|
| Limit on principal invested beyond year end | £70m | £70m | £70m |

- 3.56 **Affordable borrowing limit:** The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt). In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

Table 8: Prudential Indicators - Authorised limit and operational boundary for external debt

| | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|----------------------------|---------|---------|---------|---------|
| | £m | £m | £m | £m |
| Authorised borrowing limit | 1,450 | 1,450 | 1,450 | 1,450 |
| Operational boundary | 1,350 | 1,350 | 1,350 | 1,350 |

- 3.57 **Estimates of financing costs to net revenue stream** shown in Table 9 is a measure of the affordability of borrowing. The Council’s financing costs relate substantially to borrowing when commercial property was acquired prior to March 2019. As the CIPFA TM Code notes, commercial investments are taken or held primarily for financial return and are not linked to treasury management activity or directly part of delivering services. However, as commercial property was directly related to borrowing costs, Table 10 also shows the net income after costs and contributions to future costs. This illustrates the affordability of the commercial investments.

Table 9: Prudential Indicator - financing costs to net revenue stream

| | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|------------------------|---------|---------|---------|---------|
| Net Revenue Stream, £m | 12.370 | 13.799 | 11.928 | 12.184 |
| Financing costs, £m | 35.927 | 35.911 | 36.245 | 36.687 |
| Ratio | 2.904 | 2.602 | 3.039 | 3.011 |

Table 10: Commercial income, related costs and net contributions to future costs

| | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|--|-----------------|-----------------|-----------------|-----------------|
| | £m | £m | £m | £m |
| Commercial income * | (51.339) | (59.246) | (60.488) | (62.218) |
| Landlord costs * | 0.000 | 9.214 | 10.241 | 5.883 |
| Contribution to sinking funds | 4.189 | 2.988 | 0.993 | 5.371 |
| Financing costs | 35.927 | 35.911 | 36.245 | 36.687 |
| Net income after landlord & financing costs & net contributions to sinking fund | (11.223) | (11.133) | (13.009) | (14.277) |

* From 2022/23, the income is shown gross, with landlord costs identified separately

Related Matters

- 3.58 The CIPFA TM Code requires the Council to include the following in its treasury management strategy.
- 3.59 **Financial Derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 3.60 The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward-starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 3.61 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.
- 3.62 In line with the CIPFA TM Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.
- 3.63 **Markets in Financial Instruments Directive (MIFD):** The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

4. Financial implications

- 4.1 The budget for investment income in 2022/23 is (£59.2m) ((£50.0m) after landlord costs), based on an investment portfolio of £1,049m (purchase cost) at an average interest rate of 5.0%. The budget for debt interest paid in 2022/23 is £25.1m, based on an average debt portfolio of £1,119m at an average interest rate of 2.2% (2.0% long-term). The alternative approach would be to use this funding for further strategic acquisitions. If the Council finds itself in this position, a full cost-benefit analysis will be completed to determine the most advantageous approach.
- 4.2 Debt interest paid in 2022/23 is forecast to be £25.1m. This reflects the costs the Council is now committed to pay following strategic acquisitions completed 2016 from to early 2019, for which fixed rate finance was taken from the PWLB. It should be borne in mind that the gross rental income significantly exceeds this cost, resulting in a net revenue surplus for the Council forecast to be 11.1m,

(gross £59.2m) on commercial assets for 2022/23 after debt financing and set aside costs (Table 10 above).

5. Risk considerations

- 5.1 The DHLUC Guidance and the CIPFA TM Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer, having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. The strategy has been drawn up with detailed reference to the Council's independent treasury and investment advisers, to ensure a prudent and robust approach in the strategy.
- 5.2 Some alternative strategies, with their financial and risk management implications, are listed below in Table 11.

Table 11: Alternative strategies

| Alternative | Impact on income and expenditure | Impact on risk management |
|---|--|--|
| Invest in a narrower range of counterparties and/or for shorter times | Lower investment sums resulting in less Interest income | Lower chance of losses from credit related defaults although such losses may be greater Also, less diversity increases risk of losses |
| Invest in a wider range of counterparties and/or for longer times | Interest income will be higher with increased investment sums | Increased risk of losses from credit related defaults, but any such losses may be smaller Increased diversity also decreases the risk of significant loss |
| Borrow additional sums at long-term fixed interest rates (not in advance of need) | Debt interest costs will rise; this is unlikely to be offset by higher investment income | Higher investment balance leading to a higher impact in the event of a default. However long-term interest costs may be more certain |
| Borrow short-term or variable loans instead of long-term fixed rates | Debt interest costs will initially be lower | Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain |

| Alternative | Impact on income and expenditure | Impact on risk management |
|---------------------------|--|--|
| Reduce level of borrowing | <p>Reduced debt interest costs</p> <p>Less income for funding projects</p> <p>Saving on debt interest is likely to exceed lost investment income</p> | <p>Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain</p> <p>Less resources available for the Capital Programme which would need to be reduced</p> |

6. Options analysis and proposal

6.1 Not applicable

7. Sustainability/Climate Change Implications

7.1 The Council is committed to pursuing Economic, Social and Governance (ESG) objectives to help move funds to those that are acceptable and aligned to the Council's ethical and green objectives. The Council is currently doing this through a cross-party working group including councillors and with reference to advice and research by Arlingclose. This area of work is a medium to long term project, to ensure the security of funds held as required by the CIPFA Treasury Management Code, noting that the funds held by the Council contribute to the financial health of the Council. The Council with its advisers is aiming to agree an action plan with timescales by autumn 2022.

8. Timetable for implementation

8.1 Treasury management is an ongoing activity and normally there is no specific timetable for implementation.

Background papers: None

Appendices:

- TMS 2223 - Appx A - Arlingclose Benchmarking
- TMS 2223 - Appx B - Context and Background v08 (5 pages)
- TMS 2223 - Appx C - Arlingclose forecast (3 pages)
- TMS 2223 - Appx D - Annual MRP Statement v03 (2 pages)
- TMS 2223 - Appx E - TMP and Schedules (51 pages)



Investment Benchmarking 31 December 2021

| | Spelthorne | 47 English Non-Met Districts Average | 127 LAs Average |
|------------------------------|----------------|--------------------------------------|-----------------|
| Internal Investments | £103.6m | £46.7m | £82.3m |
| Cash Plus & Short Bond Funds | £0.0m | £1.2m | £2.6m |
| Strategic Pooled Funds | £35.7m | £13.8m | £12.4m |
| TOTAL INVESTMENTS | £139.2m | £61.8m | £97.2m |

Security

| | | | |
|---------------------------------------|------|------|------|
| Average Credit Score | 4.95 | 4.64 | 4.64 |
| Average Credit Rating | A+ | A+ | A+ |
| Average Credit Score (time-weighted) | 4.91 | 4.45 | 4.47 |
| Average Credit Rating (time-weighted) | A+ | AA- | AA- |
| Number of Counterparties / Funds | 27 | 14 | 14 |
| Proportion Exposed to Bail-in | 52% | 68% | 66% |

Liquidity

| | | | |
|--------------------------------------|-----|-----|-----|
| Proportion Available within 7 days | 28% | 51% | 52% |
| Proportion Available within 100 days | 35% | 66% | 72% |
| Average Days to Maturity | 114 | 37 | 16 |

Market Risks

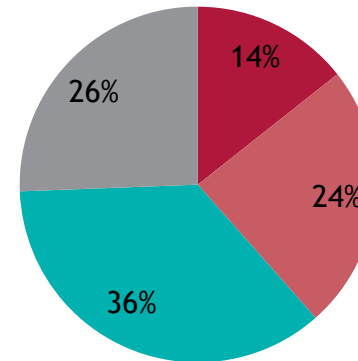
| | | | |
|---------------------------------|------|------|------|
| Average Days to Next Rate Reset | 129 | 61 | 50 |
| Strategic Fund Volatility | 5.9% | 2.8% | 3.6% |

Yield

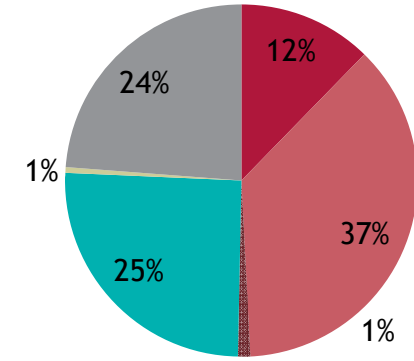
| | | | |
|--|--------------|--------------|--------------|
| Internal Investment Return | 0.16% | 0.09% | 0.10% |
| Cash Plus Funds - Income Return | - | 0.46% | 0.38% |
| Strategic Funds - Income Return | 3.93% | 3.63% | 3.68% |
| Total Investments - Income Return | 1.13% | 0.95% | 0.66% |
| Cash Plus Funds - Capital Gain/Loss | - | -0.43% | -0.35% |
| Strategic Funds - Capital Gain/Loss | 8.72% | 8.99% | 9.16% |
| Total Investments - Total Return | 3.36% | 2.79% | 1.95% |

Spelthorne Treasury Management Strategy 2022/23

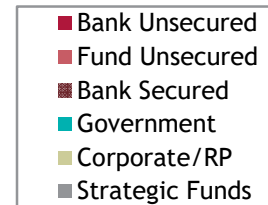
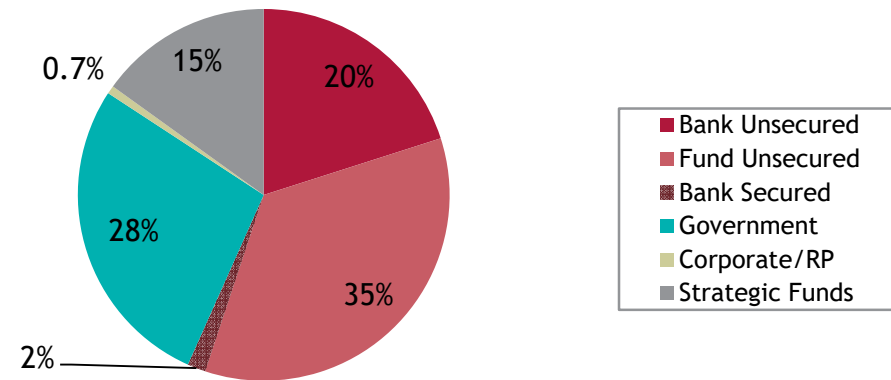
Spelthorne



English Non-Met Districts



All Arlingclose Clients



Notes

- Unless otherwise stated, all measures relate to internally managed investments only, i.e. excluding external pooled funds.
- Averages within a portfolio are weighted by size of investment, but averages across authorities are not weighted.
- Credit scores are calculated as AAA = 1, AA+ = 2, etc.
- Volatility is the standard deviation of weekly total returns, annualised.

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Context and Background

1. Spelthorne Borough Council's Context

- 1.1. Treasury Management in public services is defined as:
 - the management of the organisation's borrowing, investments and cash flows, including its banking, money market and capital market transactions
 - the effective control of the risks associated with those activities
 - the pursuit of optimum performance consistent with those risks.
- 1.2. The Council has borrowed and invested substantial sums of money and is consequently exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.
- 1.3. Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA TM Code), which requires the Council to approve a treasury management strategy before the start of each financial year. The 2017 Edition of the CIPFA TM Code, which applies to the 2022/23 TM Strategy report, will be replaced for by the 2021 Edition in December 2021.
- 1.4. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA TM Code.
- 1.5. The Treasury Management Practices (TMP) and Schedules, included at Appendix E, set out how this Council will seek to achieve its treasury management policies and objectives and how it will manage and control those activities.
- 1.6. The following sections on external context are mainly provided by Arlingclose dated 17 December 2021.

2. External Context

External Context - Economic background

- 2.1. The ongoing impact on the UK from coronavirus, together with higher inflation, higher interest rates, and the country's trade position post-Brexit, will be major influences on the Authority's treasury management strategy for 2022/23.
- 2.2. The Bank of England (BoE) increased Bank Rate to 0.25% in December 2021 while maintaining its Quantitative Easing programme at £895 billion. The Monetary Policy Committee (MPC) voted 8-1 in favour of raising rates, and unanimously to maintain the asset purchase programme.
- 2.3. Within the announcement the MPC noted that the pace of the global recovery was broadly in line with its November Monetary Policy Report. Prior to the emergence of the Omicron coronavirus variant, the Bank also considered the UK economy to be evolving in line with expectations, however the increased uncertainty and risk to activity the new variant presents, the Bank revised down its estimates for Q4 GDP growth to 0.6% from 1.0%. Inflation was projected to be higher than previously forecast, with CPI likely to remain above 5% throughout the winter and peak at 6% in April 2022. The labour market was generally performing better than previously forecast and the BoE now expects the unemployment rate to fall to 4% compared to 4.5% forecast previously but notes that Omicron could weaken the demand for labour.

- 2.4. UK CPI for December 2021 registered 5.4% year on year, up from 5.1% in the previous month. Core inflation, which excludes the more volatile components, rose to 4.2% y/y, the highest since 1997, up from 4.0% the previous month. The most recent labour market data for the three months to October 2021 showed the unemployment rate fell to 4.2% while the employment rate rose to 75.5%.
- 2.5. In October 2021, the headline 3-month average annual growth rate for wages were 4.9% for total pay and 4.3% for regular pay. In real terms, after adjusting for inflation, total pay growth was up 1.7% while regular pay was up 1.0%. The change in pay growth has been affected by a change in composition of employee jobs, where there has been a fall in the number and proportion of lower paid jobs.
- 2.6. Gross domestic product (GDP) grew by 1.3% in the third calendar quarter of 2021 according to the initial estimate, compared to a gain of 5.5% q/q in the previous quarter, with the annual rate slowing to 6.6% from 23.6%. The Q3 gain was modestly below the consensus forecast of a 1.5% q/q rise. During the quarter activity measures were boosted by sectors that reopened following pandemic restrictions, suggesting that wider spending was flat. Looking ahead, while monthly GDP readings suggest there had been some increase in momentum in the latter part of Q3, Q4 growth is expected to be soft.
- 2.7. GDP growth in the euro zone increased by 2.2% in calendar Q3 2021 following a gain of 2.1% in the second quarter and a decline of -0.3% in the first. Headline inflation has been strong, with CPI registering 4.9% year-on-year in November, the fifth successive month of inflation. Core CPI inflation was 2.6% y/y in November, the fourth month of successive increases from July's 0.7% y/y. At these levels, inflation is above the European Central Bank's target of 'below, but close to 2%', putting some pressure on its long-term stance of holding its main interest rate of 0%.
- 2.8. The US economy expanded at an annualised rate of 2.1% in Q3 2021, slowing sharply from gains of 6.7% and 6.3% in the previous two quarters. In its December 2021 interest rate announcement, the Federal Reserve continue to maintain the Fed Funds rate at between 0% and 0.25% but outlined its plan to reduce its asset purchase programme earlier than previously stated and signalled they are in favour of tightening interest rates at a faster pace in 2022, with three 0.25% movements now expected.

External Context - Credit Outlook

- 2.9. Since the start of 2021, relatively benign credit conditions have led to credit default swap (CDS) prices for the larger UK banks to remain low and had steadily edged down throughout the year up until mid-November when the emergence of Omicron has caused them to rise modestly. However, the generally improved economic outlook during 2021 helped bank profitability and reduced the level of impairments many had made as provisions for bad loans. However, the relatively recent removal of coronavirus-related business support measures by the government means the full impact on bank balance sheets may not be known for some time.
- 2.10. The improved economic picture during 2021 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several financial institutions, revising them from negative to stable and even making a handful of rating upgrades.
- 2.11. Looking ahead, while there is still the chance of bank losses from bad loans as government and central bank support is removed, the institutions on the Authority's counterparty list are well-capitalised and general credit conditions across the sector are expected to remain benign. Duration limits for counterparties on the Authority's lending list are under regular review and will continue to reflect economic conditions and the credit outlook.

External Context – Interest Rate forecast

- 2.12. The Authority's treasury management adviser Arlingclose is forecasting that Bank Rate will continue to rise in calendar Q1 2022 to subdue inflationary pressures and the perceived desire by the BoE to move away from emergency levels of interest rates.
- 2.13. Investors continue to price in multiple rises in Bank Rate over the next forecast horizon, and Arlingclose believes that although interest rates will rise again, the increases will not be to the extent predicted by financial markets. In the near-term, the risks around the Arlingclose central case are to the upside while over the medium-term the risks become more balanced.
- 2.14. Yields are expected to remain broadly at current levels over the medium-term, with the 5-, 10- and 20-year gilt yields expected to average around 0.65%, 0.90%, and 1.15% respectively. The risks around for short and medium-term yields are initially to the upside but shifts lower later, while for long-term yields the risk is to the upside. However, as ever there will almost certainly be short-term volatility due to economic and political uncertainty and events.
- 2.15. A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix C.
- 2.16. In setting the budget, it has been assumed that new treasury investments will be made at an average rate of 0.25%, and that new long-term loans will be borrowed at an average rate of 2.5%.

3. Revised PWLB Guidance

- 3.1. HM Treasury published further guidance on PWLB borrowing in August 2021 providing additional detail and clarifications predominantly around the definition of an 'investment asset primarily for yield'. The principal aspects of the new guidance are:
 - 3.2. Capital expenditure incurred or committed to before 26th November 2020 is allowable even for an 'investment asset primarily for yield'.
 - 3.3. Capital plans should be submitted by local authorities via a DELTA return. These open for the new financial year on 1st March and remain open all year. Returns must be updated if there is a change of more than 10%.
 - 3.4. An asset held primarily to generate yield that serves no direct policy purpose should not be categorised as service delivery.
 - 3.5. Further detail on how local authorities purchasing investment assets primarily for yield can access the PWLB for the purposes of refinancing existing loans or externalising internal borrowing.
 - 3.6. Additional detail on the sanctions which can be imposed for inappropriate use of the PWLB loan. These can include a request to cancel projects, restrictions to accessing the PLWB and requests for information on further plans.
 - 3.7. The Council will ensure it complies with the new PWLB guidance and will not be purchasing any assets primarily for yield.

4. Changes to PWLB Terms and Conditions from 8 September 2021

- 4.1. The settlement time for a PWLB loan has been extended from two working days (T+2) to five working days (T+5). In a move to protect the PWLB against negative interest rates, the minimum interest rate for PWLB loans has also been set at

0.01% and the interest charged on late repayments will be the higher of Bank of England Base Rate or 0.1%.

- 4.2. Municipal Bonds Agency (MBA): The MBA is working to deliver a new short-term loan solution, available in the first instance to principal local authorities in England, allowing them access to short-dated, low rate, flexible debt. The minimum loan size is expected to be £25 million. Importantly, local authorities will borrow in their own name and will not cross guarantee any other authorities.
- 4.3. If the Authority intends 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.
- 4.4. UK Infrastructure Bank: £4bn has been earmarked for of lending to local authorities by the UK Infrastructure Bank which is wholly owned and backed by HM Treasury. The availability of this lending to local authorities, for which there will be a bidding process, is yet to commence. Loans will be available for qualifying projects at gilt yields plus 0.6%, which is 0.2% lower than the PWLB certainty rate.
- 4.5. Both the CIPFA TM Code and government guidance require the Authority to invest its 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 Authority'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.

5. Treasury Investment

- 5.1. Ultra-low short-dated cash rates which have been a feature since March 2020 when Bank Rate was cut to 0.1% have resulted in the return on sterling low volatility net asset value money market funds (LVNAV MMFs) being close to zero even after some managers have temporarily waived or lowered their fees. At this stage net negative returns are not the central case of most MMF managers over the short-term, and fee cuts or waivers should result in MMF net yields having a floor of zero, but the possibility cannot be ruled out.
- 5.2. Deposit rates with the Debt Management Account Deposit Facility (DMADF) are also largely around zero.

6. Revisions to CIPFA Codes

- 6.1. In February 2021 CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice. These followed the Public Accounts Committee's recommendation that the prudential framework should be further tightened following continued borrowing by some authorities for investment purposes. In June, CIPFA provided feedback from this consultation, followed by further consultation from September.
- 6.2. In December 2021, CIPFA issued the revised Codes and Guidance Notes. The changes include:
- 6.3. Clarification that (a) local authorities must not borrow to invest primarily for financial return (b) it is not prudent for authorities to make any investment or spending decision that will increase the Capital Financing Requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority.
- 6.4. Categorising investments as those (a) for treasury management purposes, (b) for service purposes and (c) for commercial purposes.

- 6.5. Defining acceptable reasons to borrow money: (i) financing capital expenditure primarily related to delivering a local authority's functions, (ii) temporary management of cash flow within the context of a balanced budget, (iii) securing affordability by removing exposure to future interest rate rises and (iv) refinancing current borrowing, including replacing internal borrowing.
- 6.6. For service and commercial investments, in addition to assessments of affordability and prudence, an assessment of proportionality in respect of the authority's overall financial capacity (i.e. whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services).
- 6.7. **Prudential Indicators:** New indicator for net income from commercial and service investments to the budgeted net revenue stream.
- 6.8. Inclusion of the liability benchmark as a mandatory treasury management prudential indicator. CIPFA recommends this is presented as a chart of four balances – existing loan debt outstanding; loans CFR, net loans requirement, liability benchmark – over at least 10 years and ideally cover the authority's full debt maturity profile.
- 6.9. Excluding investment income from the definition of financing costs.
- 6.10. Incorporating ESG issues as a consideration within TMP 1 Risk Management.
- 6.11. Additional focus on the knowledge and skills of officers and elected members involved in decision making

7. **DLUHC Improvements to the Capital Finance Framework**

- 7.1. The Government department DLUHC (Department for Levelling Up, Housing and Communities *formerly MHCLG*) published a brief policy paper in July outlining the ways it feels that the current framework is failing and potential changes that could be made. The paper found that "while many authorities are compliant with the framework, there remain some authorities that continue to engage in practices that push the bounds of compliance and expose themselves to excessive risk".
- 7.2. The actions announced include greater scrutiny of local authorities and particularly those engaged in commercial practices; an assessment of governance and training; a consideration of statutory caps on borrowing; further regulations around Minimum Revenue Provision (MRP) and ensuring that DLUHC regulations enforce guidance from CIPFA and the new PWLB lending arrangements.
- 7.3. DLUHC has opened a further consultation on these matters.

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Arlingclose Economic & Interest Rate Forecast December 2021

Arlingclose forecasts are given on page 3 of this appendix.

Underlying assumptions:

- The global recovery from the pandemic has entered a more challenging phase. The resurgence in demand has led to the expected rise in inflationary pressure, but disrupted factors of supply are amplifying the effects, increasing the likelihood of lower growth rates ahead. The advent of the Omicron variant of coronavirus is affecting activity and is also a reminder of the potential downside risks.
- Despite relatively buoyant activity survey data, official GDP data indicates that growth was weakening into Q4 2021. Other data, however, suggested continued momentum, particularly for November. Retail sales volumes rose 1.4%, PMIs increased, and the labour market continued to strengthen. The end of furlough did not appear to have had a significant impact on unemployment. Wage growth is elevated.
- The CPI inflation rate rose to 5.1% for November and will rise higher in the near term. While the transitory factors affecting inflation are expected to unwind over time, policymakers' concern is persistent medium term price pressure.
- These factors prompted the MPC to raise Bank Rate to 0.25% at the December meeting. Short term interest rate expectations remain elevated.
- The outlook, however, appears weaker. Household spending faces pressures from a combination of higher prices and tax rises. In the immediate term, the Omicron variant has already affected growth - Q4 and Q1 activity could be weak at best.
- Longer-term government bond yields remain relatively low despite the more hawkish signals from the BoE and the Federal Reserve. Investors are concerned that significant policy tightening in the near term will slow growth and prompt the need for looser policy later. Geo-political and coronavirus risks are also driving safe haven buying. The result is a much flatter yield curve, as short-term yields rise even as long-term yields fall.
- The rise in Bank Rate despite the Omicron variant signals that the MPC will act to bring inflation down whatever the environment. It has also made clear its intentions to tighten policy further. While the economic outlook will be challenging, the signals from policymakers suggest their preference is to tighten policy unless data indicates a more severe slowdown.

Forecast:

- The MPC will want to build on the strong message it delivered this month by tightening policy despite Omicron uncertainty.
- Arlingclose therefore expects Bank Rate to rise to 0.50% in Q1 2022, but then remain there. Risks to the forecast are initially weighted to the upside but becoming more balanced over time. The Arlingclose central forecast remains below the market forward curve.
- Gilt yields will remain broadly flat from current levels. Yields have fallen sharply at the longer end of the yield curve, but expectations of a rise in Bank Rate have maintained short term gilt yields at higher levels.
- Easing expectations for Bank Rate over time could prompt the yield curve to steepen, as investors build in higher inflation expectations.
- The risks around the gilt yield forecasts vary. The risk for short- and medium-term yields is initially on the upside but shifts lower later. The risk for long-term yields is weighted to the upside.

Arlingclose Economic & Interest Rate forecast December 2021

%

| | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 |
|----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Official Bank Rate | | | | | | | | | | | | | |
| Upside risk | 0.00 | 0.00 | 0.25 | 0.25 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| Arlingclose Central Case | 0.25 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| Downside risk | 0.00 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 |
| 3-month money market rate | | | | | | | | | | | | | |
| Upside risk | 0.05 | 0.05 | 0.25 | 0.35 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| Arlingclose Central Case | 0.25 | 0.55 | 0.55 | 0.60 | 0.60 | 0.60 | 0.60 | 0.65 | 0.65 | 0.65 | 0.65 | 0.65 | 0.65 |
| Downside risk | 0.00 | -0.25 | -0.25 | -0.30 | -0.30 | -0.30 | -0.30 | -0.35 | -0.35 | -0.35 | -0.35 | -0.35 | -0.35 |
| 5yr gilt yield | | | | | | | | | | | | | |
| Upside risk | 0.00 | 0.35 | 0.45 | 0.55 | 0.55 | 0.55 | 0.55 | 0.55 | 0.55 | 0.50 | 0.50 | 0.45 | 0.45 |
| Arlingclose Central Case | 0.60 | 0.60 | 0.60 | 0.60 | 0.60 | 0.60 | 0.60 | 0.60 | 0.60 | 0.65 | 0.70 | 0.75 | 0.75 |
| Downside risk | -0.10 | -0.20 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.30 | -0.35 | -0.40 | -0.40 |
| 10yr gilt yield | | | | | | | | | | | | | |
| Upside risk | 0.10 | 0.25 | 0.35 | 0.40 | 0.45 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.55 | 0.55 | 0.55 |
| Arlingclose Central Case | 0.80 | 0.85 | 0.85 | 0.85 | 0.85 | 0.85 | 0.85 | 0.85 | 0.85 | 0.90 | 0.90 | 0.95 | 0.95 |
| Downside risk | -0.10 | -0.25 | -0.30 | -0.35 | -0.35 | -0.35 | -0.35 | -0.35 | -0.35 | -0.40 | -0.40 | -0.40 | -0.40 |
| 20yr gilt yield | | | | | | | | | | | | | |
| Upside risk | 0.30 | 0.40 | 0.45 | 0.45 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| Arlingclose Central Case | 1.00 | 1.05 | 1.10 | 1.10 | 1.10 | 1.10 | 1.15 | 1.15 | 1.15 | 1.20 | 1.20 | 1.20 | 1.20 |
| Downside risk | -0.15 | -0.30 | -0.35 | -0.40 | -0.40 | -0.40 | -0.40 | -0.40 | -0.40 | -0.45 | -0.45 | -0.45 | -0.45 |
| 50yr gilt yield | | | | | | | | | | | | | |
| Upside risk | 0.25 | 0.30 | 0.40 | 0.45 | 0.45 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| Arlingclose Central Case | 0.70 | 0.75 | 0.80 | 0.85 | 0.90 | 0.95 | 1.00 | 1.05 | 1.05 | 1.10 | 1.10 | 1.15 | 1.15 |
| Downside risk | -0.15 | -0.30 | -0.35 | -0.40 | -0.40 | -0.40 | -0.40 | -0.40 | -0.40 | -0.45 | -0.45 | -0.45 | -0.45 |

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

Explanatory note: Upside risk is the increase over the central case. Downside risk is the decrease below the central case. For example, for the Dec-21 Official Bank Rate, when the Arlingclose central case is 0.10%, the upside risk is +0.15% (i.e. a rate of 0.25%) and the downside risk is -0.50% (ie a rate of -0.40%).

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Minimum Revenue Provision (MRP) Statement 2022/23

Annual MRP Statement

Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Council to have regard to the former Ministry of Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in 2018.

The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The MHCLG Guidance requires the Council to approve an Annual MRP Statement each year and recommends options for calculating a prudent amount of MRP. The following incorporates options recommended in the Guidance.

- For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate equal to the average PWLB rate for the year of expenditure, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.
- Where former operating leases have been brought onto the balance sheet on 1st April 2022 due to the adoption of the *IFRS 16 Leases* accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or discounts, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.
- For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, and will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become

operational. While this is not one of the options in the MHCLG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred on the loan is fully funded over the life of the assets.

The Council was debt-free before 2016/17, and MRP was not applied until 2017/18. MRP has been determined using finance models for specific major property acquisitions for which PWLB loans were obtained, with principal repayments calculated over 50 years based on the annuity rate applicable at the time of the loan. Capital expenditure incurred during 2021/22 will not be subject to an MRP charge until 2022/23.

Spelthorne Borough Council

Treasury Management Practices and Schedules

Contents

Treasury Management Practices, Principles and Schedules (TMPs) set out how this Council will seek to achieve its treasury management policies and objectives, and how it will manage and control those activities.

| Practice | Title | Page |
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Treasury Management Practices

1. Risk management

General Statement

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

The following paragraphs cover the main areas of risk:

1. Credit and Counterparty Risk Management
2. Liquidity Risk Management
3. Interest Rate Risk Management
4. Exchange Rate Risk Management
5. Inflation risk management
6. Refinancing Risk Management
7. Legal and Regulatory Risk Management
8. Operational risk including Fraud, Error and Corruption
9. Price risk management
10. ESG considerations

Where this document refers to the Government, this refers to the Department for Housing, Levelling Up and Communities (DHLC), previously called Ministry for Housing, Communities and Local Government (MHCLG).

c. Credit and counterparty risk management

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

Schedule:

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

| | |
|--|--|
| <p>1.1 Criteria to be used for creating/managing approved counterparty lists/limits</p> | <p>The Chief Finance Officer is responsible for setting prudent criteria and the Council's treasury advisors will provide guidance and assistance in setting these criteria.</p> <p>The Council's treasury management advisors will advise on credit policy and creditworthiness related issues. The Council will maintain a counterparty list based on its criteria and will monitor and update the credit standing of the institutions on a regular basis. The Council will also take into account information on corporate developments of and market sentiment towards investment counterparties.</p> <p>The current criteria, set out in the Council's Annual Treasury Management Strategy, are agreed by CP&R Committee and approved by Council.</p> |
| <p>1.2 Approved methodology for changing limits and adding/removing counterparties</p> | <p>The Chief Finance Officer has delegated responsibility to add or delete counterparties and to review limits within the parameters of the criteria detailed above.</p> |
| <p>1.3 Counterparty list and limits</p> | <p>A full individual listing of counterparties based on the criteria will be maintained. As credit ratings etc. are subject to change without notice, an up-to-date lending list will be maintained on an ongoing basis within the <u>Operations Manual</u>.</p> |
| <p>1.4 Country, sector and group listings of counterparties and overall limits applied to each, where appropriate</p> | <p>Investments will be displayed so as to show total group exposure, total country exposure and total sector exposure. Group limits have been set for the above, in terms of monetary value, where appropriate.</p> |

| | |
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| <p>1.5 Details of credit rating agencies' services and their application</p> | <p>The Council considers the ratings of all 3 main ratings agencies (Standard & Poor's, Moody's and Fitch) when making investment decisions. Credit rating agency information is just one of a range of instruments used to assess creditworthiness of institutions.</p> |
| <p>1.6 Description of the general approach to collecting/using information other than credit ratings for counterparty risk assessment</p> | <p>The Council's Treasury Advisor, currently Arlingclose, provides timely information on counterparties, in terms of credit rating updates and economic summaries. In addition, members of the treasury team read quality financial press for information on counterparties.</p> |

2. Liquidity risk management

The Chief Finance Officer will ensure the Council has adequate though not excessive cash reserves, borrowing arrangements, and overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business and service objectives.

The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current Capital Programme or to fund future debt maturities, and will do so within approved borrowing limits set by Council.

Schedule:

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

| | |
|---|---|
| <p>2.1 Cash flow and cash Balances</p> | <p>The Council will aim for effective cash flow forecasting and monitoring of cash balances, will maintain a rolling 3-month cash flow forecast and is developing longer forecast through the TM CSL system.</p> <p>The Treasury Team shall seek to optimise the balance held in the Council's main bank accounts at the close of each working day in order to minimise the amount of bank overdraft interest payable or maximise the amount of interest that can be earned.</p> <p>In order to achieve the maximum return from investments, the target for the Council's bank account daily cash balance is up to £50,000 in, with a maximum limit of a £500,000 credit balance.</p> |
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|---|--|
| <p>2.2 Short term investments</p> | <p>The balance on the Council’s General bank account is used to deal with day to day cash flow fluctuations.</p> <p>The Council also uses various other deposit/ notice accounts and Money Market Funds to manage liquidity requirements. These account/ fund counterparties are named on the Council’s approved counterparty list. The maximum balance on each of these counterparties is reviewed and set as part of the Council’s Treasury Management strategy.</p> |
| <p>2.3 Temporary Borrowing</p> | <p>Temporary borrowing up to 364 days through the money market is available to cover cash flow deficits at any point during the year.</p> <p>At no time will the outstanding total of temporary and long-term borrowing together with any bank overdraft exceed the Prudential Indicator for the Authorised Borrowing Limit agreed by the Council before the start of each financial year.</p> |
| <p>2.4 Bank Overdraft and standby facilities</p> | <p>The Council has an authorised overdraft limit with its bankers, Lloyds Bank, of £50,000 at an agreed rate of 1% over base rate. The facility is used as a contingency when temporary borrowing is difficult or more expensive</p> |

3. Interest rate risk management

The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements in accordance with *TMP6 Reporting requirements and management information arrangements*.

Schedule

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

| | |
|---|--|
| <p>3.1 Minimum/ maximum proportions of fixed/variable rate debt/interest</p> | <p>Borrowing/investments may be at a fixed or variable rate.</p> <p>When funding asset acquisitions on a long-term funding basis, the Council will normally seek to borrow on a fixed rate basis to ensure certainty of financing commitments.</p> <p>In setting its forward Treasury Strategy on an annual basis, the Council will determine the necessary degree of certainty required for its plans and budgets but will, at the same time, allow sufficient flexibility to enable it to benefit from potentially advantageous changes in market conditions and levels of interest rates and also to mitigate the effects of potentially disadvantageous changes.</p> <p>The Council will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility.</p> |
| <p>3.2 Managing changes to interest rate levels</p> | <p>The main impact of changes in interest rate levels is to monies borrowed and invested at variable rates of interest.</p> <p>The Council will consider matching borrowing at variable rates with investments similarly exposed to changes in interest rates as a way of mitigating any adverse budgetary impact.</p> <p>Interest rate forecasts are provided by the Council's advisors and are closely monitored by the Chief Finance Officer. Variations from original estimates and their impact on the Council's debt and investments are notified to the Corporate Policy & Resources Committee as necessary.</p> <p>For its investments, the Council also considers dealing on forward periods depending on market conditions and options available in the market place.</p> |
| <p>3.3 Details of approved interest rate exposure limits</p> | <p>The upper limit for variable interest rate investments as a proportion of total investments is 100%. In terms of long-term borrowing, the Council can have no more than 100% in variable interest rate borrowings.</p> |

4. Exchange rate risk management

The Council will ensure that it protects itself adequately against the risk of fluctuations in foreign exchange rates creating an unexpected or unbudgeted burden on the Council's finances. It will manage any exposure to fluctuations in exchange rates so as to minimize any detrimental impact on its budgeted income and expenditure levels.

Schedule

The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Council’s finances against which the Council has failed to protect itself adequately.

| | |
|---|---|
| <p>4.1 Exchange rate risk management</p> | <p>This Council does not, on a day to day basis, have foreign currency transactions or receipts. Unexpected receipt of foreign currency will be converted to sterling at the earliest opportunity.</p> <p>If the Council has a contractual obligation to make a payment in a currency other than sterling, then forward foreign exchange transactions will be considered, with professional advice.</p> <p>At the present time, statute prevents the Council borrowing in currencies other than Sterling. The Council has also determined that all its investments will be in Sterling.</p> |
|---|---|

5. Inflation risk management

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

6. Refinancing risk management

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

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

Schedule

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

| | |
|--|--|
| <p>6.1 Projected capital investment requirements</p> | <p>Four-year projections are in place for capital expenditure and related financing or funding. Longer term projections will be undertaken for significant capital developments or asset acquisitions. Financing will be from capital receipts, grants or contributions, revenue resources or reserves. Funding will be from internal or external borrowing, as decided.</p> <p>As required by the Prudential Code, the Council will undertake Options Appraisal to evaluate the best capital expenditure financing route.</p> <p>The Council’s projected long-term borrowing requirement will be linked to the projected Capital Financing Requirement.</p> |
| <p>6.2 Debt profiling, policies and practices</p> | <p>Any longer-term borrowing will be undertaken in accordance with the Prudential Code and will comply with the Council’s Prudential Indicators and the Annual Treasury Management Strategy.</p> <p>The Council will maintain through its own treasury system spreadsheets reliable records of the terms and maturities of its borrowings, capital, project and partnership funding and, where appropriate, plan and successfully negotiate terms for refinancing.</p> <p>Where the lender to the Council is a commercial body the Council will aim for diversification in order to spread risk and avoid over-reliance on a small number of counterparties.</p> |
| <p>6.3 Policy concerning limits on revenue consequences of capital financings</p> | <p>The revenue consequences of financing the capital programme are included in cash flow models, annual revenue estimates and medium-term forecasts.</p> |

7. Legal and regulatory risk management

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under *TMP 1 (1) Credit and counterparty risk management*, it will ensure that there is evidence of counterparties’ powers, authority and compliance in respect of the transactions they may effect with the Council, particularly with regard to duty of care and fees charged.

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

Schedule

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

| | |
|---|---|
| <p>7.1 References to relevant statutes and regulations</p> | <p>The treasury management activities of the Council shall comply fully with legal statute and the regulations of the Council. These are:</p> <ul style="list-style-type: none"> ▪ CIPFA’s Treasury Management Code of Practice 2021 and subsequent amendments ▪ CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities ▪ CIPFA Prudential Code for Capital Finance in Local Authorities 2021 and subsequent amendments ▪ CIPFA Standard of Professional Practice on Treasury Management ▪ The Local Government Act 2003 ▪ The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 SI 2003 No 3146, and subsequent amendments ▪ The Government’s statutory Guidance on Minimum Revenue Provision (MRP) updated 2018 ▪ The Government’s Guidance on Local Government Investments in England issued March 2004 and amended 2018 ▪ HM Treasury’s Guidance Regarding PWLB Lending and the PWLB’s new Operating Circular numbered 162 (Nov 2020) ▪ The Local Authorities (Contracting out of Investment Functions) Order 1996 SI 1996 No 1883 ▪ LAAP Bulletins ▪ Code of Practice on Local Authority Accounting in the United Kingdom based on International Financial Reporting Standards (from 2017/18 onwards) ▪ Accounts and Audit Regulations 2017, as amended together with THE GOVERNMENT’s Guidance ▪ The Non-Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets ▪ Council’s Constitution including:- <ul style="list-style-type: none"> ○ Standing Order relating to Contracts ○ Financial Regulations ○ Scheme of Delegation |
|---|---|

| | |
|--|--|
| <p>7.2 Procedures for evidencing the organisation's powers/ authorities to counterparties</p> | <p>The Council's Financial Regulations contain evidence of the power/ authority to act as required by section 151 of the Local Government Act 1972, under the general direction of the Corporate Policy & Resources Committee.</p> <p>The Council will confirm, if requested to do so by counterparties, the powers and authorities under which the Council effects transactions with them.</p> <p>Where required, the Council will also establish the powers of those with whom they enter into transactions, including any compliance requirements in respect of a duty of care and best practice.</p> |
| <p>7.3 Required information from counterparties concerning their powers/ authorities</p> | <p>Lending shall only be made to institutions as defined by the Council's TM strategy.</p> <p>The Council will only undertake borrowing from approved sources such as the PWLB, organisations such as the European Investment Bank and from commercial banks who are on the Council's list of authorised institutions, thereby minimising legal and regulatory risk. The list of approved sources of borrowing is contained in TMP 4, 1.2.</p> |
| <p>7.4 Statement on political risks and management of the same</p> | <p>Political risk is managed by:</p> <ul style="list-style-type: none"> • adoption of the CIPFA Treasury Management Code of Practice • adherence to Local Code of Corporate Governance and as set out in <i>TMP 12 – Corporate Governance</i> • adherence to the Statement of Professional Practice by the Chief Finance Officer. • the role of the Corporate Policy & Resources Corporate Policy & Resources Committee. |

8. Operational risk including fraud, error and corruption, and contingency management

The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

Schedule

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

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| <p>8.1 Details of systems and procedures to be followed, including Internet services</p> | <p>Segregation of duties minimises the possibility of fraud and loss due to error, and is detailed in <i>TMP5 Organisation, clarity and segregation of responsibilities, and dealing arrangements.</i></p> <p>c. <u>Electronic Banking and Dealing</u> <i>Banking:</i> The Council's online banking service is provided by Lloyds Bank and is subject to separate log-on and password control allowing varying levels of access. Details of transactions and balances are available as required, and the system also holds historic data. Officers with access to the bank's online system are as follows:</p> <ul style="list-style-type: none"> • Deputy Chief Executive (CFO, s151 officer) – Terry Collier • Chief Accountant – Paul Taylor • Deputy Chief Accountant – Anna Russell • Technical Accountant – Lewis Chingwaru • Accounting Assistant – John Bradley-Turner • Systems Accountant – Jodie Hawkes • <p>For the purposes of covering for absence:</p> <ul style="list-style-type: none"> • Accountant – Shelley Johnson • Accountant – Ben Hanger <p>Officer access is reviewed at least 6-monthly or as necessary.</p> <p>Procedure notes covering the day-to-day operation of the online banking system and treasury management procedures are documented and included in the Treasury Management system folder.</p> <p>2. <u>Standard Settlement Instructions</u> (SSI) list: a list is maintained of named officers who have the authority to transact loans and investments</p> <ul style="list-style-type: none"> • Brokers and counterparties with whom the Council deals direct are provided a copy of the SSI list. • A list of named officers with authority to borrow from the PWLB and invest with the Debt Management Agency Deposit Facility is also maintained with the PWLB/DMADF. <p>3. <u>Payment Authorisation:</u></p> <ul style="list-style-type: none"> • Payments can only be minimised by the approved signatories of the Council. The list of signatories has been previously agreed with the Council's bankers. • Inflow and outflow of monies borrowed and invested will only be from the counterparty's bank accounts. • Separate officers will carry out (a) dealing and (b) recording of transactions and disbursements wherever possible. However, this will not always be possible due to staff numbers. |
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| <p>8.2 Verification</p> | <p>Details of loans and investments will be maintained in treasury management spreadsheet which will include fees and brokerage paid.</p> <p>Transactions will be cross-checked against broker notes, counterparty confirmations and PWLB loan schedules by verifying dates, amounts, interest rates, maturity, interest payment dates etc.</p> |
| <p>8.3 Substantiation</p> | <ol style="list-style-type: none"> 1. The Treasury Management system balances are reconciled with financial ledger codes at the end of each month and at the financial year end. 2. Working papers are retained for audit inspection. 3. The bank reconciliation is carried out monthly from the bank statement to the general ledger system, Integra. |
| <p>8.4 Internal Audit</p> | <p>Internal Audit carry out an annual regulatory review of the treasury management function including probity testing. See <i>TMP7 Budgeting_accounting and audit arrangements</i>.</p> |
| <p>8.5 Contingency Management</p> | <ol style="list-style-type: none"> 1. Treasury files are kept on the Council's network. Daily back-ups are maintained corporately by the ICT service. Network backups can be used to restore files and if necessary can be accessed from sites remote from the Council offices. 2. The Council has access to a Treasury Management system on a secure site managed by the Council's TM advisers, Arlingclose. This system is due to be set up during January to March 2020 so that the system's TM tools can be used to facilitate the Council's treasury management. Arlingclose is responsible for integrity and security of that system. As part of implementation of that system, the Council will determine backup measures that can be taken. 3. Electronic Banking System Failure: Daily bank balances for calculating cash flow requirements can be obtained by telephone from the Lloyds Corporate Banking Online (CBO) helpline on 0808 202 1390 by 12inimize12d users, who have security information that will be requested by the bank before sensitive information is provided. 4. CHAPs, Faster Payments, other transfers, stop cheque requests, and so on, can be done directly by the bank. 5. The Accountancy Team maintains an up-to-date Business Continuity Plan |

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| <p>8.6 Insurance cover details</p> | <p>The Council has Fidelity, Professional Indemnity and Business Interruption cover. Details of the provider and cover are held by the Insurance Officer.</p> |
| <p>8.7 TM system</p> | <p>The TM 'CS Lucas' system was implemented during 2020 and has been incorporated into the TM function. This is an online facility provided by company CS Lucas, which provides support including system procedure notes. The system will be used to support accounting and management of the council's TM function, but is not, and currently will not, be used for trades or financial transactions.</p> |

8. Market risk and price risk management

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

Schedule

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

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| <p>8.1 Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate (gilts, CDs etc)</p> | <p>Investment instruments used by external fund managers, where applicable, may be subject to fluctuation in capital movements and exposed to interest rate risk. To minimise these risks, capital preservation is set as the primary objective and pursuit of investment performance should be commensurate with this objective.</p> <p>Additionally, the following risk control guidelines are set for each fund as part of the fund management agreement to control market risk:</p> <ul style="list-style-type: none"> (a) Maximum weighted average duration of the fund; (b) Maximum permitted exposure to gilts/bonds; (c) Maximum maturity of any instrument. |
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| <p>8.2 Accounting for unrealised gains and losses</p> | <p>The method of accounting for unrealised gains or losses on the valuation of financial assets complies with the Accounting Code of Practice.</p> <p>The Council has made irrevocable election to present changes in the fair values of Pooled Funds equity instruments in other comprehensive income, and not in the surplus or deficit on provision of services. This is because such instruments are long-term strategic investments held by the Council primarily to receive regular dividend income rather than for capital growth or to sell.</p> |
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8. ESG considerations

The Council is keen to pursue Economic, Social and Governance (ESG) issues to help move funds to those that are acceptable and aligned to the Council’s ethical and green objectives. The Council is currently doing this through a cross-party working group including councillors and with reference to advice and research by Arlingclose. This area of work is a medium to long term project, to ensure the security of funds held, noting that the funds held by the council contribute to the financial health of the Council.

Treasury Management Practices

2. Performance measurement

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

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

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| <p>1.1 Policy concerning methods for testing value for money</p> | <p>Best value reviews will include the production of plans to review the way services are provided by</p> <ul style="list-style-type: none"> • Challenging • Comparing performance • Consulting with other users and interested parties • Applying competition principles <p>in order to pursue continuous improvement in the way the Council’s functions are exercised, having regard to a combination of value for money, efficiency and effectiveness.</p> |
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| <p>1.2 Policy concerning methods for performance measurement</p> | <ul style="list-style-type: none"> • Performance measurement at this Council is intended to calculate the effectiveness of treasury activity in delivering the strategic objectives set through the Treasury Management Strategy and the Council’s Prudential Indicators and to enhance accountability. • Prudential Indicators are local to the Council and are not intended as a comparator between authorities. • The performance review will be made in the light of general trends in interest rates during the year and how the decisions made corresponded with these trends and the Council’s agreed strategy, i.e. the Council will avoid hindsight analysis. <p>Any comparison of the Council’s treasury portfolio against recognised industry standards, market indices and other portfolios is intended to</p> <ul style="list-style-type: none"> (i) allow the Council the opportunity to assess the potential to add value through changes to the existing ways in which its portfolio is managed and (ii) permit an informed judgement about the merits or otherwise of using new treasury management techniques or instruments. <p>In drawing any conclusions, the Council will bear in mind that the characteristics of its treasury operations may differ from those of other councils, particularly with regard to the position on risk.</p> |
| <p>1.3 Methodology to be applied for evaluating the impact of treasury management decisions</p> | <p>Monitoring of the outcome of treasury management activity against Prudential Indicators approved by the Council will be carried out as part of the budget monitoring reports to the Corporate Policy & Resources Committee on an annual basis.</p> <p>The year-end Annual Treasury Report will also include, as a matter of course, the outturn against the PIs set prior to the commencement of the financial year and any in-year amendments.</p> <p>The Council’s Treasury Management advisers review the existing investment portfolio quarterly and all transactions that have occurred in the interim in order to ensure that best practice has been achieved.</p> <p>The Council’s Treasury Management advisers compare the performance of the Council’s in-house funds against 3-month LIBID cash benchmark, performance by other local authorities and the performance of the externally managed funds is compared. Performance is also compared with funds managed on a similar basis in the local authority fund manager peer group.</p> |

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| <p>1.4 Methodology to be employed for measuring the performance of the Council's treasury management activities</p> | <p>Treasury management activity is reviewed annually against strategy and prevailing economic and market conditions through the Annual Treasury Report to Corporate Policy & Resources Committee.</p> <p>The report will include:</p> <ol style="list-style-type: none"> a) Total debt including average rate and maturity profile b) The effect of new borrowing and/or maturities on the above c) The effect of any debt restructuring on the debt portfolio d) An analysis of any risks inherent within the debt portfolio (e.g. exposure to variable rate; LOBOs in their call period) e) Total investments including average rate, credit and maturity profile f) The effect of new investments/redemptions/maturities on the above g) The rate of return on investments against their indices for internally and externally managed funds h) An analysis of any risks inherent within the investment portfolio (e.g. exposure to market movements in the value of CDs, gilts/bonds, callable deposits in their call period) i) A statement whether the treasury management activity resulted in a breach of the Prudential Indicators and other limits set within treasury strategy. j) Daily bank balances: any major deviations from the target bank balances |
| <p>1.5 Benchmarks and calculation methodology with regard to risk and return</p> | <p>Treasury Management Costs Costs are compared with other Councils within the Surrey Benchmarking statistics.</p> <p>Investment returns are compared to the 3-month LIBID.</p> <ul style="list-style-type: none"> • Internally Managed Investment Returns - total interest accruing during the month or year on average daily balances invested during the calendar month. • Externally Managed Investment Returns - the growth (i.e. increase in value of the fund) in respect of the monthly average value of the fund. <p>Debt Management</p> <ul style="list-style-type: none"> ▪ Average Rate on all external debt ▪ Average Rate on external debt borrowed in financial year ▪ Average Rate on internal borrowing ▪ Average period to maturity of external debt ▪ Average period to maturity of new loans in financial year ▪ Ratio of PWLB and market debt (beginning and end of period) ▪ Ratio of fixed and variable rate debt (beginning and end of period) |

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| <p>1.6 Best value</p> | <p>The treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated corporate and service objectives.</p> <p>When tendering for treasury-related or banking services, the Council adheres to its Standing Orders and Financial Regulations. These require that:</p> <ul style="list-style-type: none"> a) for placing a contract with a value below £75,000, at least 3 quotes and service delivery proposals are generally obtained. b) when placing a contract with a value in excess of £181,302 a tendering process that meets the requirements of the EU procurement procedures (OJEU) is undertaken. c) If necessary, the Council will also consult with other users of similar services as well as with interested parties. d) The Council will also evaluate alternative methods of the availability of fiscal, grant or subsidy initiatives, and service delivery. |
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Treasury Management Practices

3. Decision making and analysis

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

Schedule

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| <p>1.1 Major treasury decisions</p> | <p>As a public service organisation, there is a requirement to demonstrate openness and accountability in treasury management activities. Accordingly, the Council will create and maintain an audit trail of major treasury management decisions which comprise either:</p> <ol style="list-style-type: none"> a) Changes to Prudential Indicators during the course of the financial year b) Options Appraisal to determine a funding decision c) raising a new long-term loan / long-term source of finance d) prematurely restructuring/redeeming an existing long-term loan d) investing longer-term (that is, more than 1 year) f) utilisation of investment instruments which constitute capital expenditure (i.e. loan/share capital in a body corporate) g) leasing h) change in banking arrangements i) appointing/replacing a treasury advisor j) appointing/replacing a fund manager k) any other determined by the Council |
| <p>1.2 Process</p> | <p>The Council's strategy for the application of its treasury policy is set out in the annual Treasury Management Strategy.</p> <p>Based on the Annual Treasury Management Strategy, the Deputy Chief Accountant will prepare monthly for the financing, borrowing and surplus cash requirements of the Council, for the purpose of:</p> <ul style="list-style-type: none"> • applying the strategy on a day to day basis • monitoring the results of the strategy • Recommending amendments to the strategy to the Corporate Policy & Resources Committee where applicable during the course of the year. |

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| <p>1.3 Delegated powers for treasury management</p> | <p>The Chief Finance Officer has delegated powers to carry out the Council's strategy for debt management, capital finance and borrowing, depositing surplus funds and managing the cash flows of the Council.</p> |
| <p>1.4 Issues to be addressed, evaluation, authorisation</p> | <p>In exercising these powers, the Chief Finance Officer and those to whom the treasury activity has been delegated will:</p> <ul style="list-style-type: none"> • have regard to the nature and extent of any associated risks to which the Council may become exposed; • be certain about the legality of the decision reached and that the necessary authority to proceed has been obtained; • be satisfied that the documentation is adequate to deliver the Council's objectives, protect the Council's interests, and to maintain an effective audit trail; • ensure that the perceived credit risk associated with the approved counterparties parties is judged satisfactory and is within agreed limits; • be satisfied that the terms of any transactions have been fully checked against the market, and have been found to be competitive; • follow best practice in implementing the treasury transaction. <p>In exercising Borrowing and Funding decisions, the Chief Finance Officer will:</p> <ul style="list-style-type: none"> • evaluate economic and market factors that may influence the manner and timing of any decision to fund; • consider alternative forms of funding, including use of revenue resources, leasing, joint ventures and private partnerships; • consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles; • consider ongoing revenue liabilities created. <p>In exercising investment decisions, the Chief Finance Officer will:</p> <ul style="list-style-type: none"> • Determine that the investment is within the Council's strategy and pre-determined instruments and criteria; • consider the optimum period, in the light of core balances and reserves, cash flow availability and prevailing market conditions; • consider the alternative investment products and techniques available if appropriate. |
| <p>1.5 Processes to be followed</p> | <p>The processes to be followed will be in keeping with <i>TMP 4: Approved, Instruments, Methods and Techniques</i>.</p> |

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| <p>1.6 Evidence and records to be kept</p> | <p>The Council will maintain a record of all major treasury management decisions, the processes undertaken and the rationale for reaching the decision made. These will allow for an historical assessment of decisions made and verification that any checks and safeguards are indeed in place and operating correctly.</p> <p>Records and working papers will be maintained by the Council both electronically and in relevant files.</p> |
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Treasury Management Practices

4. Approved instruments, methods and techniques

The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in **TMP1 Risk Management**.

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| <p>1.1 Approved treasury management activities</p> | <p>The Council is permitted to undertake the following activities:</p> <ul style="list-style-type: none"> ▪ Managing cash-flow ▪ Capital financing ▪ Borrowing including debt restructuring and debt repayment ▪ Lending including redemption of investments ▪ Banking ▪ Leasing ▪ Managing the underlying risk associated with the Council's capital financing and surplus funds activities. <p>The above list is not finite and the Council would, from time to time, consider and determine new financial instruments and treasury management techniques. However, the Council will consider carefully whether the officers have the skills and experience to identify and manage the advantages and risks associated with using the instruments/techniques before undertaking them, more so as some risks may not be wholly or immediately transparent.</p> |
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| <p>1.2 Approved capital financing methods and types/sources of funding</p> | <p><u>On balance sheet</u></p> <ul style="list-style-type: none">• Public Works Loans Board (PWLB) loans• long term money market loans• temporary money market loans (up to 364 days).• bank overdraft• loans from bodies such as the European Investment Bank (EIB)• Finance Leases• Government and EU Capital Grants• Lottery monies• Other Capital Grants and Contributions• Community Infrastructure Levy• S106 funds <p><u>Internal Resources</u></p> <ul style="list-style-type: none">• Capital Receipts• Revenue Balances• Use of Reserves <p><u>Off balance sheet</u></p> <ul style="list-style-type: none">▪ Operating Leases▪ Structured Finance <p>The level of debt will be consistent with the Treasury Management Strategy and the Prudential Indicators.</p> |
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| <p>1.4 Approved investment instruments</p> | <p>The Council will determine through its Annual Investment Strategy (AIS) which instruments it will use, giving priority to the security and liquidity (in that order) of its invested monies. The investments will be categorised as ‘Specified’ or ‘Non-Specified’ based on the criteria set out by Government in its Investment Guidance February 2018 (as amended).</p> <p>The Council will determine through the AIS which instruments will be used in-house and which will be used by the appointed external fund manager (where applicable) including the maximum exposure for each category of non-specified investments. Where applicable, the Council’s credit criteria will also apply.</p> <ul style="list-style-type: none"> ▪ Deposits with the UK government, the Debt Management Agency Deposit Facility (DMADF), and UK local authorities ▪ Term deposits with banks and building societies ▪ Certificates of deposit ▪ Callable deposits ▪ Investments in Money Market Funds , i.e. ‘AAA’ liquidity funds with a 60-day Weighted Average Maturity (WAM) ▪ Gilts ▪ Bonds issued by multilateral development banks ▪ Bonds issued by financial institutions guaranteed by the UK government ▪ Sterling denominated bonds by non-UK sovereign governments ▪ Pooled funds, i.e. Collective Investment schemes as defined in SI 2004 No 534 <p>The use of the above instruments by the Council’s external fund managers (where applicable) will be by reference to the fund guidelines contained in the agreement between the Council and the manager.</p> |
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Treasury Management Practices

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

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

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

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

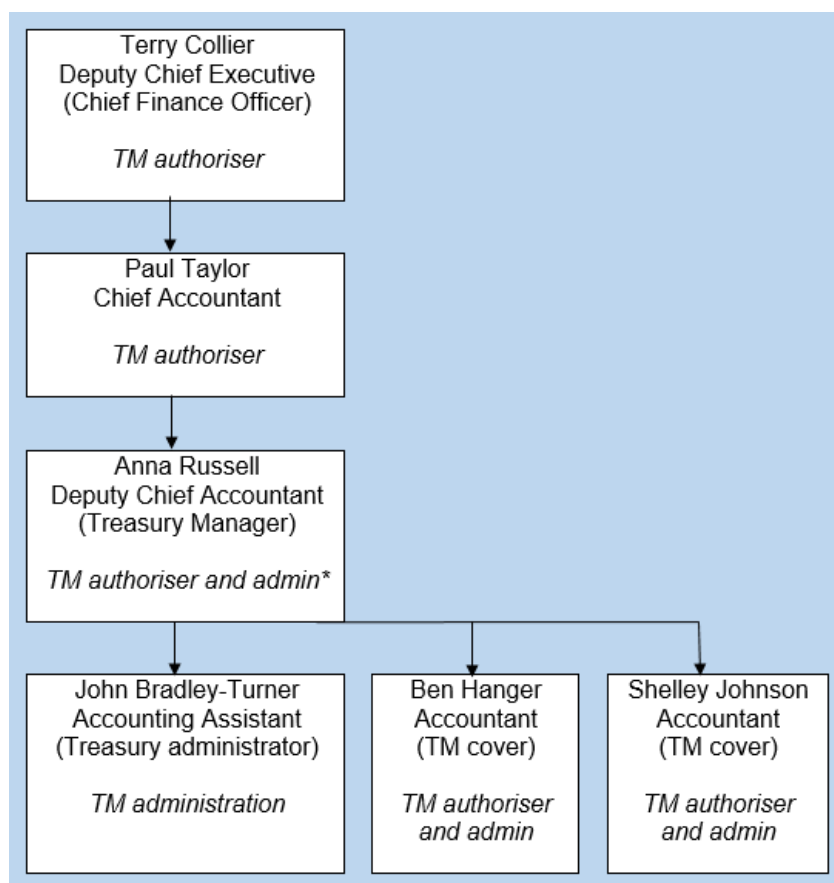
The Chief Finance Officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The Deputy Chief Executive will also ensure that at all times those engaged in treasury management will follow the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

The Chief Finance Officer will ensure that there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule below.

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

Schedule

Organisational chart of the Treasury Management function:



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| <p>1.1 Limits to responsibilities at Executive levels</p> | <p>Full Council:</p> <ul style="list-style-type: none"> receiving and reviewing Prudential Indicators as part of the budget setting process (following receipt by Corporate Policy & Resources Committee) receiving and reviewing reports on treasury management policies, practices and activities (following receipt by Corporate Policy & Resources Committee) <p>The Corporate Policy & Resources Committee:</p> <ul style="list-style-type: none"> approval of amendments to adopted clauses, treasury management policy statement and treasury management practices budget consideration and approval receiving and reviewing external audit reports and acting on recommendations approving the selection of external service providers and agreeing terms of appointment |
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| <p>1.2 Principles and practices concerning segregation of duties</p> | <p>The segregation of duties will be determined by Chief Finance Officer. Segregation of duties exists in that:</p> <ul style="list-style-type: none"> • the officer responsible for negotiating and closing treasury management deals are completely separate from the officer with responsibility for recording the transactions in the cash book and completing cheque and bank reconciliations. • the officer responsible for negotiating and closing treasury management deals is separate from the officer authorising payments • all borrowing/investments decisions must be authorised by the Chief Finance Officer. <p>Additionally, The Council receives bank statements on a daily basis. These are posted independent of the treasury function in order to maintain an adequate separation of duties.</p> |
| <p>1.3 Statement of duties/ responsibilities of each treasury post</p> | <p>The Chief Finance Officer:</p> <ul style="list-style-type: none"> • submitting budgets and budget variations • recommending clauses, treasury management policy, practices for approval, reviewing the same regularly and monitoring compliance • determining Prudential Indicators and Treasury Management Strategy including the Annual Investment Strategy • submitting regular treasury management policy reports • receiving and reviewing management information reports • reviewing the performance of the treasury management function and promoting best value reviews • ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function • ensuring the adequacy of internal audit and liaising with external audit • recommending the appointment of external service providers • determining long-term capital financing and investment decisions. • The Chief Finance Officer has delegated powers to determine and undertake the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments. • The Chief Finance Officer may delegate their power to borrow and invest to the Chief Accountant, Deputy Chief Accountant, Technical Accountant, Accountants and Accountancy Assistants. |

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

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| | <p>The Deputy Chief Accountant:</p> <ul style="list-style-type: none"> • execution of transactions • adherence to agreed policies and practices on a day to day basis • maintaining relationships with third parties and external service providers • monitoring performance on a day to day basis • submitting management information reports to the responsible officer • identifying and recommending opportunities for improved practices. <p>The Accounting Assistants:</p> <ul style="list-style-type: none"> • execution of transactions • adherence to agreed policies and practices on a day to day basis • maintaining relationships with third parties and external service providers • recording treasury management transactions, • reconciling treasury management transactions with the financial ledger • recording/ reconciling counterparty documentation. |
| <p>1.4 Absence cover arrangements</p> | <p>Cover in the absence of the relevant treasury management officer is provided by:</p> <ul style="list-style-type: none"> • Chief Accountant • Deputy Chief Accountant • Accountants as noted in the TM chart above <p>Cover is reviewed at least every 6 months, or as necessary. Full procedure notes are available, detailing the processes required to enable the day to day operation of the treasury management function.</p> |

Dealing

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| <p>1.5 Authorised officers</p> | <p>Responsible officer for borrowing/ investment decisions: Mainly Chief Accountant – Paul Taylor Deputy Chief Accountant – Anna Russell</p> <p>Also Accounting Assistant – John Bradley-Turner Accountant – Shelley Johnson Accountant – Ben Hanger</p> <p>Authorising payments for borrowing/lending: Deputy Chief Executive – Terry Collier Chief Accountant – Paul Taylor Any other Council first signatory</p> <p>Bank payment and ICD portal trade authoriser*: Deputy Chief Executive – Terry Collier Chief Accountant – Paul Taylor Deputy Chief Accountant– Anna Russell Accountant – Shelley Johnson Accountant – Ben Hanger (ICD not bank) Accounting Assistants – John Bradley-Turner</p> <p>Transaction recording*: Accounting Assistants – John Bradley-Turner Deputy Chief Accountant– Anna Russell Accountant – Shelley Johnson Accountant – Ben Hanger</p> <p>* as part of segregation of duties, the authoriser must be separate from the person who sets up the transaction.</p> |
| <p>1.6 Dealing limits</p> | <p>Internally Managed Investments:</p> <ul style="list-style-type: none"> • The maximum for any one investment deal is subject to the lending limits detailed in the Council's Treasury Management Strategy. <p>Externally Managed Investments (where applicable):</p> <ul style="list-style-type: none"> • The maximum amount placed with any single financial institution is determined and formalised through the guidelines contained in the Agreement between the Council and the Manager(s). |
| <p>1.7 List of approved brokers</p> | <p>Brokers used by the Council are named in <i>TMP 11: External Service Providers</i></p> |

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

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| <p>1.8 Policy on brokers' services</p> | <p>It is the Council's policy to utilise the services between at least two brokers. Tradition is usually used because they meet the Council's exact borrowing and lending requirements. However, each Tradition deal is judged against money market rates provided by other brokers to ensure competitiveness is maintained and that the best deal achieved for the Council.</p> |
| <p>1.9 Policy on taping of conversations</p> | <p>The Council does not tape conversations with brokers but brokers tape conversations with officers of the Council.</p> |
| <p>1.10 Direct dealing practices</p> | <p>Direct dealing is carried out with institutions subject to counterparty and maturity limits and dealing limits. Prior to undertaking direct dealing, the Council will ensure that each counterparty meets the Council creditworthiness criteria and has been provided with the Council's Standard Settlement Procedures.</p> |
| <p>1.11 Settlement transmission procedures</p> | <ul style="list-style-type: none"> • settlements are made by CHAPS. • all CHAPS payments relating to settlement transactions (PL3 payment form) require authorisation by 1 authorised signatory. • the details are transmitted by electronic CHAPs to the Council's bankers. • all CHAPS payments made electronically via the bank require 2 authorised signatories |
| <p>1.12 Documentation requirements</p> | <p>For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payments date and broker.</p> <p>Investments:</p> <ul style="list-style-type: none"> • deal ticket authorising the investment • confirmation from the broker • confirmation from the counterparty • Chaps payment transmission document <p>Loans:</p> <ul style="list-style-type: none"> • deal ticket with signature to agree loan • confirmation from the broker • confirmation from PWLB/market counterparty • Chaps payment transmission document for repayment of loan. |
| <p>1.13 Arrangements concerning the management of counterparty funds</p> | <p>The Council holds several trust funds. The cash in respect of these funds is held in the Council's bank account but transactions are separately coded. Interest is paid on credit balances and calculated on a daily basis at Bank Rate plus 0.50%</p> |

Treasury Management Practices

6. Reporting requirements and management information arrangements

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

As a minimum the Corporate Policy & Resources Committee will receive:

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

The Corporate Policy & Resources Committee will receive regular monitoring reports on treasury management activities and risks and the Corporate Policy & Resources Committee will have responsibility for the scrutiny of treasury management policies and practices.

The present arrangements and the form of these reports are outlined below.

Schedule

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| <p>1.1 Frequency of executive reporting requirements</p> | <p>The Chief Finance Officer will annually submit budgets and will report on budget variations as appropriate.</p> <p>The Chief Finance Officer will submit the Prudential Indicators and the Treasury Management Strategy and report on the projected borrowing and investment strategy and activity for the forthcoming financial year to the Corporate Policy & Resources Committee and the Council before the start of the year.</p> <p>The Annual Treasury Report will be prepared as soon as practicable after the financial year end and, in all cases, before the end of September.</p> <p>A Mid-Year Treasury Report will be prepared by the Chief Finance Officer which will report on treasury management activities for the first part of the financial year. The report will also provide a forecast for the current year. The Mid-Year Report will be submitted to Corporate Policy & Resources Committee during the year.</p> <p>Corporate Policy & Resources Committee</p> |
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| <p>1.2 Content of Reporting: 1. Prudential Indicators</p> | <p>The Council will set the following Prudential Indicators, revise if necessary, and following the year end publish actual (where appropriate) in respect of:</p> <ul style="list-style-type: none"> ▪ Financing costs as a proportion of net revenue stream (estimate; actual) ▪ Capital expenditure (estimate; actual) ▪ Incremental impact of capital financing decisions (estimate) ▪ Capital Financing Requirement (estimates; actual) ▪ Authorised limit for external debt ▪ Operational boundary for external debt ▪ Actual external debt ▪ Upper limits on fixed and variable rate interest exposures ▪ Upper and lower limits to maturity structure of fixed rate borrowing ▪ Upper limit to total of principal sums invested longer than 364 days. ▪ Minimum Revenue Provision statement <p>The Prudential Indicators are approved and revised by Corporate Policy & Resources Committee and are integrated into the Council's overall financial planning and budget process.</p> <p>The Corporate Policy & Resources Committee will also receive a copy of this report to carry out its scrutiny role of treasury management.</p> |
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| <p>2. Treasury Management Strategy Statement</p> | <p>The Treasury Management Strategy will include the following:</p> <ul style="list-style-type: none"> • Link to Capital Financing and Treasury Management Prudential Indicators for the current and ensuing 3 years • Strategy for financing new borrowing requirements (if any) and refinancing maturing borrowing (if any) over the next 3 years and for restructuring of debt • the extent to which surplus funds are earmarked for short term requirements • the investment strategy* for the forthcoming year • the minimum to be held in short term/specified investment during the coming year • the interest rate outlook against which the treasury activities are likely to be undertaken. <p>* <i>Investment strategy</i>: Based on the Government’s Guidance on Investments, the report will set out</p> <ul style="list-style-type: none"> ▪ the objectives, policies and strategy for managing its investments; ▪ the determination of which Specified and Non-Specified Investments the Council will utilise during the forthcoming financial year based on the Council’s economic and investment outlook and the expected level of investment balances; ▪ the limits for the use of Non-Specified Investments. <p>The Corporate Policy & Resources Committee will also receive a copy of this report to carry out its scrutiny role of treasury management.</p> |
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TMP 6: Reporting requirements and management information arrangements

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| <p>3. Annual Treasury Report</p> | <p>The Chief Finance Officer will produce an annual report for the Corporate Policy & Resources Committee on all activities of the treasury management function, including the performance of fund managers where applicable, as soon as practicable after year end and in all cases no later than 30 September of the succeeding financial year.</p> <p>The main contents of the report will comprise:</p> <ul style="list-style-type: none"> ▪ confirmation that the Council calculated its budget requirements and set a balanced budget for the financial year; ▪ the prevailing economic environment ▪ a commentary on treasury operations for the year, including their revenue effects; ▪ commentary on the risk implications of treasury activities; undertaken and the future impact on treasury activities of the Council; ▪ compliance with agreed policies/practices and statutory/regulatory requirements; ▪ compliance with Prudential Indicators; ▪ performance measures. <p>The Corporate Policy & Resources Committee will also receive a copy of this report to carry out its scrutiny role of treasury management.</p> |
| <p>4. Mid-Year Treasury Report</p> | <p>The Chief Finance Officer will produce a mid-year report for Corporate Policy & Resources Committee on the borrowing and investment activities of the treasury management function, including performance of fund managers where applicable, for the first six months of the financial year.</p> <p>The main contents of the report will comprise:</p> <ul style="list-style-type: none"> • Economic background • Economic forecast, including interest rates forecast • Treasury Management Strategy Statement update • Performance versus benchmarks • Borrowing information, including premature repayment, new loans information • Information on investments, including current lending list • Prudential indicators relating to treasury management • Governance framework and scrutiny arrangements <p>The Corporate Policy & Resources Committee will also receive a copy of this report to carry out its scrutiny role of treasury management.</p> |

TMP 6: Reporting requirements and management information arrangements

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| <p>1.3 Content and frequency of management information reports</p> | <p>The Deputy Chief Accountant produces a monthly monitoring report for the Chief Accountant and the Deputy Chief Executive. The Chief Accountant includes this information in quarterly budget monitoring statements for Corporate Policy & Resources Committee Corporate Policy & Resources Committee.</p> <p>Members also receive monthly monitoring reports</p> <p>These report includes details of:</p> <ul style="list-style-type: none">• borrowing and investment activity undertaken including forward deals• performance of internal and external investments against benchmark• interest rates and forecasts• extent of compliance with the treasury strategy and reasons for variance (if any)• Prudential Indicator monitoring and compliance |
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Treasury Management Practices

7. Budgeting, accounting and audit arrangements

The Deputy Chief Executive will prepare, and the Council will approve and, if necessary, from time to time amend, an annual budget for treasury management, which will bring together all the costs involved in running the treasury management function, together with associated income. The matter to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with **TMP1 Risk management, TMP2 Performance management, and TMP4 Approved instruments, methods and techniques**. The form that the Council's budget will take is set out in the schedule below.

The Deputy Chief Executive will exercise effective controls over this budget and will report upon and recommend any changes required in accordance with **TMP6 Reporting requirements and management information arrangements**.

The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being. The present form of the Council's accounts is set out in the schedule.

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

Schedule

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| <p>1.1 Statutory/regulatory requirements</p> | <p>Balanced Budget Requirement</p> <p>The provisions of S32 and S43 of the Local Government Finance Act 1992 require this Council to calculate its budget requirement for each financial year including, among other aspects:</p> <ul style="list-style-type: none"> (a) the expenditure which is estimated to be incurred in the year in performing its functions and which will be charged to a revenue account and (b) revenue costs which flow from capital financing decisions. <p>S33 of the Act requires the Council to set a council tax sufficient to meet expenditure after taking into account other sources of income.</p> |
| <p>1.2 Proper accounting practice</p> | <p>CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (the local authority SORP) constitutes "proper accounting practice under the terms of S21 (2) of the Local Government Act 2003".</p> |

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| <p>1.3 Financial Statements</p> | <p>The Financial Statements comprise:</p> <ul style="list-style-type: none"> ▪ An explanatory foreword ▪ Accounting policies, changes in accounting estimates and errors ▪ Presentation of financial statements ▪ Movement in reserves statement ▪ Comprehensive income and expenditure statement ▪ Balance sheet ▪ Cash flow statement ▪ Collection Fund (England) ▪ Statement of Responsibilities ▪ The Accounting Statements ▪ Additional Financial Statements (Collection Fund) ▪ Notes to the financial statements ▪ Statements reporting reviews of internal controls or internal financial controls ▪ Events after the reporting period ▪ Related party disclosures ▪ Annual Governance Statement |
| <p>1.4 Format of the Council's accounts</p> | <p>The current form of the Council's accounts is available within the Finance Department, Accountancy Section.</p> |
| <p>1.5 Disclosures relating to treasury management</p> | <p>Due regard will be given to the disclosure requirements under CIPFA's Code of Practice on Local Authority Accounting.</p> |

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| <p>1.6 Treasury-related information requirements of external auditors</p> | <p>The following information is specifically requested by the external auditor and should be considered an initial request for information. It is usually followed by more detailed audit testing work which often requires further information and/or explanations from the Council's officers.</p> <p>Information in this context includes internally generated documents including those from the Council's spreadsheets, externally generated documents, observation of treasury management practices which support and explain the operation and activities of the treasury management function.</p> <ul style="list-style-type: none"> ▪ Determination of Affordable Borrowing Limit under Section 3 of the Local Government Act 2003. ▪ Prudential Indicators. ▪ Treasury Management Strategy including Annual Investment Strategy. <p><u>External borrowing:</u></p> <ul style="list-style-type: none"> • New loans borrowed during the year: PWLB certificates / documentation in relation to market loans borrowed (including copy of agreements, schedule of commitments) • Loan maturities. • Compliance with proper accounting practice, regulations and determinations for the amortisation of premiums and discounts arising on loans restructured during the year and previous years. • Analysis of loans outstanding at year end including maturity analysis. • Analysis of borrowing between long- and short-term • Debt management and financing costs <ul style="list-style-type: none"> ▪ calculation of interest paid ▪ actual interest paid ▪ accrued interest • MRP calculation and analysis of movement in the CFR. • Bank overdraft position. • Brokerage/commissions/transaction related costs. |
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| | <p><u>Investments:</u></p> <ul style="list-style-type: none"> • Investment transactions during the year including any transaction-related costs • cash and bank balances at year end • Short-term investments at year end • Long-term investments at year end by asset type, including unrealised gains or losses at year end • calculation of interest received and accrued interest • actual interest received • External fund manager valuations, where applicable, including investment income schedule and movement in capital values, transaction confirmations received • Basis of valuation of investments • Evidence of existence and title to investments |
| | <p><u>Cash Flow</u></p> <ul style="list-style-type: none"> ▪ Reconciliation of the movement in cash to the movement in net debt ▪ Cash inflows and outflows in respect of long-term financing ▪ Cash inflows and outflows in respect of purchase/sale of long-term investments ▪ Net increase/decrease in short-term loans, short-term deposits and other liquid resources <p><u>Other</u></p> <ul style="list-style-type: none"> ▪ Details of treasury-related material events after balance sheet date not reflected in the financial statements. ▪ External advisors'/consultants' charges |
| <p>1.7 Internal Audit</p> | <p>Internal Audit generally conducts an annual review of the treasury management function and probity testing. The internal auditors will be given access to treasury management information/documentation as required by them.</p> |
| <p>1.8 Compliance with CIPFA Treasury Management and Prudential Codes</p> | <p>Auditors may require evidence/demonstration of compliance with external and internal treasury management policies and strategy.</p> <p>Any serious breach of the CIPFA Treasury Management Code of Practice recommendations or Prudential Indicators should be brought to the attention of the external auditor.</p> |
| <p>1.9 Costs for treasury management</p> | <p>The budget for treasury management forms part of the Corporate Services budget.</p> |

Treasury Management Practices

8. Cash and cash flow management

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under control of the Deputy Chief Executive and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Deputy Chief Executive will ensure that they are adequate for the purposes of monitoring compliance with TMP1 (2) Liquidity *Risk management*. The present arrangements for preparing cash flow projections, and their form, are set out in the schedule to this document.

Schedule

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| <p>1.1 Arrangements for preparing /submitting cash flow statements</p> | <p>Cash flow forecasts are over three time-horizons and are used to inform the Council’s borrowing and investment strategy by identifying periods of surplus or shortfall of cash balances. The CS Lucas TM system is being used with a view to replacing spreadsheet forecasting from April 2022.</p> <p>The cash flow forecasts and statements are held at operational level. The accuracy and effectiveness of the cash flows depend on the accuracy of estimating expenditure, income and corresponding time periods.</p> <p>An outline medium-term cash flow model is prepared as part of the budget process, with projections for 3 further years. It is highly summarised and looks mainly at cash flows arising from the capital programme, the in-year capital financing requirement, scheduled loan repayments and long-term investment maturities, and anticipated movements in reserves.</p> <p>A detailed annual cash flow, prepared for the financial year once the budget for the ensuing year has been agreed, identifies major inflows and outflows and is monitored and updated monthly. It is compiled with reference: to the agreed revenue budget and capital programme; to knowledge obtained from the Council’s various services that incur the expenditure/ receive the income; as well as to information from previous years.</p> <p>Daily cash flows show forecast and planned movements of cash daily, including the matching of known inflows and payments. This is used as part of the decision-making process for daily cash management.</p> |
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| <p>1.2 Content and frequency of cash flow projections</p> | <p>The detailed annual cash flow model includes the following:</p> <ul style="list-style-type: none"> • Budgeted revenue income and expenditure • Budgeted profiled capital income and expenditure <p>Revenue activities:</p> <p><u>Inflows:</u></p> <ul style="list-style-type: none"> ▪ Revenue Support Grant if applicable ▪ Precepts received ▪ Non-domestic rates receipts ▪ Council tax receipts ▪ Other government grants ▪ Cash for goods and services ▪ Other operating cash receipts <p><u>Outflows:</u></p> <ul style="list-style-type: none"> ▪ Salaries and payments on behalf of employees ▪ Operating cash payments ▪ Housing Benefit paid ▪ Precepts paid ▪ NNDR payments <p>Capital activities including financing</p> <p><u>Inflows:</u></p> <ul style="list-style-type: none"> ▪ Capital grants received ▪ Sale of fixed assets ▪ Other capital cash receipts <p><u>Outflows:</u></p> <ul style="list-style-type: none"> ▪ Purchase of fixed assets ▪ Purchase of long-term investments ▪ Other capital cash payments <p>Financing, Servicing of Finance>Returns on Investments</p> <p><u>Inflows:</u></p> <ul style="list-style-type: none"> ▪ New long-term loans raised ▪ New short-term loans raised ▪ Interest received ▪ Discount on premature repayment of loan <p><u>Outflows:</u></p> <ul style="list-style-type: none"> ▪ Loan repayments ▪ Premiums on premature repayment of loan ▪ Short-term investments ▪ Capital element of finance lease rental payments ▪ Interest paid ▪ Interest element of finance lease rental payments |
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| <p>1.3 Monitoring, frequency of cash flow updates</p> | <p>The annual cash flow statement is updated quarterly with the actual cash inflows and outflows after taking account of any revisions including those relating to grant income and capital expenditure and will be reconciled with:</p> <ul style="list-style-type: none"> • net RSG and NNDR payments as notified; • county council and police authority precepts as notified; • actual salaries and other employee costs paid from account bank statements; • actual payments to Inland Revenue from general account bank statements; • actual council tax received • actual rent allowances paid • actual housing benefit and grant received from MHCLG; • actual capital programme expenditure and receipts. |
| <p>1.4 Bank statements procedures</p> | <p>The Council receives bank statements on a daily basis and a daily download of data from its bank. All amounts on the statements are analysed on the bank statement analysis (BSA) and check to source data for example payroll, creditor payment runs. Income transactions are posted independently of the treasury function and are reconciled to the AIM system on a daily basis by the income team.</p> |
| <p>1.5 Payment scheduling</p> | <p>The Council has a policy of paying suppliers in line with agreed terms of trade and aims to pay suppliers within 28 days of the invoice date. Certificated payments to sub-contractors must be made within 28 days.</p> |
| <p>1.6 Monitoring debtor/ creditor levels</p> | <p>The Creditors and Income Manager is responsible for monitoring levels of debtors and creditors. Details are passed to the treasury team where necessary to assist in updating the cash flow models.</p> |
| <p>1.7 Banking of funds</p> | <p>Instructions for the banking of income are set out in Financial Regulations. All monies received will be passed to the cashier and be banked without delay.</p> |
| <p>1.8 Practices concerning prepayments to obtain benefits</p> | <p>The Council has no formal arrangements in place. Where such opportunities arise, the prepayment would be sought and authorised by the Chief Finance Officer.</p> |

Treasury Management Practices

9. Money laundering

Background

The Proceeds of Crime Act (POCA) 2002 consolidated, updated and reformed criminal law in the UK in relation to money laundering. The principal offences relating to money laundering are:

Concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland

Being concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention use or control of criminal property

Acquiring, using or possessing criminal property.

Other offences include failure to disclose money laundering offences, tipping off a suspect either directly or indirectly, and doing something that might prejudice an investigation.

Organisations pursuing relevant businesses were required to appoint a nominated officer and implement internal reporting procedures; train relevant staff in the subject; establish internal procedures with respect to money laundering; obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken and report their suspicions.

In December 2007, the UK Government published the Money Laundering Regulations 2007, which replaced the 2003 Regulations. CIPFA believes that public sector organisations should “embrace the underlying principles behind the money laundering legislation and regulations and put in place anti money laundering policies, procedures and reporting arrangements appropriate and proportionate to their activities”.

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

Schedule

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| <p>1.1 Anti-money laundering policy</p> | <p>This Council’s policy is to prevent, wherever possible, the organisation and its staff being exposed to money laundering, to identify the potential areas where it may occur and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases.</p> <p>The Council has accepted responsibility to ensure that those of its staff who are most likely to be exposed to money laundering can make themselves fully aware of the law and, where necessary, are suitably trained.</p> |
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| <p>1.2 Nomination of Responsible Officer</p> | <p>(a) The Council has nominated Head of Corporate Governance to be the responsible officer to whom any suspicions relating to transactions involving the Council will be communicated.</p> <p>(b) The responsible officer will be conversant with the requirements of the Proceeds of Crime Act 2002 and will ensure relevant staff are appropriately trained and informed so they are alert for suspicious transactions.</p> <p>(c) The responsible officer will make arrangements to receive and manage the concerns of staff about money laundering and their suspicion of it, to make internal enquiries and to make reports, where necessary, to National Criminal Intelligence Services (NCIS).</p> |
| <p>1.3 Procedures for establishing the Identity of Lenders and Borrowers</p> | <p>(a) In the course of its treasury activities, the Council will only borrow from permitted sources identified in <i>TMP 4 Approved instruments, methods and techniques</i>.</p> <p>(b) The Council will not generally accept loans from individuals.</p> <p>(c) In the course of its treasury activities, the Council will only invest with those counterparties which are on its approved lending list.</p> <p>(d) The identity and authenticity of commercial institutions (banks, building societies and other financial institutions) authorised to carry out borrowing and lending activity in the UK will be checked via the Financial Services Authority's website www.fsa.gov.uk.</p> <p>(e) All receipts/disbursements of funds will be undertaken by BACS or CHAPS settlement.</p> <p>(f) Direct Dealing mandates: The Council will provide (in the case of lending) and obtain (in the case of borrowing) and maintain on file dealing mandates with any new money market counterparty. The mandates should be on letter-headed paper, dated and signed.</p> <p>(g) All banking transactions will only be undertaken by the personnel authorised to operate the Council's banks accounts.</p> |

Treasury Management Practices

10. Training and qualifications

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

The Deputy Chief Executive will ensure that Council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and responsibilities. Those charged with governance are required to recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

The present arrangements are detailed in the schedule below.

Schedule

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| <p>1.1 Qualifications/ experience for treasury staff</p> | <p>Members of the Treasury Team are required to have suitable experience and qualifications for them to carry out their duties competently and appropriate training is provided where necessary.</p> |
| <p>1.2 Details of approved training courses</p> | <p>The courses/events the Council would expect its treasury personnel to consider are:</p> <ul style="list-style-type: none"> ▪ Certificate in International Treasury Management – Public Finance, a treasury management qualification offered by the <i>Association of Corporate Treasurers</i> ▪ Training courses for Accounting, Auditing, Best Value/Competition, Budgeting, Capital Finance & Borrowing, Financial Management and Treasury Management run by CIPFA and IPF ▪ Any courses/seminars run by Treasury Management Consultants. ▪ Attending CIPFA Conference ▪ Training attended by those responsible for scrutiny of the treasury function |
| <p>1.3 Records of training received by treasury staff</p> | <p>Treasury-related training records are maintained by staff with their CPD support, with staff appraisal records by the Chief Accountant and with Human Resources.</p> |

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| <p>1.4 Records of training received by those charged with governance</p> | <p>Training records are maintained of those people/committees responsible for governance of treasury management. Committee Services provide details of this.</p> |
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Treasury Management Practices

11. Use of external service providers

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

Schedule

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| <p>1.1 Contract threshold</p> | <p>The Council’s Financial Regulations require that a formal contract is in place with external service providers. The contract will clearly state the services to be provided and the terms on which they will be provided.</p> |
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| <p>1.2 Details of service providers and procedures and frequency for tendering services</p> | <p>(a) Bankers to the Council Lloyds Bank 25 Gresham Street, London EC2V 7HN Telephone 0808 202 1390 Contract period: From March 2015 Formal agreement in place: Yes</p> <p>(b) Treasury advisor Arlingclose Limited 35 Chiswell Street, London EC1Y 4SE Telephone 08448 808 200 Contract period: Aug 2017 to July 2020 Formal agreement in place: Yes This service may be re-tendered every 3 years</p> <p>(c) Brokers It is considered good practice for the Council to have at least two brokers and to spread business between them.</p> <p>Tradition (UK) Limited Beaufort house, 15 St. Botolph St, London, EC3A 7QX Telephone 0207 422 3500 Contract period: no formal contract Formal agreement in place: No</p> <p>Sterling/ BGC Brokers LP 1 Churchill Place, London, E14 5RD Telephone 020 7894 7742 Contract period: no formal contract Formal agreement in place: No</p> |
| <p>1.3 Regulatory status of services provided</p> | <p>The Council's external service providers are regulated by the Financial Services Authority (FSA) and Bank of England.</p> |

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| <p>1.4 Details of service provided by Treasury Advisor</p> | <p>The Service provided by the Council’s treasury advisors is:</p> <p>Financial Strategy and Investment Policy</p> <ul style="list-style-type: none"> Attend 4 strategy meetings per year and review the Council’s financial position in respect of its objectives, strategy, current financial circumstances, assets and liabilities. Advise on suitable investment strategies to support the Council’s financial objectives in the short, medium and longer term. <p>Market Updates and Interest Rate Forecasting</p> <ul style="list-style-type: none"> Provide regular interest rate forecasts. Provide regular updates on economic and political changes that may impact the Council’s investment strategy. <p>Monitoring and Reporting</p> <ul style="list-style-type: none"> Provide data on the performance of external fund managers for comparison purposes. Monitor and report on performance of in-house investments against external fund managers on a quarterly basis. <p>Counterparty Creditworthiness</p> <ul style="list-style-type: none"> Advise on investment counterparty creditworthiness, including provision of prudent parameters, based on information obtained from leading credit rating agencies (Fitch, Standard and Poors, Moody’s). Provide regular alerts of changes in creditworthiness, monthly reports and analyses. Check compliance with counterparty creditworthiness policy on a quarterly basis. <p>Training and Documentation</p> <ul style="list-style-type: none"> Provide training to treasury management staff where necessary, including access to a technical support helpline. Provide template documents and advice on: <ul style="list-style-type: none"> Treasury management strategy report Annual review report Annual investment strategy <p><i>Future investment of capital receipts</i></p> <p><i>The Council may decide to place funds with external fund managers to provide an element of diversity to the investment portfolio. Part of the service required from our appointed advisor will be to assist and advise on the selection and appointment process and to provide ongoing performance monitoring.</i></p> |
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Treasury Management Practices

12. Corporate governance

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

The Council has adopted and implemented the key recommendations of the CIPFA Treasury Management Code of Practice (Revised 2009). This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the Deputy Chief Executive will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

Schedule

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| <p>1.1 Stewardship responsibilities</p> | <p>The Chief Finance Officer ensures that systems exist to deliver proper financial administration and control and maintaining a framework for overseeing and reviewing the treasury management function.</p> |
| <p>1.2 List of documents to be made available for public inspection.</p> | <p>The following documents are freely available for public inspection:</p> <ul style="list-style-type: none"> ▪ Annual Statement of Accounts ▪ Budget Book ▪ 4 Year Capital Plan ▪ Treasury Management Policy ▪ Treasury Management Strategy ▪ Budget Monitoring Reports ▪ Annual Treasury Report (Outturn) |
| <p>1.3 Council's website.</p> | <p>Financial information is additionally available on the Council's website.</p> |
| <p>1.4 Procedures for consultation with stakeholders.</p> | <p>Members and senior officers of the Council are consulted via reports to the Corporate Policy & Resources Committee and officer/member briefing and training sessions.</p> |
| <p>1.5 Externally managed funds.</p> | <p>The Council currently has no external fund managers.</p> |

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Council

24 February 2022



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| Title | Detailed Revenue Budget for 2022/23 |
| Purpose of the report | To approve the report below based on the recommendation made by Corporate Policy & Resources Committee at their meeting on 7 February 2022. |
| Report Author | Paul Taylor Chief Accountant |
| Ward(s) Affected | All Wards |
| Exempt | No |
| Corporate Priority | Community Affordable Housing Recovery Environment Service Delivery |
| Recommendations | <p>Committee is asked to recommend that Council consider and approves the following:</p> <ol style="list-style-type: none"> 1. To approve a 2.4% increase on Band D for the Spelthorne Borough Council element of the Council Tax for 2022/23. Moreover: <ol style="list-style-type: none"> a. The revenue estimates as set out in Appendix 1 be approved. b. No money, as set out in this report is to be appropriated from General Reserves in support of Spelthorne's local Council tax for 2022/23. c. To agree that the Council Tax base for the year 2022/23 is 40,703 Band D equivalent dwellings calculated in accordance with regulation 3 of the Local Authorities (Calculation of Council tax base) Regulations 1992, as amended, made under Section 35(5) of the Local Government Finance Act 1992. 2. Continuing the Council's Local Council Tax Support Scheme with the current rules and regulations. 3. Continuing the complete disregard of war pension / armed forces pension income from benefit calculations. 4. The growth and savings items as set out in the report's appendices 2 and 3. 5. To note the Chief Finance Officer's commentary in section 4 of the report on the robustness of budget estimates and levels of reserves under sections 25 and 26 of the Local Government Act 2003 |

6. The Council Tax Base for the whole council area for 2021/22. [Item T in the formula in Section 31b (3) of the local government Finance Act 1992, as amended (the “act”)] should be 40,703 band D equivalent dwellings and calculate that the Council Tax requirement for the Council’s own purpose for 2022/23 is £210.05 Per Band D equivalent dwelling.

That the following sums be now calculated by the Council for the year 2022/23 in accordance with Section 31 to 36 of the Local Government Act 1992.

| | | |
|---|-------------|--|
| A | 119,603,377 | Being the aggregate of the amount which the council estimates for the items set out in Section 31A (2) of the Act considering all precepts issued to it by Parish Councils. |
| B | 111,053,652 | Being the aggregate of the amount which the Council estimates for the items set out in Section 31A (3) of the Act |
| C | 8,549,725 | Being the amount by which the aggregate at (A) above exceeds the aggregate at (B) above, calculated by the Council, in accordance with Section 31A (4) of the Act, as its Council Tax requirement for the year |
| D | 210.05 | Being the amount at (C) above divided by the amount at 5c (above), |

| | | | | |
|--|----------|--|---------------|---|
| | | | | calculated by the Council in accordance with Section 31B (1) of the act, as the basic amount of its Council Tax for the year (including Parish precepts) |
| | E | | 0 | Being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act. |
| | F | | 210.05 | Being the amount at (D) above less the result given by dividing the amount at (E) above by the amount at 5c (above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings on those parts of its area to which no Parish precept relates. |

That the following amounts be calculated for the year 2022/23 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011.

| A | B | C | D | E | F | G | H |
|----------|----------|----------|----------|----------|----------|----------|----------|
| £ | £ | £ | £ | £ | £ | £ | £ |
| 140.03 | 161.37 | 186.71 | 210.05 | 258.73 | 304.41 | 350.08 | 420.10 |

| | |
|----------------------------------|---|
| Reason for Recommendation | To deliver services for its residents the Council has to set a balanced Revenue Budget and determine its council tax levels |
|----------------------------------|---|

Precepts issued to the Council

| | A £ | B £ | C £ | D £ | E £ | F £ | G £ | H £ |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Surrey County Council | 1,084.26 | 1,264.97 | 1,445.68 | 1626.39 | 1,987.81 | 2,349.23 | 2,710.65 | 3,752.78 |
| Surrey Police & Crime Commissioner | 197.05 | 229.89 | 262.73 | 295.57 | 361.25 | 426.93 | 492.62 | 591.14 |

That, having calculated the aggregate in each case above the Council in accordance with Sections 30 and 36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011, hereby sets the amounts as the amounts of Council tax for the year 2022/23.

The Council has determined that its relevant basic amount of Council Tax for 2022/23 is not excessive in accordance with the principles approved under Section 52ZB Local Government Finance Act 1992.

As the billing authority, the Council has not been notified by a major precepting authority that its relevant basic amount of Council Tax for 2022/23 is excessive and that the billing authority is not required to hold a referendum in accordance with Section 52ZK Local Government Finance Act 1992.

1. Key issues

- 1.1 By law Councils are required each year to set a balanced budget.
- 1.2 The 2022/23 revenue budget shows a very positive position in that a balanced budget has been put forward and Council intends to utilise £240,000 of earmarked reserves to fund some off the growth bids received. The use of these reserves fits with the intended purpose the reserves were established for and approved by Council in previous years.
- 1.3 Council is looking to deliver the same range and quality of services to our residents, i.e., there have been no service cuts proposed. The Council has also recommended that our staff on the five lower grades receive an extra 0.5% pay rise in the year, over and above the 2% all staff are proposed to receive and will also continue to make its annual contribution to Capital.
- 1.4 The proposed budget is supported by an increase in the Council's share of Council Tax of 2.4% which is just over half of the current inflation rate of 5.4% (December CPI figures)
- 1.5 Further, to balancing the 2022/23 budget, the Council at an early stage and based provisionally balance its budgets for 2023/24 to 2025/26.
- 1.6 The other main points from the 2022/23 Budget are as follows: -

- (a) Pay Award for all staff 2.0% per annum plus an extra 0.5% for our lower grade staff (1-5).
 - (b) Discretionary Fees and Charges inflation 5.4% increase, in line with inflation, excluding pitch hire charges for children and day centres fees for our elder and vulnerable residents.
 - (c) Contract inflation 1.7%
- 1.7 We are in exceptionally challenging and uncertain times, because of the continued COVID-19 pandemic with its new variants and the impact of Brexit, on our cost of materials, energy and fuel, labour and delivery times, which has made the process of setting the 2022/23 Budget and beyond extremely challenging. We are continuing to see reduction in some of our services, fees and charges income, the amounts of council tax and business rates collected, and we expect to see a small increase in our treasury management income as the Bank of England has recently raised the base rate. The Council is still providing extra expenditure to many of our services, for example, supporting our leisure centres. This is making our ability to predict. Like many of our businesses in the Borough, the Council is having to forecast and plan ahead, trying to predict just when our operating income and services, will return to pre pandemic levels?
- 1.8 In the last 24 months since the pandemic began, the Council has achieved the following:
- (a) 29,629 outbound calls to vulnerable Spelthorne residents
 - (b) Helped leisure centres and community groups.
 - (c) £26.2m paid out to in business and discretionary grants to support our business community and local residents in Spelthorne.
 - (d) 37 Rough sleepers have been placed into settled accommodation
 - (e) 68,153 meals delivered to Spelthorne residents
 - (f) £29.6m paid out in business rates relief to support our local businesses that provide employment opportunities to residents in the Borough.
 - (g) Provided 104 new homes for our residents
 - (h) Supporting our food banks to deliver 934,404 meals throughout the Borough.
- 1.9 Managing the steepest economic downturn, the UK economy has experienced for over 300 years has not been straight forward. The Consumer Price Index (CPI) for November and December 2021, show inflation is running at over 5% per annum and it is against this backdrop, the Council has looked to its short- and medium-term objectives, to set a prudent balanced budget, which aims to maintain our level of services for the residents of the Borough.
- 1.10 As mentioned last year, discussions are still ongoing regarding the possibility of Surrey become a single Unitary Authority in the future, and Spelthorne Borough Council continues to play an active part in these discussions.
- 1.11 Finally, Council is taking the opportunity to put over £3.0m into our revenue reserves. Based upon our modelling, it is likely to be a similar situation next year, as we, hopefully, come out of the pandemic for good, and can return to our planned level of funding based on our 20-year sinking fund modelling. By

building up our revenue reserves pre pandemic, the Council could smooth out challenging years, to reduce the burden on our residents during these difficult times

- 1.12 In presenting this balanced budget, with general reserves as contingency to support our services, we are continuing to show a measured approach in managing the uncertainty surrounding the impact of COVID-19 on our local economy, businesses, and residents.
- 1.13 As a result of extensive modelling, ranging over the short term, i.e., a few years to the long term, i.e., up to 50 years, the Council is still in a very good position with forecasts suggesting that if we put the Budget on a sustainable basis in 2022/23 the Budget will be balanced in the following three years even with additional pressure of financing leisure centre 2022/23 and potentially 2023/24. However, the Council anticipates experiencing budget gaps in 2023/24 and 2024/25 and will be monitoring the medium term closely, as well as identifying service improvements and savings. To be finalised once CP&R have made their recommendations.
- 1.14 Appendix 1 summarises the current draft detailed Budget proposed for 2022/23. After allowing for Housing Benefit the gross budget is financed as follows,
 - (a) Fees and Charges
 - (b) Property Rental Income – Increasingly representing a greater proportion of the overall funding
 - (c) General Revenue Grants, including New Homes Bonus which increased substantially this year & Retained Business Rates
 - (d) Council Tax

Business Rates Retention

- 1.15 The Government because of COVID19 put on pause its Business Rates Retention reform along with its “Fair Funding Review” This work informing this may now conclude in 2022-23 and the changes be implemented in 2023-24. If this is the case, it is now less clear whether the Government will move to “75%” business rates retention due to tensions with levelling up principles. If changes to retention are made along with base line reset in 2-23/24 this could adversely impact in relative terms the Surrey councils and result in a reduction in the amount of business rates, we retain – this would mean our budget gaps could increase for 2023-24 and 2024-25. For 2022-23 Spelthorne will not be in the Surrey Business Rates pool.

Grant Settlement

- 1.16 The Government’s Provisional settlement was announced on 16th December 2021 and confirmed that Spelthorne would continue to receive no general grant support in 2022/23. Disappointingly, despite the Chancellor setting out in November a set of three-year Spending Review parameters, the Settlement only set out details of funding for councils for one year which does not help medium term planning for councils. However, our The New Homes Bonus continues for 2022/23 with our allocation rising by more than £1million to £1.294m. The increase reflects the impacts of housing completion numbers on Brooklands and London Square schemes. Unfortunately, we are

anticipating that as part of the funding review changes expected to take effect in 2023-24 the New Homes Bonus may be ended (apart from small legacy amounts for 23/24 and 24/25 shown in Appendix 1) and it is not clear what funding mechanism if any will replace it. So, one consequence of slippage in our housing delivery schemes is that we may have missed the opportunity to maximise grant support for additional dwelling delivered.

2. Council Tax

- 2.1 Whilst the Government has limited the amount of Council Tax for shire districts and boroughs to either 2% or a rise of £5 on Band D (whichever is the higher). Spelthorne Borough Council has decided to recommend an increase of £5.00 on Band D. County Councils and Unitary Authorities can levy a combined council tax and additional adult social care precept of up to 4.99% which is the increase Surrey County Council is applying. The Surrey Police Commissioner has set at an increase of £10 Band D (3.5% increase)..

Council Tax Support Scheme

- 2.2 The Council will continue the Local Council Tax Support scheme with the same rules and regulations as was agreed for the 2014/15 scheme. This was a 25% deduction made for working age claimants and a 10% deduction for working age claimants who we classified as disabled due to the benefits they receive. This is also considering any annual uprating of applicable amounts or premiums that is announced by central government for the following year.

War Widows

- 2.3 It is sensible to re-confirm the Council's position with respect to the complete disregard of war pension /armed forces pension income from benefit calculations. If the full amount is disregarded the cost of this measure falls on the local authority as only the first £10.00 is disregarded by central government. We have already agreed to do this for our council tax support scheme. We have always disregarded the full amount since the housing benefit scheme came into existence along with practically every other local authority and the cost to the authority in the last subsidy claim was £4,210. We intend to continue to make this disregard for 2022/23

3. Budget Consultation

- 3.1 The Council issued a Budget Consultation in the last few months of the year and we received a good response, with a significant number indicating that the Council should continue to prioritise the provision of affordable housing to its residents.

4. Basis of preparation of the detailed budget

- 4.1 **Service levels** – the budget estimates have been prepared based on maintaining existing service levels except where variations have been approved by the Committee and the Council. Members should be aware of the challenges posed by the COVID-19 global pandemic may impact either favourably or adversely on the Council Revenue budget. Considerable work has been undertaken to estimate the potential impact based on the knowledge gained from three lockdowns over the past ten months. The Council has undertaken considerable work to identify savings and efficiencies to offset the list of growth proposals. This is to ensure a balanced budget not

just for 2022/23 but also to put us in a sustainable position to balance the Budget in 2023/24.

- 4.2 **Pay and price levels** – a 2.00% pay award for all staff and an additional 0.5% for employees on the lowest grades 1 to 5 have been proposed for 2022/23. The Council has made an undertaking to Unison, to reconsider the above, based on final national pay award settlement for 2022/23, should this be higher than the proposed pay awards.

Inflation has been included in respect of contracts at 1.7% where appropriate. Inflation as currently measured by the Consumer Prices Index is 5.4% (as per CPI for December 2021).

Pensions

- 4.3 As we are in the final year of the current triennial period between Pension Fund valuations our employer contribution rates for 2022/23 had already been agreed.
- (a) The primary rate which is the contribution paid on an ongoing basis as employees earn additional entitlement will continue at 17.3% for 2022/23
 - (b) the secondary rate – this is a lump sum which the Council pays as an employer towards closing the deficit relating to past service benefits. As a result of an earlier decision to frontload our first-year payment, the secondary contribution will remain at £1m in 2022/23.
- 4.4 The next Valuation applies as at 31 March 2022 and will impact on employers' contributions for the years 2023/24 to 2025/26. Whilst the Surrey Pension Fund has been performing very well recently which will help restrain employer contribution rates, we have erred on the prudent side and assumed cumulative £0.33m per annum increases in our contribution rates for the period 2023/24 to 2025/26 i.e., by end of that period our contribution rate will have increased by a £1m.

5. Fees & Charges

- 5.1 All fees and charges have been reviewed, see separate report on the agenda.

Income Generation

- 5.2 The Budget forecasts have reflected officers' judgements on the future, taking the past three years income as a guide, whilst being mindful of the exceptional general economic context over the last two years, and despite the economic challenges faced during repeated lockdowns, in aggregate our income generation is recovery but we are still not expecting in 2022-23 some of our income streams such as car parking to fully return to pre-pandemic levels Although they are not predicting and substantial increases in income, as it remains difficult to predict when income will return to pre pandemic levels if at all..
- 5.3 The net income from our commercial asset's portfolio is budgeted at £10.831m for 2022/23 representing a decrease of 3.1% compared to 2021/22 and represents a movement of £0.35m compared to the last Budget set before the pandemic of 2020/21, with the Council utilising these funds to support, service delivery, regeneration in the Borough and the delivery of much need affordable homes to the residents of the Spelthorne.

- 5.4 **Knowle Green Estates Ltd (KGE)** - Due to delays in completion of the first three properties and the delays in obtaining planning permission to build more affordable housing in the Borough, the financial performance for KGE in respect of each property is on plan, but delayed by several months, which will mean that the council will receive the predicted income, by between twelve to eighteen, in between time, KGE will need some additional short term funding to support cashflow, until the forecast income is achieved once the properties are built. The Policy switch made by Council in January 2020 towards nearly all units being affordable or key worker has resulted in largely the elimination of any interest rate margin which SBC would have earned on financing private rental units. One of the key policy choices for the Corporate Policy and Resources Committee in the coming months will be to determine and agree with KGE an interest margin to apply on affordable rental financing as these will help reduce SBC budget gaps in future years. KGE is recharged for services provided and a small interest rate margin and this has been accounted for in the Council budget. The recharge income is going up in 2022/23 to reflect the need to provide increased tenancy support resourcing to handle the higher levels of affordable housing tenants being managed by KGE.
- 5.5 **Spelthorne Direct Services Ltd. (SDS)** – The company continues to grow despite the pandemic, which has curtailed the sales activity and delayed its development by over twelve months. SDS is recharged for services provided to it by the Council budget, and is only making finance repayments on start-up capital

Contingencies.

- 5.6 The General Fund reserve exists as a source of contingency funds should a need arise, which can be addressed through offsetting savings and over the next few years, we are looking to increase this to £2.2m

Interest Rates

- 5.7 The Council at present has benefited from many years of above average investment returns through a diversified range of pooled investment funds. The return on these funds is 3.36% as at 31 December 2021 which is a very good rate of return when compared to base rate of 0.1% for the last few years.
- 5.8 In December 2021 and February 2022, the Bank of England raised the base rate to 0.5%.
- 5.9 Returns on maturing cash deposits are currently within the range of 0.67% to 0.73% and the average overall return on investments is expected to be around 1.66%. Base rates have risen for the second time in February 2022 and may be pushed up further by the Bank of England which may improve short term rates of return for the Council but equally push up short-term borrowing rates. Currently Public Works Loans Board borrowing rates in historic terms are still very low (sub two percent for fifty years) and linked to the 20 years gilt market, which is not influenced by the same factors as the Bank of England base rate and is therefore less volatile.

6. Investment Income

- 6.1 The Council has separately received the Treasury Management Strategy for 2022/23 indicating the current position in respect of interest rates and the

proposed strategy for dealing with the lower levels of interest rates and the reduction of investment monies.

- 6.2 Arlingclose advises the Council on expected rate changes which would affect investments and full details are shown in the Treasury Management Strategy Report.
- 6.3 The Council is receiving separately on this agenda the Capital Strategy, which is based on feedback received from Corporate Policy and Resources Committee, and it sets out the Council's broader approach to management of capital expenditure and risk mitigation with respect to financial and non-financial investment assets. The Treasury Management Strategy, Capital Strategy and the Capital Programme reports set out the Prudential Indicators including the proposed borrowing limits in accordance with the Chartered Institute of Public Finance's Prudential Code.

Use of Reserves

- 6.4 The Corporate Policy & Resources Committee reviewed its reserves levels and the purposes for which it holds reserves in the Reserves Policy which was last approved by Council in 2021. It is proposing that the Council approve the use of £240,000 to support revenue expenditure, and £150,000 our capital programme, from reserves set up and approved by Council for use of these funds.
- 6.5 The proposed use of the funds is as follows: £150,000 from the Bronzefield Earmarked Reserve to fund the public realm enhances to the walkway along the river Ash; as well as £101,000 from the Business Rates Equalisation Reserve to fund two temporary posts in the Economic Development Team, £80,000 from the environmental Impact Reserve to fund 3 roles; £30,000 from the Planning Performance Agreement Reserves to assist with the recruitment of an officer in the planning development team and £30,000 from the Green Initiatives Fund to recruit and retain a climate change officer. (Please refer to the appendices below for more details).

Due to the Council's 20-year strategy on our sinking funds which included taking a prudent approach to put part of the monies received from our investment property portfolio money into our reserves, Spelthorne Borough Council will not need to draw on its long-term reserves to fund any short-term gaps in funding, in order to deliver a balanced budget for our residents. The strength of the Council's financial position by the relatively small Budget gaps of approx. £1m per annum for years 2023/24 to 2025/26 despite additional pay and pension pressure and the need to fund an estimated financing balance of £750k per annum for the new Leisure Centre. Our reserves will continue to increase in line with our strategy.

Not only has the investment income portfolio provided for our long-term future prosperity it has enabled the Council to provide a revenue contribution to help finance the capital programme, regenerate the Borough and continue to provide essential services and support to our residents. The Council will be adding a further net £3.0m into its sinking funds during 2022/23 and our anticipated reserves at 31 March 2023 is forecast to be £31m.

Growth items

- 6.6 All service committees have reviewed the growth bids relating to their services and the proposed Budget reflects the bids which have been

supported by those Committees and fed into this Committee. Following submissions from service committees a further process of prioritisation was undertaken which is reflected in the proposed Budget.

6.7 The evaluation of growth bids received from services have been carried out using several criteria including: -

- (a) Whether there is an invest to generate future income aspect
- (b) Whether there is an invest to achieve future savings
- (c) Whether it is necessary to meet statutory obligations
- (d) Whether it is necessary for operational reasons, for example service resilience

6.8 There are a number of areas of new or increased expenditure items included in the 2022/23 budget and some of these are highlighted below:

- (a) Additional staffing resources / recruitment & retention and shown below is our current actual FTE position by cost of services at 31 December 2021 and for the previous four years.

| Department | 2018 | 2019 | 2020 | 2021 | 2021 (As at 31 Dec 21) |
|--------------------------------|--------------|---------------|---------------|---------------|---------------------------------|
| Building Control | 5.93 | 5.93 | 6.3 | 6.23 | 6.23 |
| Audit Services | 1.56 | 1.75 | 1.75 | 1.75 | 1.75 |
| Accountancy | 8.62 | 10.41 | 12.46 | 12.46 | 11.18 |
| Commissioning & Transformation | 23.69 | 26.26 | 27.27 | 30.68 | 31.02 |
| Community Wellbeing | 69.39 | 71.61 | 78.88 | 77.01 | 79.11 |
| Customer Relations | 18.62 | 23.75 | 24.22 | 24.23 | 21.75 |
| Environmental Health | 19.57 | 21.6 | 22.38 | 22.39 | 23.39 |
| Family Support Programme | 8.95 | 10.95 | 10.77 | 10.78 | 11.67 |
| Neighbourhood Services | 135.9 | 130.95 | 139.02 | 133.56 | 133.79 |
| Regeneration & Growth | 36.85 | 39.81 | 38.75 | 43.26 | 53.29 |
| Secretariat | 3 | 3 | 3 | 3 | 2 |
| MAT | 3 | 3 | 3 | 3 | 3 |
| Communications | 4.78 | 4.06 | 4.66 | 4.69 | 5.69 |
| Legal | 8.46 | 10.06 | 11.05 | 13.06 | 13.66 |
| Elections | 2.58 | 3 | 3.88 | 3.89 | 3.89 |
| Total FTE | 350.9 | 366.14 | 387.39 | 389.99 | 401.42 |

- (b) Additional costs of service provision

6.9 Shown in appendix 7 is a comparison between the actual FTE posts filled and the increased budgeted approved FTE for the following year, from 2017/18 to 2022/23.

Savings & Additional Income

6.10 In total savings/additional income of approximately £183k has initially been found. Following submissions from the Committees an additional £160,000 of savings were found.

- 6.11 The salary vacancy/turnover assumption for 2022/23 will remain the same as last year at £300k.

Precepts

- 6.12 Surrey County Council at its meeting on 9 February set a Band D council tax of £1626.39 representing a 4.99% increase and Surrey Police at its tax setting meeting on the 7 February set a band D council tax of £295.57 representing a £10 increase on Band D (3.5% increase). See appendix 6 for full details.

7. Options analysis and proposal

- 7.1 The Council is required to set a balanced budget and in the light of the detailed budget it is recommended the Council increases its share of Council Tax for 2022/23 by 2.4%. The Council is very aware of the financial pressures many of its residents are currently under because of the impacts of COVID-19, however this increase equates to less than half the current inflation level and is necessary to protect the Council's tax base and its ability to balance its Budget and provide services for its residents.

8. Financial implications

- 8.1 Addressed in the body of the report.

9. Other considerations

- 9.1 The Local Government Act 2003 (the 2003 Act) section 25 requires that when a council is agreeing its annual Budget the Chief Finance Officer (section 151 Officer) must report to it on the following matters:

- (a) The robustness of the estimates underpinning the Budget
- (b) The adequacy of the proposed reserves' levels

- 9.2 In the exceptionally challenging times, all councils are currently facing because of the impacts of the COVID19 pandemic it is even more important than even to ensure that the Council pursues a careful and prudent approach to setting its budget and considering budget risk. It is uncertain when the country will emerge from the pandemic lockdown, what the impact on the local economy of the national furlough scheme ending in April 2021 or how long the Council's service fees & charges income levels will take to recover. Equally the Council needs to evaluate and manage risks facing its commercial and retail income streams.

- 9.3 There are a range of other legislative measures in Local Government Acts which are in place to ensure local authorities do not over-commit themselves financially. These include:

- (a) The Chief Finance Officer's section 114 power and duty, which requires a report to all members of the Council if there is, or likely to be, unlawful expenditure or an unbalanced budget.
- (b) The Prudential Code issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which guides local authorities on the affordability of their capital programme.

- 9.4 The 2003 Act requires Members to have regard to this report in making their decisions. The 2003 Act does not provide any specific guidance on how to evaluate the robustness of the estimates. However, it does identify the need to allow for risks and uncertainties that might lead to expenditure exceeding budget by:

- (a) Making prudent allowance in the estimates for inflation, known cost increases or reductions in income and in addition
 - (b) Ensuring that there are adequate reserves to draw on if the estimates are insufficient.
- 9.5 It is stressed that the advice contained in this report on the appropriate level of reserves is not based on a percentage of spend, but on an assessment of all the circumstances likely to affect the Council. Guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) states the following factors should be considered by the section 151 officer in undertaking an assessment on the overall level of reserves and balances:
- (a) Assumptions regarding inflation
 - (b) Treatment of demand led pressures
 - (c) Treatment of savings
 - (d) Risks inherent in new partnerships etc.
 - (e) Financial standing of the authority (i.e., level of borrowing, debt outstanding etc)
 - (f) The Authority's track record in budget management
 - (g) The Authority's capacity to manage in year budget pressures
 - (h) The Authority's virements and year end procedures in relation to under and overspends
 - (i) Estimates of the level and timing of capital receipts.
- 9.6 The Council's Section 151 Officer has considered and followed those guidelines. The Council is obliged to take these views into consideration when setting the Council Tax and budget for 2022/23.
- In coming to a view on the adequacy of reserves it is necessary to take several issues into account including:
- (a) The purpose for which the Council holds a specific reserve and general fund working balance
 - (b) The risks and uncertainties the Council faces that may have financial consequences
 - (c) The likelihood of those risks arising
- 9.7 The above issues, along with the Reserves Policy were considered as part of the Outline Budget report which went to Corporate Policy & Resources Committee in February 2022, and which reviewed projected balances on reserves. The Council's Revenue Reserve, which acts as a contingency reserve is currently £2.2m which represents 25.9% of the proposed net budget for 2022/23. In the last few years, the Council has ceased to use revenue reserves to support balancing the Budget, this reflects the more sustainable basis the Budget is now on.
- 9.8 Reserves and provisions – the local Government Act 2003 requires the Chief Finance Officer to report on the adequacy of the council's financial reserves when consideration is given to the general fund budget requirement for the year. Under the local government finance act 1988, all useable revenue balances held by the Council are at the direct disposal of the general fund

apart from the Collection Fund and the investment reserve. However, an all of Spelthorne Borough Council's reserves have been approved by council as earmarked and can only be used for the intend purpose approved.

- 9.9 The Chief Finance Officer considers that the reserves and provisions will ensure that the Council maintains a healthy financial position even in the face of COVID-19. In forming this judgement, he has had regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Resilience Index results for the Council which show a strong overall positive picture particularly with respect to reserves levels with 6 of the 8 indicator measures towards the lowest end of risk. Whilst we are currently awaiting the publication of the latest CIPFA indicators we anticipate that they will continue to show that the Council's indicators for reserve levels and reserve movements are at the lower end of risk. This reflects the additional amounts the Council has been putting into its sinking funds. As commented in the Reserves Policy a recent national benchmarking exercise by LG Improve identified that Spelthorne has the highest ratio of unallocated revenue reserves to net revenue budget of any district or borough council in the country.
- 9.10 In response to the impact of COVID-19 and the biggest economic downturn for more than three hundred years, the Council carefully reviewed the adequacy of its sinking funds reserves designed to be able to absorb potential drops in its commercial income stream. The Council produced revised sinking funds projections for the next years on both an expected case and worst-case basis. To date the worst-case modelling suggests that the reserves levels are more than adequate for the next ten years. Whilst our models are set up on a fifty-year basis, we are undertaking weekly review of the projections for the next 10 years and we are now extending that projection period to 20 years.
- 9.11 Additional confidence can also be taken from the fact that despite the impacts of COVID-19 for the last two financial years, the Council collected more than 99.6% of the commercial rent due to it for 2020/21 and is currently collecting approximately 99,6% of rent due. This is a very robust collection performance and reflects the quality of its assets, their location, the financial health of its tenants and the quality of its assets team. For the investment assets portfolio there is currently an overall occupancy rate of approximately 95%.
- 9.12 The CIPFA Financial Resilience has three measures for which the Council is shown as being at the higher end of risk. These are
- (a) Gross Debt to revenue budget – this reflects that the Council has more than £1 billion in debt (although we do not have the highest level of debt in our comparator group). What also needs to be considered is that the Council has nearly £1 billion of best-in-class assets backing this debt. It is recognised that in line with property assets across the economy our asset valuations have reduced (5% for 2020/21) however, with the income levels and occupancy levels holding up strongly we believe these are temporary balance sheet movements and that the values will recover over time. Through the Council's sinking fund strategy, it is seeking to ensure it appropriately maintains the assets. The debt is being paid down on an annual prudent basis. and the borrowing has been fixed at low rates of interest. There is no risk of interest movement on the debt.

- (b) Interest to revenue - this reflects the level of debt highlighted above, What the CIPFA indicator does not reflect is that the rental income generated by the commercial assets is more than 2.2 times in value the interest cost and is sufficient to cover interest, annual debt repayments, management costs and to make annual sinking fund contributions.
- (c) The Index flags that due to the Council currently doing well in terms of the amount of Business Rates it retains above the Baseline set by Government that there is a risk when the Government resets the baseline in 2023/24 as part of implementing 75% Business Rates retention nationally, that the Council is at risk of losing rates when the change happens.

9.13 The Chief Finance Officer is satisfied that each service budget has been prepared in the context of the Council’s corporate strategies, including the Capital Strategy and longer-term financial strategy which means that the Council is presented with robust estimates as a basis for making decisions about the level of council tax. Officers have modelled a range of scenarios including different assumptions around future pay settlements, and rate at which business rates may be withdrawn from the Council by Government. The nature and size of our revenue budget carries a degree of risk, this is particularly the case in the current COVID-19 crisis.

9.14 Reserves and provisions – the local Government Act 2003 section 26 requires me to report on the adequacy of the council’s financial reserves when consideration is given to the general fund budget requirement for the year. Independent benchmarking by LGImprove indicates that Spelthorne has the highest ratio of Revenue Reserves to net Revenue Budget of any district or borough council in the country. Under the local government finance act 1988, all revenue balances held by the council are at the direct disposal of the general fund except for the Collection Fund. However, a number of these balances are earmarked specifically for social housing and the new scheme fund. Detail any other considerations to be considered.

10. Issues considered when evaluating the robustness of the estimates and the adequacy of the reserves is set out below

10.1 The budget has several risks, and these are set out below:

| Outside control | Internally based |
|--|---|
| Economic and financial impacts of COVID-19 including on residents' ability to pay council tax, businesses ability to pay business rates, council income levels, levels of local council tax support, impacts on commercial rents etc | Failure to maintain momentum in moving towards full occupancy across the Investment Asset portfolio |
| Interest rates | Failure to sufficiently resource delivery of key asset income generation projects |
| Severe public sector spending cuts | Collection of retained business rates and council tax |
| Volatility of BREXIT on level of economic activity including business rates income and tenant's occupancy in commercial assets, as well as shortages | Reliance on interest earnings to balance the budget |

| | |
|---|--|
| of labour and materials, leading to longer lead times and delays completing our development projects. | |
| Changes to redistribution of Local Government Funding | Slippage of Council's housing delivery programme |
| Impact of budget pressures on Surrey County Council and other public sector entities. | |
| Fair Funding review and business rates reset in 2023/24 reduces the amount of business rates income the Council is able to retain | |
| An increase in the level of voids at our investment properties, followed by a significant number of new tenants entering into new leases, will see income reduce and costs increase before our revenue streams return to business as usual. | |
| Inflation rates do not fall back but instead become embedded adding to our cost pressures on housing delivery and cost of services. | |
| Housing benefit subsidy/welfare reform. | |

The risks are that the level of savings anticipated do not materialise or that there are additional spending pressures. These will be mitigated by ensuring proposals have been properly evaluated before being built into the final budget for example clarifying any contractual assumptions, and thereafter through careful budget monitoring.

11. Equality and Diversity

11.1 The detailed budget proposals apply to all residents across the Borough.

12. Sustainability/Climate Change Implications

12.1 The Budget reflects prioritisation against corporate priorities including climate change. Provision has been for example to create a new climate change officer.

13. Timetable for implementation

13.1 Full council to approve the budget on 24 February 2022.

Background papers: There are none.

Appendices:

Appendix 1 – Detailed revenue budget for 2022/23

Appendix 2 – Net Expenditure budget for 2022/23 by Committee

Appendix 3 – General Fund subjective Analysis for 2022/23

Appendix 4 – Calculation of the basic Council Tax for 2022/23

Appendix 5 – Calculation of Council Tax (SBC only) for different valuation bands 2022/23 .

Appendix 6 – Summary calculation of the total Council Tax (SBC, SCC and SPCC) for different valuation bands for 2022/23

Appendix 7 – Comparison for the five years ended 2022/23 between actual and budgeted FTEs showing the year on year movement between the two by cost centre.

Appendix 8 – FTE equivalent support provided by SBC to KGE and fully charged to KGE.

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Outline Budget 2022-23 Base Case
incl all growth bids

Appendix 1

16 February 2022

| | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| | original £ | £ | £ | £ | £ |
| Gross Expenditure | 65,200,700 | 65,273,037 | 66,117,695 | 66,391,172 | 67,539,579 |
| Less: Fees and Charges and Specific Grants (excl Housing Benefits) | (13,624,400) | (13,038,262) | (13,038,262) | (13,038,262) | (13,038,262) |
| Less: Housing Benefits Grant | (28,621,000) | (28,621,000) | (28,621,000) | (28,621,000) | (28,621,000) |
| Net Service Expenditure: | 22,955,300 | 23,613,774 | 24,458,432 | 24,731,909 | 25,880,317 |
| Broken down by Committee | | | | | |
| Regulatory & Administration Committee | 4,918,900 | 5,207,020 | 5,207,020 | 5,207,020 | 5,207,020 |
| Corporate Policy & Resources Committee | 6,643,200 | 7,701,413 | 8,546,071 | 8,819,548 | 9,967,955 |
| Economic Development Committee | (165,700) | (261,239) | (261,239) | (261,239) | (261,239) |
| Community Wellbeing & Housing Committee | 3,860,600 | 3,948,980 | 3,948,980 | 3,948,980 | 3,948,980 |
| Neighbourhood Services Committee | 2,991,200 | 3,065,174 | 3,065,174 | 3,065,174 | 3,065,174 |
| Environment & Sustainability Committee | 4,277,100 | 3,952,427 | 3,952,427 | 3,952,427 | 3,952,427 |
| | 22,525,300 | 23,613,774 | 24,458,432 | 24,731,909 | 25,880,317 |
| Salary expenditure - vacancy monitoring | 0 | (300,000) | (300,000) | (300,000) | (300,000) |
| Pay Award | 0 | 0 | 421,407 | 429,835 | 438,423 |
| Pay award grades 1-5 | 0 | 32,964 | 33,953 | 34,972 | 36,021 |
| Increments | 0 | 50,000 | 50,000 | 50,000 | 50,000 |
| In year growth bids | 0 | 200,000 | 0 | 0 | 0 |
| Third party inflation | 0 | 0 | 260,639 | 265,851 | 271,168 |
| Fees & charges inflation | 0 | 0 | (220,761) | (225,176) | (229,679) |
| Fees & charges additional inflation | 0 | (180,000) | (5,400) | (5,562) | (5,729) |
| NI Increase to fund NHS | 0 | 181,000 | 0 | 0 | 0 |
| Pensions | 0 | 0 | 333,000 | 0 | 0 |
| Pay award - 2021/22 additional uplift | 0 | 213,000 | 212,999 | 212,998 | 212,997 |
| Leisure Centre Funding | 0 | 0 | 0 | 750,000 | 0 |
| SLM funding | 0 | 150,000 | (150,000) | 0 | 0 |
| Proposed Growth | 0 | 1,252,894 | (291,679) | (64,510) | (79,414) |
| Proposed Savings | 0 | (323,600) | (24,000) | 0 | 0 |
| Recharge of Central Support Costs to KGE | 0 | (431,600) | (46,681) | 0 | 0 |
| Service Expenditure | 0 | 844,658 | 273,477 | 1,148,407 | 393,787 |
| NET EXPENDITURE | 22,525,300 | 24,458,432 | 24,731,909 | 25,880,317 | 26,274,103 |
| Interest earnings & financial investment returns | (1,249,256) | (1,288,395) | (1,383,395) | (1,473,895) | (1,488,395) |
| Asset Acquisition Income per lease incl regen | (51,339,224) | (59,246,300) | (60,487,522) | (62,218,248) | (58,239,607) |
| Landlord Costs | 0 | 9,043,700 | 10,071,440 | 5,713,448 | 1,174,168 |
| Debt Interest payable | 24,498,320 | 25,078,800 | 25,078,800 | 25,078,800 | 25,078,800 |
| Minimum Revenue Provision | 12,327,200 | 12,279,801 | 12,597,300 | 12,923,035 | 13,257,222 |
| Set Aside | 364,000 | 1,130,000 | 1,130,000 | 1,130,000 | 1,130,000 |
| Capitalised Interest | (1,221,100) | (1,221,100) | (1,426,900) | (1,490,300) | (1,581,280) |
| Net interest margin on loans to KGE | 0 | (151,000) | (151,000) | (151,000) | (151,000) |
| Housing Development Project revenue impact | 0 | 0 | 0 | 0 | 0 |
| Contingency Provision for Covid | 1,000,000 | 0 | 0 | 0 | 0 |
| Green Initiatives Fund | 250,000 | 0 | 0 | 0 | 0 |
| NET EXPENDITURE AFTER INTEREST EARNINGS | 7,155,240 | 10,083,939 | 10,160,632 | 5,392,157 | 5,454,011 |
| Appropriation to Reserves: | | | | | |
| Revenue Contributions to Capital Outlay | 835,100 | 750,000 | 750,000 | 750,000 | 750,000 |
| Project Delivery Fund | 0 | 0 | 0 | 0 | 0 |
| Sinking Fund Contributions/(Funding) | 6,814,000 | 6,812,120 | 4,793,175 | 6,371,476 | 10,118,804 |
| Sinking Fund (Funding) | (2,625,204) | (3,823,834) | (3,900,000) | (800,000) | (4,450,000) |
| BUDGET REQUIREMENT | 12,179,136 | 13,822,225 | 11,803,807 | 11,713,633 | 11,872,815 |
| Allocation from National Non-Domestic Rate pool | 0 | (100,100) | 0 | 0 | 0 |
| Retained Business Rates | (1,929,000) | (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) |
| Empty property premia | 0 | (107,000) | (107,000) | (107,000) | (107,000) |
| Lower Tier Services Grant re Core Spending Power | (82,145) | (86,500) | (86,500) | 0 | 0 |
| Other Service (NI) | 0 | (133,000) | 0 | 0 | 0 |
| Business Rates - Economic Development Set Aside | (800,000) | (800,000) | 0 | 0 | 0 |
| Covid Grant 2021/22 | (506,397) | 0 | 0 | 0 | 0 |
| Environmental Impact Reserve | 0 | (79,900) | 0 | 0 | 0 |
| Planning Performance Agreement | 0 | (30,000) | 0 | 0 | 0 |
| Green Initiative Fund | 0 | (30,000) | 0 | 0 | 0 |
| New Homes Bonus Grant | (252,000) | (1,294,000) | (121,000) | (121,000) | 0 |
| Contribution to/(from) General Fund Reserves | 73,706 | 0 | 0 | 0 | 0 |
| NET BUDGET REQUIREMENT | 7,883,300 | 8,432,725 | 8,760,307 | 8,756,633 | 9,036,815 |
| Collection Fund (Surplus)/Deficit | 117,000 | 117,000 | 100,000 | 180,000 | 180,000 |
| CHARGE TO COLLECTION FUND | 8,000,300 | 8,549,725 | 8,860,307 | 8,936,633 | 9,216,815 |
| Tax base | 39,016 | 40,703 | 41,313 | 41,933 | 42,562 |
| Council Tax rate | 205.05 | 210.05 | 215.05 | 220.05 | 225.05 |
| Council Tax yield | 8,000,300 | 8,549,725 | 8,884,422 | 9,227,419 | 9,578,641 |
| DEFICIT/(SURPLUS) | (1) | (0) | (24,114) | (290,786) | (361,826) |

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Net Expenditure Budget 2022/23 by committee

14 February 2022

Appendix 2

| Committee | Restated 2021/22 £000s | Proposed 2022/23 £000s | Change from 2020/21 £000s | |
|--|------------------------------|------------------------------|---------------------------------|--------|
| Audit | 209 | 259 | 50 | 50.3 |
| Committee Services | 236 | 271 | 35 | 34.6 |
| Corporate Governance | 270 | 281 | 11 | 11.3 |
| Corporate Management | 870 | 1,090 | 220 | 220.1 |
| Corporate Publicity (Comms) | 294 | 323 | 29 | 29.1 |
| Democratic Rep & Management | 420 | 427 | 7 | 7.4 |
| Elections | 10 | 10 | 0 | 0.2 |
| Electoral Registration | 280 | 290 | 10 | 9.7 |
| Human Resources | 409 | 425 | 17 | 17.0 |
| Information and Comms Technology | 1,095 | 1,212 | 116 | 116.3 |
| Insurance | 181 | 288 | 108 | 107.8 |
| Legal & Procurement | 612 | 658 | 47 | 46.8 |
| Payroll | 69 | 72 | 3 | 3.1 |
| Land Charges | 35 | -35 | -1 | (0.8) |
| Regulatory & Administration Committee | 4,919 | 5,572 | 653 | |
| Accountancy | 659 | 637 | -22 | (21.6) |
| Asset Management Administration | 350 | 889 | 539 | 539.0 |
| Chief Executive | 222 | 235 | 13 | 12.7 |
| Customer Services | 1,145 | 1,228 | 83 | 82.7 |
| Deputy Chief Executives | 286 | 299 | 13 | 12.8 |
| General Property Expenses | 1 | -3 | -1 | (1.2) |
| Facilities Manage. (Knowle Green & Print Unit) | 698 | 699 | 1 | 1.1 |
| Planned Maintenance Programme | 1,314 | 1,391 | 77 | 77.1 |
| Project Management | 531 | 573 | 43 | 42.7 |
| Secretariat & Support | 136 | 142 | 6 | 5.9 |
| Unapportionable Central Overheads | 1,303 | 1,567 | 264 | 264.2 |
| Corporate Policy & Resources Committee | 6,643 | 7,659 | 1,015 | |
| Economic Development | 273 | 288 | 15 | 14.6 |
| Staines Market | 137 | -126 | 11 | 10.8 |
| Staines Town Centre Management | 302 | -311 | -9 | (9.3) |
| Economic Development Committee | 166 | -150 | 16 | |
| Community Care Administration | 441 | 460 | 19 | 19.1 |
| Day Centres | 519 | 543 | 24 | 24.1 |
| Homelessness | 599 | 513 | -86 | (85.9) |
| Housing Benefits Administration | 355 | 374 | 19 | 19.1 |
| Housing Benefits Payments | 51 | 51 | 0 | 0.0 |
| Housing Needs | 1,416 | 1,478 | 61 | 61.5 |
| Active Lifestyle | 0 | 0 | 0 | 0.0 |
| Arts Development | 29 | 30 | 0 | 0.5 |
| Events | 0 | 0 | 0 | 0.0 |
| Leisure Administration | 224 | 247 | 23 | 23.0 |
| Leisure Promotions (Golf Club) | 46 | -48 | -1 | (1.4) |
| Museum | 3 | -3 | 0 | (0.2) |
| Public Health | 5 | -5 | 0 | (0.3) |
| Resource Centre | 14 | 14 | 1 | 0.5 |
| Safeguarding | 0 | 0 | 0 | 0.0 |
| Spelthorne Leisure Centre | 203 | -60 | 143 | 143.0 |
| Sports & Active Development | 17 | 18 | 0 | 0.2 |
| Youth | 26 | 26 | 0 | 0.4 |
| General Grants | 210 | 213 | 4 | 3.6 |
| Meals on Wheels | 65 | 68 | 3 | 3.0 |
| People & Partnerships | 142 | 146 | 4 | 4.1 |
| Research & Consultation | 13 | 13 | 0 | 0.2 |
| Span | 3 | -2 | 0 | 0.5 |
| Spelthorne Family Support | 0 | 7 | 7 | 7.3 |
| Community Wellbeing & Housing Committee | 3,861 | 4,083 | 222 | |

Net Expenditure Budget 2022/23 by committee

14 February 2022

Appendix 2

| Committee | Restated | Proposed | Change from | |
|---|---------------|---------------|--------------|---------|
| | 2021/22 | 2022/23 | 2020/21 | |
| | £000s | £000s | £000s | |
| Building Control | 4 | 165 | 161 | 161.4 |
| Bus Station | 25 | 26 | 0 | 0.4 |
| Car Parks | 699 | -738 | -39 | (38.7) |
| Cemeteries | 322 | -337 | -15 | (15.1) |
| Community Safety | 247 | 247 | 0 | 0.2 |
| Depot | 116 | 122 | 5 | 5.5 |
| Direct Services Management and Support | 1,319 | 1,401 | 82 | 81.5 |
| Environmental Health Administration | 1,074 | 1,199 | 125 | 124.6 |
| Environmental Protection Act | 81 | 101 | 20 | 20.0 |
| Food Safety | 2 | -2 | 0 | (0.1) |
| Licensing | 89 | 94 | 5 | 5.1 |
| Nursery | 0 | 0 | 0 | 0.0 |
| Public Conveniences | 10 | 10 | 0 | 0.2 |
| Rodent and Pest Control | 11 | 11 | 0 | 0.1 |
| SAT | 172 | 180 | 8 | 7.8 |
| Street Cleaning | 942 | 977 | 35 | 34.5 |
| Taxi Licensing | 76 | -78 | -2 | (2.4) |
| Neighbourhood Services Committee | 2,991 | 3,376 | 385 | |
| Abandoned Vehicles | 4 | 4 | 0 | 0.1 |
| Allotments | 13 | -13 | -1 | (0.7) |
| Emergency Planning | 111 | 64 | -47 | (47.1) |
| Energy Initiatives | 10 | 10 | 0 | 0.2 |
| Environment Services Administration | 0 | 0 | 0 | 0.0 |
| Environmental Enhancements | 21 | 21 | 0 | 0.0 |
| Grounds Maintenance | 1,757 | 1,820 | 63 | 62.6 |
| Parks Strategy | 5 | 4 | -1 | (0.9) |
| Planning Development Control | 781 | 642 | -140 | (139.5) |
| Planning Management | 0 | 0 | 0 | 0.0 |
| Planning Policy | 601 | 416 | -185 | (184.6) |
| Public Halls | 20 | -20 | -1 | (0.7) |
| Waste Recycling | 342 | -440 | -98 | (97.7) |
| Refuse Collection | 1,370 | 1,420 | 50 | 50.0 |
| Water Courses & Land Drainage | 6 | 6 | 0 | 0.1 |
| Parks Properties projects | 14 | -14 | -1 | (0.6) |
| Environment & Sustainability Committee | 4,277 | 3,918 | -359 | |
| Net Expenditure | 22,525 | 24,458 | 1,933 | |

GENERAL FUND SUBJECTIVE ANALYSIS

Appendix 3

| | Regulatory & Corporate Policy Administration | & Resources | Economic Development | Community Welfare & Housing | Neighbourhood Services | Environment and Sustainability | Total |
|--------------------------|---|------------------|-------------------------|-----------------------------------|---------------------------|-----------------------------------|-------------------|
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Employees | 3,357.6 | 5,510.6 | 228.9 | 4,552.8 | 4,441.9 | 4,403.1 | 22,494.9 |
| Supplies and Services | 2,671.5 | 3,221.4 | 190.5 | 5,421.7 | 2,082.1 | 2,084.7 | 15,671.9 |
| Benefit Payments | 0.0 | 0.0 | 0.0 | 28,621.0 | 0.0 | 0.0 | 28,621.0 |
| TOTAL EXPENDITURE | 6,029.1 | 8,732.0 | 419.4 | 38,595.5 | 6,524.0 | 6,487.7 | 66,787.8 |
| Rents & Other Income | (457.3) | (1,073.3) | (569.0) | (34,512.5) | (3,147.7) | (2,569.6) | (42,329.4) |
| TOTAL INCOME | (457.3) | (1,073.3) | (569.0) | (34,512.5) | (3,147.7) | (2,569.6) | (42,329.4) |
| NET EXPENDITURE | 5,571.8 | 7,658.6 | -149.5 | 4,083.0 | 3,376.3 | 3,918.1 | 24,458.4 |

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Calculation of the basic Council Tax for 2021/22

Appendix 4

| | £ | £ |
|--|-------------|--------------------------|
| Total Service expenditure for the year | | 66,787,767 |
| Less Housing Benefit | | -28,621,000 |
| | | <u>38,166,767</u> |
| Add | | |
| Transfer to refurbishment reserve | 6,812,120 | |
| Revenue contribution to capital outlay | 750,000 | |
| Debt interest payable | 25,078,800 | |
| Minimum Revenue Provision | 12,279,801 | |
| Asset Supervision costs | 1,130,000 | |
| Landlords costs | 9,043,700 | |
| Green initiatives | 0 | |
| Contribution to Revenue Reserves | 0 | |
| | | <u>55,094,421</u> |
| Gross Expenditure for the year | | 93,261,188 |
| Less | | |
| Gross income for the year | -13,708,413 | |
| Interest earnings | -1,288,317 | |
| Income from assets acquisitions | -59,246,300 | |
| Transfer from refurbishment reserves | -3,823,834 | |
| Capitalisation of interest | -1,221,100 | |
| Recharge of central costs | -151,000 | |
| | | <u>-79,438,963</u> |
| Income for the year | | -79,438,963 |
| | | <u>13,822,225</u> |
| The Council's net expenditure | | 13,822,225 |
| Less | | |
| Retained share of business rates | -1,929,000 | |
| Non ring fenced grants | -800,000 | |
| Business Rates - Econ Dev set aside | -800,000 | |
| Allocation from National Non-Domestic Rate p | -100,100 | |
| Empty property premia | -107,000 | |
| Other Service (NI) | -133,000 | |
| Environmental Impact Reserve | -79,900 | |
| Planning Performance Agreement Reserve | -30,000 | |
| Green Initiatives Fund | -30,000 | |
| Lower Tier Service Grant | -86,500 | |
| New Homes Bonus | -1,294,000 | |
| | | <u>-5,389,500</u> |
| Estimated Deficit on the Collection fund | | 117,000 |
| Net sum to be recovered through Council Tax | | <u>8,549,725</u> |
| | | <u>40,703</u> |
| The Council's Band D tax base for 2021/22 | | 40,703 |
| Expressed per equivalent Band D property (8000300 /39016) | | <u>210.05</u> |

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Appendix 5

**CALCULATION OF COUNCIL TAX FOR DIFFERENT VALUATION BANDS FOR 2022/23
FOR SPELTHORNE'S OWN EXPENDITURE**

1. Basic Council Tax for Band 'D' property as calculated at Appendix F

£210.05

VALUATION BAND

A B C D E F G H

2. The Multipliers specified in Section 5(1) of the Local Government Finance Act 1992, to apply to the Basic Tax above.

6/9 7/9 8/9 1 11/9 13/9 15/9 18/9

£ £ £ £ £ £ £ £

3. Item 1 multiplied by item 2, to give the Council Tax for the year in respect of each valuation band.

140.03 163.37 186.71 **210.05** 256.73 303.41 350.08 420.10

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Appendix 6

CALCULATION OF COUNCIL TAX FOR DIFFERENT VALUATION BANDS FOR 2022/23 SUMMARY

| <u>VALUATION BAND</u> | A | B | C | D | E | F | G | H |
|--|-----------------|-----------------|-----------------|------------------------|-----------------|-----------------|-----------------|-----------------|
| 1. Precepts issued to the Council | | | | | | | | |
| | £ | £ | £ | £ | £ | £ | £ | £ |
| i) Surrey County Council | 1084.26 | 1264.97 | 1445.68 | 1626.39 | 1987.81 | 2349.23 | 2710.65 | 3752.78 |
| ii) Surrey Police | 197.05 | 229.89 | 262.73 | 295.57 | 361.25 | 426.93 | 492.62 | 591.14 |
| 2. Spelthorne's Council Tax | 140.03 | 163.37 | 186.71 | 210.05 | 256.73 | 303.41 | 350.08 | 420.10 |
| 3. The total of items 1 and 2 above, which is the full Council Tax for 2020/21 | <u>1,421.34</u> | <u>1,658.23</u> | <u>1,895.12</u> | <u>2,132.01</u> | <u>2,605.79</u> | <u>3,079.57</u> | <u>3,553.35</u> | <u>4,764.02</u> |

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Appendix 7 - Comparison of actual FTE posts to budgeted FTEs

| Department | Actual FTEs | | | | | Budgeted approved FTEs | | | | | year on year increase between actuals and budget from previous year | | | | | | | | |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|------------------------|---------------|---------------|---------------|---------------|---|--------------|---------|--------------|--------------|--------------|--------------|------|------|
| | 2018 | 2019 | 2020 | 2021 | 2022 (Est) | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | | | | |
| Building Control | 5.93 | 5.93 | 6.30 | 6.23 | 6.23 | 5.93 | 5.93 | 6.93 | 6.60 | 7.11 | - | 0.00 | - | 0.38 | 0.31 | 0.37 | 0.88 | | |
| Audit Services | 1.56 | 1.75 | 1.75 | 1.75 | 1.75 | 1.56 | 1.75 | 1.75 | 1.75 | 1.75 | - | 0.19 | - | - | - | - | - | | |
| Accountancy | 8.62 | 10.41 | 12.46 | 12.46 | 11.18 | 8.61 | 10.39 | 12.65 | 12.46 | 13.17 | - | 1.80 | - | 2.07 | 0.19 | - | 0.00 | 1.99 | |
| Commissioning & Transformation | 23.69 | 26.26 | 27.27 | 30.68 | 31.02 | 26.68 | 32.57 | 36.37 | 35.15 | 41.00 | | 0.42 | | 5.30 | 9.10 | 4.47 | 9.98 | | |
| Community Wellbeing | 69.39 | 71.61 | 78.88 | 77.01 | 79.11 | 70.46 | 78.08 | 84.22 | 86.12 | 89.81 | - | 1.15 | - | 0.80 | 6.07 | 9.11 | 10.70 | | |
| Customer Relations | 18.62 | 23.75 | 24.22 | 24.23 | 21.75 | 22.58 | 27.65 | 27.93 | 25.02 | 25.75 | - | 1.17 | | 3.43 | 4.49 | 0.79 | 4.00 | | |
| Environmental Health | 19.57 | 21.60 | 22.38 | 22.39 | 23.39 | 21.66 | 21.30 | 23.09 | 22.79 | 22.79 | | 0.06 | - | 1.08 | 0.71 | 0.40 | - | 0.60 | |
| Family Support Programme | 8.95 | 10.95 | 10.77 | 10.78 | 11.67 | 9.00 | 11.00 | 10.94 | 11.78 | 11.83 | - | 1.95 | | 0.23 | 0.24 | 1.00 | 0.16 | | |
| Neighbourhood Services | 135.90 | 130.95 | 139.02 | 133.56 | 133.79 | 156.07 | 161.13 | 162.17 | 163.94 | 162.08 | | 25.12 | | 22.11 | 19.90 | 30.38 | 28.29 | | |
| Regeneration & Growth | 36.85 | 39.81 | 38.75 | 43.26 | 53.29 | 34.60 | 43.34 | 43.64 | 50.36 | 57.18 | - | 5.21 | | 4.59 | 4.39 | 7.10 | 3.89 | | |
| Secretariat | 3.00 | 3.00 | 3.00 | 3 | 2.00 | 3.00 | 3.00 | 3.00 | 3.00 | 2.00 | | - | | - | - | - | - | | |
| MAT | 3.00 | 3.00 | 3.00 | 3 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | | - | | - | - | - | - | | |
| Communications | 4.78 | 4.06 | 4.66 | 4.69 | 5.69 | 3.36 | 4.28 | 4.28 | 4.69 | 5.69 | - | 0.70 | - | 0.38 | - | 0.38 | 0.00 | 0.00 | |
| Legal | 8.46 | 10.06 | 11.05 | 13.06 | 13.66 | 8.46 | 10.46 | 9.46 | 9.40 | 10.00 | - | 1.60 | - | 0.59 | - | 1.61 | - | 3.66 | 3.66 |
| Elections | 2.58 | 3.00 | 3.88 | 3.89 | 3.89 | 3.58 | 3.58 | 3.58 | 3.89 | 3.89 | | 0.58 | - | 0.30 | - | 0.30 | - | 0.00 | 0.00 |
| Total FTE | 350.90 | 366.14 | 387.39 | 389.99 | 401.42 | 378.56 | 417.46 | 433.01 | 439.95 | 457.03 | | 12.42 | | 30.07 | 43.11 | 49.96 | 55.61 | | |

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Knowle Green Estates - FTEs

| | FTE |
|--|------|
| Estates | |
| Asset Management Assistant | 0.50 |
| Property Account Manager | 0.40 |
| Residential Property Manager | 1.00 |
| Residential Estates & Property Manager | 1.00 |
| Business Support Manager | 0.50 |
| Casual Residential support Advisor | 1.00 |
| Group Head | 0.10 |
| Property Assistant | 0.40 |
| New Post Quality Assurance Manager | 0.50 |
| New Post Tenancy Sustainment Officer | 1.00 |
| New Post Residential Manager | 1.00 |
| Property & Development Manager | 0.02 |
| Finance | |
| Deputy CX | 0.10 |
| Chief Accountant | 0.02 |
| Deputy Chief Accountant | 0.02 |
| Accountant | 0.02 |
| Accountant | 0.02 |
| | 7.60 |

The costs associated with these FTE
are fully charged to KGE and repaid to
SBC

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Council**24 February 2022**

| | |
|----------------------------------|--|
| Title | Estimated 2022/23 to 2025/26 Capital Programme |
| Purpose of the report | To approve the above as recommended by Corporate Policy & Resources Committee at their meeting on 7 February |
| Report Author | Paul Taylor Chief Accountant |
| Ward(s) Affected | All Wards |
| Exempt | No |
| Corporate Priority | Community Affordable Housing Recovery Environment Service Delivery |
| Recommendations | Council is asked to approve the proposed Capital Programme for 2022/23 to 2025/26. |
| Reason for Recommendation | As part of the 2022/23 budget setting process and to ensure that the Council has a planned approach to its Capital expenditure and that it is financially sustainable. |

1. Key issues

- 1.1 The estimated Capital Programme forms an integral part of the Capital Strategy.
- 1.2 At 31 March 2022 the Council's multi-year Capital Programme is £265.3m and it is estimated that £27.3m will have been spent, leaving a forecast budget balance of £238m to be incurred.
- 1.3 Council is being asked to approve £62.2m of new projects for 2022/23, which have been phased across the four years of the Programme, as shown in Appendix A. Considering these additions, the new estimated Capital Programme for 2022/23 to 2025/26 is £302.6m, as shown in Appendix A,
- 1.4 Also included are two estimated multiyear expenditure items, which have yet to be approved, these include refuse vehicle replacement and wheelie bins, they are included to provide a holistic view of the Council's estimated Capital Programme, and to allow officer to plan their medium-term financial strategy and treasury management planning and they may be subject to change or refusal, and the River Thames project, which has been preapproved for 2023/24. In total these items amount to £2.37m.
- 1.5 Due to the delays in developing the Council's projects caused by several factors, including, the moratorium, Brexit, supply chain challenges, construction price inflation and shortages of labour, all the Capital Projects

have been reviewed by the Budget Managers and reprofiled to reflect the latest capital monitoring information and expectation of when budgeted expenditure will be incurred, as shown in appendix A.

- 1.6 The aggregate estimated Capital Programme attributable to each committee for 2022/23, before funding is applied is shown in the table below.

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|-------------------------------------|-------------------------|----------------------------|----------------------------|----------------------------|
| | Actual £000s | Estimated £000s | Estimated £000s | Estimated £000s |
| Community Wellbeing & Housing - DFG | 973 | 973 | 973 | 973 |
| Community Wellbeing & Housing | 34,963 | 86,165 | 75,338 | 57,711 |
| Environment & Sustainability | 531 | 1,545 | 405 | 270 |
| Corporate Policy & Resources | 29,040 | 13,254 | 1,850 | 0 |
| Neighbourhood Services | 300 | 0 | 0 | 0 |
| Regulatory & Administration | 1,434 | 0 | 0 | 0 |
| Total before funding | 67,241 | 101,937 | 78,566 | 58,954 |

- 1.7 The largest element of the Capital Programme continues to be the provision of housing for our residents, with a further £55.0m being included in the new bids for 2022/23. Also included in our estimated capital programme is £5.5m to be spent on carbon reduction initiatives at our properties across the Borough.
- 1.8 Other elements of the Council's Capital Programme include several smaller initiatives to reduce our carbon footprint and utilising the Green Initiatives Fund set aside by Council last year and various Information Technology (IT) projects such as, equipment refresh, upgrades to systems and improvements to ways of working which will help facilitate efficiencies.
- 1.9 The majority of our Capital Programme is and will continue to be funded by borrowing from the Public Works Loan Board (PWLB), in compliance with the Prudential and Treasury Management Codes and Government guidance and revenue contributions as the Council has very limited capital receipts or capital reserves.
- 1.10 Under the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code regime, councils have a requirement to set out how the financing of their Capital Programme is prudent and affordable and to publish prudential indicators. Any new borrowing would of course result in a charge to the General Fund for principal and interest on completion of schemes. However, that relating to residential schemes will be offset by interest and principal repayments from Knowle Green which will be equal to or larger than

the payments being made by the Council. It is the rental income streams from the residential schemes delivering housing for the borough's residents which makes the financing affordable and prudent for the Council.

- 1.11 If borrowing is not undertaken the programme would need to be financed from additional capital receipts through the selling of assets or a significant revenue contribution to Capital from the services proposing the capital works.
- 1.12 The Council is not currently looking to dispose of any of its properties, which means that future capital receipts will be limited. There will still be a small amount of receipts from the Council's share of Right to Buy, as we come to the end of the contract to improve the resiliency of the Capital Programme, the Council is maintaining its revenue contribution to capital and over time its repair and renewal funds. Borrowing will be undertaken to fund acquisitions for residential and regeneration purposes and developments where future income streams or cashable savings are generated, for example reducing the office footprint.

2. Prudential Indicators (PI)

- 2.1 There are several key indicators to ensure that the Council operates its activities within well-defined boundaries, which can be seen in Appendix C.

Operational Boundary

- 2.2 The first is the Operational Boundary, which is an indicator based on the maximum expected external debt during the year and focuses on the day-to-day treasury management activity. It is not a limit in the strictest sense in that it may be breached.
- 2.3 The Operational Boundary links directly to the Council's Capital finance Report (CFR) and estimates of other cashflow requirements. The Council intend to keep the Operational Boundary at £1,350m for 2022/23 through to 2025/26, as detailed in the Treasury Management Strategy Report.

Authorised Limit

- 2.4 Another key indicator representing the overall level of borrowing and represents the limit beyond which external debt is prohibited, without Council approval.
- 2.5 This is a statutory limit determined under Section 3 (1) of the Local Government Act 2003 and it has been set at £1,450m for 2022/23 through to 2025/26, as detailed in the Treasury Management Strategy Report.
- 2.6 Council will approve the Authorised Limit within the Treasury Management Strategy Report.

Estimates of financing costs to net revenue stream

- 2.7 This indicator compares the total principal and net interest payments on external debt to the overall revenue spending of the Council and is a measure of affordability of borrowing, and is shown in table 2 of Appendix C.
- 2.8 The net revenue stream, as defined by CIPFA consist of Council Tax receipts and all government funding received in the year, it excludes investment income.
- 2.9 In 2022/23 this fell to 2.394, compared to a three-year average to 2025/26 of 2.82, the main reason for this was the higher than anticipated New Homes

Bonus and one-off support from government towards the NIC rebate, which significantly increased our net revenue stream and therefore, reduced this ratio. Officers are not expecting this level of funding to be replicated soon, as Council waits to discover how the new government scheme will operate.

- 2.10 As the Council continues to repay its loans, the interest charge will start to reduce, and the capital repayment element will increase, and therefore the ratio will start to fall over the coming years and highlights the importance of the Council continuing with its policy to build its reserves as well as using the net investment income to support its service deliver and regeneration programme.

If our net investment income from our property portfolio were included (which was why Council took out the loans) the ratios would be as follows:

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|---------------------|----------------|----------------|----------------|----------------|
| | £m | £m | £m | £m |
| Net Revenue Stream, | 25,957 | 25,740 | 27,247 | 27,699 |
| Financing costs, | 36,213 | 36,454 | 36,647 | 36,920 |
| Ratio | 1.39 | 1.42 | 1.35 | 1.33 |

Commercial income, related costs, and net contributions to future costs

- 2.11 The Council's commercial income, as shown in table 3 of Appendix C shows a strong net income position after allowing for landlord costs, financing costs and net contributions to the reserves (sinking funds).

3. Financial implications

- 3.1 The Planned financing of the 2022/23 proposed Capital Schemes is as follows:

| Type of Funding | 2022/23 Actual £000s | 2023/24 Estimated £000s | 2024/25 Estimated £000s | 2025/26 Estimated £000s |
|--|-------------------------------------|--|--|--|
| Capital Receipts, CIL and S106 funding | 3,000 | 3,000 | 3,000 | 3,000 |
| External Funding - Disabled Facilities Grant | 973 | 973 | 973 | 973 |
| Revenue Contributions to capital outlay | 750 | 750 | 750 | 750 |
| Grants & Other Contributions | 220 | 250 | 250 | 250 |
| Borrowing | 62,298 | 96,964 | 73,593 | 53,981 |
| Total | 67,241 | 101,937 | 78,566 | 58,954 |

4. Equality and Diversity

- 4.1 The provision for new housing within the Borough will assist a substantial number of our 3,500 residents, on our housing waiting lists, many of whom are key workers, the young and most vulnerable residents to benefit from our affordable house schemes.

5. Sustainability/Climate Change Implications

- 5.1 The Council will be investing £40m in the development of the first leisure centre in the United Kingdom to be built to the exacting Passivhaus standards (with £4m of the cost relating to achieving the Passivhaus standards), which will be a reduce our carbon footprint to nil, for this building. Further, at Victory Place keyworker and affordable housing residential scheme, we are investing an additional £1.5m for air source heat pumps to reduce the impact the development will have on the environment.

6. Timetable for implementation

- 6.1 Schemes included in the Capital Programme are programmed to commence in 2022/23 and will be monitored monthly by officers to ensure that any slippage of schemes is identified at an early date and the programme is adjusted accordingly.
- 6.2 Bimonthly reports are also provided to the Development Subcommittee for discussion and review.
- 6.3 Any schemes incomplete at the end of March 2022 may be incorporated as part of the revised programme for 2022/23.
- 6.4 Quarterly reports are prepared by the Finance Team as part of the Capital monitoring process, to show the status of the schemes and presented to Committees and Council the expected variance from the approved budget., along with the appropriate narrative.

Background papers: There are none.

Appendices:

A - 2022/23 to 2025/26 Capital Programme

B - Confidential Paper - Detail of a Capital Scheme summarised in Appendix A

C – Prudential Indicators.

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| Portfolio / Service Head | Cost Centre | Description | Estimated expenditure at 31 March 2022 | Revised Cumulative Budget 2017-25 | New Growth bids for 2022/23 | Total | 2022/23 | 2023/24 | 2024/25 | 2025/26 | Total |
|---|-------------|---|--|-----------------------------------|-----------------------------|-------------|------------|------------|------------|------------|-------------|
| Housing Investment Programme | | | | | | | | | | | |
| Community Wellbeing & Housing- DFG | | | | | | | | | | | |
| Karen Sinclair & Debor | 40,203 | Disabled Facilities Mandatory | 0 | 0 | 943,200 | 943,200 | 943,200 | 943,200 | 943,200 | 943,200 | 3,772,800 |
| Karen Sinclair & Debor | 40,204 | Disabled Facilities Discretion | 0 | 0 | 29,600 | 29,600 | 29,600 | 29,600 | 29,600 | 29,600 | 118,400 |
| | | Grants received from Central Government | 0 | 0 | -972,800 | -972,800 | -972,800 | -972,800 | -972,800 | -972,800 | -3,891,200 |
| Total For HIP | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Capital Programme | | | | | | | | | | | |
| Environment & Sustainability | | | | | | | | | | | |
| Terry Collier | 41,606 | County Transit Site | 0 | 127,000 | 0 | 127,000 | 127,000 | 0 | 0 | 0 | 127,000 |
| Jackie Taylor | 41,609 | Replacement Spelride Bus | 0 | 100,000 | 0 | 100,000 | 100,000 | 0 | 0 | 0 | 100,000 |
| Jackie Taylor | 41,620 | Wheelie Bins | 0 | 0 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 200,000 |
| Jackie Taylor | | Replacement refuse vehicle | 0 | 0 | 80,000 | 80,000 | 80,000 | 245,000 | 405,000 | 270,000 | 1,000,000 |
| Jackie Taylor | Funding | Replacement refuse vehicle | 0 | 0 | -45,000 | -45,000 | -45,000 | 0 | 0 | 0 | -45,000 |
| Isabel Soane | | River Ash Broadwalk | 0 | 0 | 150,000 | 150,000 | 150,000 | 0 | 0 | 0 | 150,000 |
| Isabel Soane | Funding | River Ash Broadwalk | 0 | 0 | -150,000 | -150,000 | -150,000 | 0 | 0 | 0 | -150,000 |
| | | River Thames Scheme | 0 | 0 | 0 | 0 | 1,300,000 | 0 | 0 | 0 | 1,300,000 |
| Lee O'Neil | 41,314 | Air Quality | 0 | 24,500 | 0 | 24,500 | 24,500 | 0 | 0 | 0 | 24,500 |
| Committee Total | | | 0 | 251,500 | 85,000 | 336,500 | 336,500 | 1,595,000 | 455,000 | 320,000 | 2,706,500 |
| Community Welfare & Housing | | | | | | | | | | | |
| Nick Cummings | 41,024 | Spelthorne Leisure Centre Development | -2,307,372 | 40,420,000 | 0 | 38,112,628 | 7,253,000 | 23,348,000 | 7,143,000 | 368,628 | 38,112,628 |
| Nick Cummings | 41,328 | Ashford MSCP Residential Scheme | -40,005 | 15,267,000 | 0 | 15,226,995 | 8,000,000 | 7,226,995 | 0 | 0 | 15,226,995 |
| Nick Cummings | 42,052 | Whitehouse - Design Fees & Construction | -379,878 | 2,990,000 | 0 | 2,610,122 | 0 | 2,610,122 | 0 | 0 | 2,610,122 |
| Nick Cummings | 42,054 | Thameside House | -1,338,566 | 54,430,000 | 0 | 53,091,434 | 1,600,000 | 15,000,000 | 22,000,000 | 14,491,434 | 53,091,434 |
| Nick Cummings | 42,057 | Victory Place (Ashford Hospital car park) | -1,480,027 | 27,505,000 | 0 | 26,024,973 | 9,000,000 | 9,000,000 | 8,024,973 | 0 | 26,024,973 |
| Nick Cummings | 42,060 | Oast House | -21,288,689 | 105,200,000 | 0 | 83,911,311 | 3,000,000 | 23,000,000 | 32,000,000 | 25,911,311 | 83,911,311 |
| Marta Inge | | Property acquisition for families | 0 | 0 | 35,000,000 | 35,000,000 | 6,060,000 | 5,930,000 | 6,120,000 | 16,890,000 | 35,000,000 |
| Jayne Bronlow | | Separate Search Moves | 0 | 0 | 49,875 | 49,875 | 49,875 | 0 | 0 | 0 | 49,875 |
| Committee Total | | | -26,834,537 | 245,812,000 | 35,049,875 | 254,027,338 | 34,962,875 | 86,115,117 | 75,287,973 | 57,661,373 | 254,027,338 |

| Portfolio / Service | Head Cost Centre | Description | Estimated expenditure at 31 March 2022 | Revised Cumulative Budget 2017-25 | New Growth bids for 2022/23 | Total | 2022/23 | 2023/24 | 2024/25 | 2025/26 | Total |
|---|------------------|--|--|-----------------------------------|-----------------------------|--------------------|-------------------|--------------------|-------------------|-------------------|--------------------|
| Corporate Policy & Resources | | | | | | | | | | | |
| Nick Cummings | 42,063 | Elmsleigh Centre | -390,331 | 5,350,000 | 0 | 4,959,669 | 2,000,000 | 2,609,669 | 350,000 | 0 | 4,959,669 |
| | 42,063 | William Hill | 0 | 6,000,000 | 0 | 6,000,000 | 200,000 | 4,300,000 | 1,500,000 | 0 | 6,000,000 |
| | 42,063 | Tothill MSCP | 0 | 4,500,000 | 0 | 4,500,000 | 500,000 | 4,000,000 | 0 | 0 | 4,500,000 |
| | 42,063 | Decathlon Unit | 0 | 2,150,000 | 0 | 2,150,000 | 0 | 2,150,000 | 0 | 0 | 2,150,000 |
| Paul Taylor | | Centros Upgrade | 0 | 0 | 384,400 | 384,400 | 190,000 | 194,400 | 0 | 0 | 384,400 |
| Nick Cummings | | Elmsleigh Centre WCs | 0 | 0 | 50,000 | 50,000 | 50,000 | 0 | 0 | 0 | 50,000 |
| Nick Cummings | | Elmsleigh Centre WCs | 0 | 0 | -25,000 | -25,000 | -25,000 | 0 | 0 | 0 | -25,000 |
| Nick Cummings | | Ashford Community Centre | 0 | 0 | 3,500,000 | 3,500,000 | 3,500,000 | 0 | 0 | 0 | 3,500,000 |
| Nick Cummings | | Cedars Rec Toilet block | 0 | 0 | 250,000 | 250,000 | 250,000 | 0 | 0 | 0 | 250,000 |
| Nick Cummings | | Greeno Rec | 0 | 0 | 1,200,000 | 1,200,000 | 1,200,000 | 0 | 0 | 0 | 1,200,000 |
| Nick Cummings | | Manor Park Pavilion | 0 | 0 | 750,000 | 750,000 | 750,000 | 0 | 0 | 0 | 750,000 |
| Nick Cummings | | Project A | 0 | 0 | 20,000,000 | 20,000,000 | 20,000,000 | 0 | 0 | 0 | 20,000,000 |
| Nick Cummings | | Revelstoke | 0 | 0 | 400,000 | 400,000 | 400,000 | 0 | 0 | 0 | 400,000 |
| | | Committee Total | -390,331 | 18,000,000 | 26,509,400 | 44,119,069 | 29,015,000 | 13,254,069 | 1,850,000 | 0 | 44,119,069 |
| Neighbourhood Services | | | | | | | | | | | |
| Jackie Taylor | | Car Park Management System update in Elmsleigh Surface+MSCP | 0 | 0 | 250,000 | 250,000 | 250,000 | 0 | 0 | 0 | 250,000 |
| Jackie Taylor | | PCN/Permit/Season Ticket management and issuance management system | 0 | 0 | 50,000 | 50,000 | 50,000 | 0 | 0 | 0 | 50,000 |
| | | Committee Total | 0 | 0 | 300,000 | 300,000 | 300,000 | 0 | 0 | 0 | 300,000 |
| Regulatory & Administration | | | | | | | | | | | |
| Nick Cummings | 42,010 | KG Car Park Improvements | -79,901 | 100,000 | 0 | 20,099 | 20,099 | 0 | 0 | 0 | 20,099 |
| Jodie Hawkes | 43,602 | Centro Upgrade - Integra | 0 | 30,000 | 0 | 30,000 | 30,000 | 0 | 0 | 0 | 30,000 |
| Kamal Mehmood & Car | 43,604 | Leisure Board | 0 | 15,000 | 0 | 15,000 | 15,000 | 0 | 0 | 0 | 15,000 |
| Alistair Corkish | 43,506 | Scan Digital Rollout | 0 | 20,000 | 0 | 20,000 | 20,000 | 0 | 0 | 0 | 20,000 |
| Alistair Corkish | 43,607 | Recabling | 0 | 200,000 | 0 | 200,000 | 200,000 | 0 | 0 | 0 | 200,000 |
| Roy Tilbury | 43,625 | Customer Portal | 0 | 8,000 | 0 | 8,000 | 8,000 | 0 | 0 | 0 | 8,000 |
| Roy Tilbury | 43,626 | Customer Services Contact Cent | -5,538 | 40,000 | 0 | 34,462 | 34,462 | 0 | 0 | 0 | 34,462 |
| Roy Tilbury | 43,629 | SharePoint Upgrade | 35,000 | 35,000 | 0 | 70,000 | 70,000 | 0 | 0 | 0 | 70,000 |
| Alistair Corkish | 43,632 | General ICT Equipment | -14,853 | 65,000 | 0 | 50,147 | 50,147 | 0 | 0 | 0 | 50,147 |
| Alistair Corkish | 43,635 | Storage Area Network | 0 | 250,000 | 0 | 250,000 | 250,000 | 0 | 0 | 0 | 250,000 |
| | | General Hardware, Software and | | | | | | | | | |
| Alistair Corkish | | Mobiles/Tablets | 0 | 0 | 50,000 | 50,000 | 50,000 | 0 | 0 | 0 | 50,000 |
| Alistair Corkish | | VDI Hosts | 0 | 0 | 60,000 | 60,000 | 60,000 | 0 | 0 | 0 | 60,000 |
| Alistair Corkish | | Network Infrastructure | 0 | 0 | 170,000 | 170,000 | 170,000 | 0 | 0 | 0 | 170,000 |
| Sandy Muirhead | 43,501 | Forward Scanning | 0 | 20,000 | 0 | 20,000 | 20,000 | 0 | 0 | 0 | 20,000 |
| Sandy Muirhead | 43,502 | Digital Spelthorne | 0 | 50,000 | 0 | 50,000 | 50,000 | 0 | 0 | 0 | 50,000 |
| Sandy Muirhead | 43,512 | SharePoint redesign & Relaunch | 0 | 155,000 | 0 | 155,000 | 155,000 | 0 | 0 | 0 | 155,000 |
| Sandy Muirhead | 43,515 | Corporate EDMS Project | 0 | 231,200 | 0 | 231,200 | 231,200 | 0 | 0 | 0 | 231,200 |
| | | Committee Total | -65,292 | 1,219,200 | 280,000 | 1,433,908 | 1,433,908 | 0 | 0 | 0 | 1,433,908 |
| Total For Other | | | -27,290,160 | 265,282,700 | 62,224,275 | 300,216,815 | 66,048,283 | 100,964,186 | 77,592,973 | 57,981,373 | 302,586,815 |
| Total Expenditure | | | | 265,282,700 | 63,417,075 | 301,409,615 | 67,241,083 | 101,936,986 | 78,565,773 | 58,954,173 | 306,698,015 |
| Less Funding | | | | 0 | -1,192,800 | -1,192,800 | -1,192,800 | -972,800 | -972,800 | -972,800 | -4,111,200 |
| NET Capital expenditure | | | | 265,282,700 | 62,224,275 | 300,216,815 | 66,048,283 | 100,964,186 | 77,592,973 | 57,981,373 | 302,586,815 |

Table 1: Prudential Indicators - Authorised limit and operational boundary for external debt

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|----------------------------|---------|---------|---------|---------|
| | £m | Est. £m | Est. £m | Est. £m |
| Authorised borrowing limit | 1,450 | 1,450 | 1,450 | 1,450 |
| Operational boundary | 1,350 | 1,350 | 1,350 | 1,350 |

Table 2: Estimates of financing costs to net revenue stream is a measure of the affordability of borrowing. The Council's financing costs relate substantially to borrowing when commercial property was acquired prior to March 2019. As the CIPFA TM Code notes, commercial investments are taken or held primarily for financial return and are not linked to treasury management activity or directly part of delivering services. However, as commercial property was directly related to borrowing costs, Table 3 also shows the net income after costs and contributions to future costs. This illustrates the affordability of the commercial investments.

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|------------------------|-----------|---------|---------|---------|
| | Budget £m | Est. £m | Est. £m | Est. £m |
| Net Revenue Stream, £m | 15,126 | 12,940 | 12,930 | 13,142 |
| Financing costs, £m | 36,213 | 36,454 | 36,647 | 36,920 |
| Ratio | 2.394 | 2.817 | 2.834 | 2.809 |

Table 3: Commercial income, related costs and net contributions to future costs

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|--|-----------------|-----------------|-----------------|------------------|
| | Budget £m | Est. £m | Est. £m | Est. £m |
| Commercial income * | (59,246) | (60,488) | (62,218) | (58,240) |
| Landlord costs * | 9,214 | 10,241 | 5,883 | 1,344 |
| Contribution to sinking funds | 2,988 | 0,993 | 5,371 | 5,419 |
| Financing costs | 36,213 | 36,454 | 36,647 | 36,920 |
| Net income after landlord & financing costs & net contributions to sinking fund | (10,831) | (12,800) | (14,317) | (14, 557) |

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Referrals made under the Council's reservation scheme

The Council's reservation scheme provides a mechanism for councillors to refer decisions to Council for determination. Referrals must be made in writing, shortly after the notice of committees' decisions have been published.

Details of the referred decision are stated later in this paper.

Recommendation

The Council is requested to agree one of the following resolutions:

- **Note the decision of the committee/sub-committee (i.e. the decision stands)**
- **Refer the decision back to the committee/sub-committee for further consideration**
- **Withdraw the decision of the committee/sub-committee (i.e. the decision is not taken)**

In order to provide a structured approach to considering the referred decision, the following process applies:

1. A representative of the councillors who have referred the decision to speak on the reasons for their referral. New reasons may not be introduced. Time limit of five minutes.
2. Chair of the committee/sub-committee that made the decision to respond to the reasons for the referral. Time limit of five minutes.
3. Views from councillors, made in accordance with the rules of debate.
4. A representative of the councillors who have referred the decision to make closing remarks on the referral. Time limit of five minutes.
5. Closing remarks from the chair of the committee/sub-committee. Time limit of five minutes.
6. Votes on the options listed above.

Details of the decision

Meeting: Development Sub-Committee, 5 January 2022

Item: Oast House/Kingston Road Car Park and Health & Wellbeing Centre - Pre-application Consultation

Resolution: *The Sub-Committee resolved to:*

1. *Agree the key objectives which the Council is looking to achieve from the wider site as set out in paragraph 2.4 of the report, and*
2. *Agree the preferred option for the residential element of the Oast House/Kingston Road site (Option 1).*

Reasons for referral

Councillors M Beecher, S Mooney, D Saliagopoulos, J Sexton, C Bateson and V Siva have provided the following reasons for referring the decision of the Development Sub-Committee to Council:

In discussion of the Oast House / Kingston Road Car Park and Health & Well-being Centre, the Development Sub-committee resolved "to agree the preferred option for the residential element of the Oast House / Kingston Road site (Option 1)."

We believe this decision ought to be reserved to Council in that:

- 1. The sub-committee rejected an amendment to the wording of Option 1 to allow "up to 14 and 10 storeys.*
- 2. The sub-committee to give sufficient consideration and weight to the risk identified by the council officers that Option 1 was the only option likely to be rejected by the Planning Committee. Thus, the Asset Management team will waste time and money developing a scheme the runs the serious risk of rejection, with no appeal.*
- 3. The sub-committee rejected the advice and recommendation of the Staines councillors not to pursue a scheme over 9 and 7 storeys. And in so doing also rejected the wishes of local residents, council tax payers, as they responded to a recent consultation by the council.*

Report from the Chairman on the work of the Community Wellbeing and Housing Committee

This report gives an overview of the main issues considered at the meeting held on 01 February 2022.

1. Capital Bids, Revenue Growth and Savings Bids and Fees and Charges

The Committee considered the proposals presented to them and made recommendations to the Corporate Policy and Resources Committee for their consideration at the next stage of the budget process.

2. Refugee Schemes Policy

The Committee were asked to consider a report that sought the approval of the adoption of the Refugee Policy. This policy would require the Committee to consider all refugee schemes proposed by the Government and assess their merits.

The Committee **resolved** to adopt the Refugee Policy.

3. Annual Council Community Grants Report

The Committee considered a report that sought:

1. Agreement of the grants awards for 2022/23 that would enable several existing charities and voluntary organisations to continue to provide support, assistance and other essential services for Borough residents and to enable new organisations to begin to provide services that are needed and;
2. Agreement to transfer the unallocated Councillors' Better Neighbourhood Grants for 2022/23 to the Grants Panel for allocation.

The Committee **resolved** to agree the grants awards for 2022/23 and the transfer of any unallocated Councillors' Better Neighbourhood Grants for 2022/23 to the Grants Panel for allocation.

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Report of the Chairman on the work of Environment and Sustainability Committee

This report gives an overview of the main items considered by the Committee at its meeting on 18 January 2022.

1. Briefing on Surrey 2050 Place Ambition

- 1.1 The Committee received a presentation from Sue Janota, Spatial Planning and Policy Manager, Surrey County Council on the Surrey 2050 Place Ambition.
- 1.2 This sets out long term priorities for growth for Surrey local authorities and their strategic partners and an implementation framework to achieve those objectives, promoting a long term co-ordinated cross boundary approach to planning and managing the impact of growth.
- 1.3 The draft Place Ambition was open for consultation until 4 March. It was agreed that a formal response would be sent on behalf of the Committee and authority was delegated to the Group Head of Regeneration and Growth in consultation with the Chair and Vice Chair of the Committee and joint Chairs of the Climate Change Working Group to formulate this.

2. Capital Bids, Revenue Growth and Savings Bids and Fees and Charges

- 2.1 The Committee considered the proposals presented to them and made recommendations to the Corporate Policy and Resources Committee for their consideration at the next stage of the budget process.

3. Update on request for site investigation of land to the rear of Thameside

- 3.1 The Committee received a verbal update on further investigative work undertaken to ascertain if there was sufficient evidence to request a site investigation of the land and which body had jurisdiction.
- 3.2 The Committee were advised that:
 - The MOD had responded to say that the FOI submitted was too broad and suggested that a more refined approach. Another request had been made based on the BBC article and other information available for a five-year period and their response was awaited.
 - Officers had spent significant amount of time reviewing data received in relation to the site permit to the north of the M3 and requested follow up information.
 - A request had been made to Esso requesting any relevant data they may have for that area in relation to the pipeline site investigation works asking if their pipeline works had produced anything of significance. They were not subject to Freedom of Information (FOI) requests but it was hoped they may respond on a voluntary basis, however no response has been received to date.
 - The Environmental Health team had looked into the possibility of monitoring techniques for flooding events for ground gases but concluded

this was not possible as there were so many variables to consider, including types of gases, the configuration of premises and how the premises were ventilated

- Legal advice was expected later this month.

3.3 A report was scheduled for the next Committee meeting in March 2022.

4. Bonfires and anti-bonfire campaign

4.1 The Committee noted the campaign to raise awareness of the hazards posed by bonfires and action taken to discourage residents and businesses from having bonfires.

5. Bidding Process for Green Initiatives Fund

5.1 The Committee considered and agreed the bidding process for projects requesting funds from the Green Initiatives Fund.

6. Adverse Weather Plan and Community Sandbag Distribution Centre

6.1 The Committee noted the Adverse Weather Plan and Community Sandbag Distribution Policy.

6.2 Both documents had been reviewed and updated to include clarity on roles and responsibilities.

7. Updates from the Task and Finish and Working Groups

7.1 The Committee received updates on the work of the following task/working groups:

- The Local Plan Task Group
- The Staines Development Framework Task Group
- The CIL Local Spending Boards
- The Climate Change Working Group

Report from the Chairman on the work of the Neighbourhood Services Committee

This report gives an overview of the main issues considered at the meeting held on 13 January 2022.

1. Cashless Parking – Key Decision

1.1 The Committee considered a report on the introduction of an additional type of cashless parking within Spelthorne Borough Council-owned car parks.

1.2 The Committee agreed to

- a) Authorise the Group Head of Neighbourhood Services to introduce “Cashless” payment as an approved payment method in The Spelthorne Borough Council (Off-Street Parking Places) Order;
- b) Agree for the transaction charges to be paid directly by the customer, in addition to the existing tariff charges;
- c) Authorise the Group Head of Neighbourhood Services to enter into a procurement exercise to tender for a Cashless parking provider;
- d) Delegate the appointment of the contractor to the Group Head of Neighbourhood Services in consultation with the Chair and Vice-Chair of the Neighbourhood Services Committee;
- e) Authorise the Group Head of Corporate Governance to complete any legal documentation necessary to implement the new contract.

2. Electric Vehicle Charging Points in Car Parks

2.1 The Committee noted the report on electric vehicle charging points in Spelthorne Borough Council-owned car parks.

3. Domestic Abuse Update

3.1 The Committee noted the update on the Domestic Abuse Strategy for inclusion in the review of the Community Safety Strategy for 2022.

4. Capital Bids 2022/23 (part of the annual budget process)

4.1 The Committee agreed to rate both proposed capital growth bids as green (commence in 2022/23) for recommendation to the Corporate Policy and Resources Committee.

5. Committee Review of Fees and Charges for Service Areas

5.1 The Committee agreed all Fees and Charges as proposed for recommendation to the Corporate Policy and Resources Committee.

6. Revenue Growth and Savings Bids 2022/23 (part of annual budget process)

6.1 The Committee agreed every proposed rating by officers as presented to the Committee for recommendation to the Corporate Policy and Resources Committee.

7. Forward Plan

7.1 The Committee noted the forward plan for future committee business.

Councillor Amar Brar

Chair of the Neighbourhood Services Committee

24 February 2022

Report of the Chairman on the Work of the Planning Committee

The Planning Committee has met on two occasions since the previous report to Council. This report gives an overview of the key items considered by the Committee at its meetings on 05 January 2022 and 02 February 2022 .

1. Planning Committee Meeting – 05 Jan 2022

1.1 The Committee considered two applications.

1.2 Application No. 21/01182/FUL, Shepperton Studios, Studios Road, Shepperton, TW17 0QD – This application was for the construction of a workshop (plot 1.4), utility building and security barriers, turnstile and guard shelter, with associated enabling works, access and parking at Shepperton North West.

1.3 The application was **approved**.

1.4 Application No. 21/01547/FUL, Shepperton Studios, Studios Road, Shepperton, TW17 0QD – This application was for the use of 6 acres of land for backlot in association with Shepperton Studios, including the construction of utility buildings, security barriers and guard shelters, with associated enabling works, access, landscaping, surface parking amended car park access at land north of Shepperton Studios.

1.5 The application was **approved**.

2. Planning Committee Meeting – 02 Feb 2022

2.1 The Committee considered two applications.

2.2 Application No. 21/00912/FUL, The Works, Langley Road, Staines-upon-Thames, TW18 2EJ – This application was for the demolition of existing works building and erection of 22 dwellings (14 dwelling house and 8 apartments) including access, parking, landscaping and replacement substation. The application was **approved**.

2.3 Application No. 21/01472/FUL, Land to the rear of dwellings in Park Road, Stanwell currently occupied by disused garages. - This application was for the demolition of existing lock-up garages and installation of electric vehicle charging bays serviced by ultra-rapid charge points, together with associated infrastructure and works. This application was **refused**.

Councillor T Lagden
Chairman of Planning Committee

08 February 2022

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Report of the Chairman on the work of the Licensing Committee

There has been one Licensing sub-Committee meeting since the last report, and I set out the main items of business considered at those meetings.

8 February 2022

The Sub-Committee considered an application for a Premises Licence at 4 Thurlestone Coffee and Restaurant, 4 Thurlestone Parade, Shepperton, TW17 9AR following representations. The Sub-Committee agreed to grant the licence subject to conditions for the reasons set out in the decision notice.

Robin Sider BEM

Chairman of the Licensing Committee
24 February 2022

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Accompanying note for Motion 1 – Council – 24 February 2022

Proposed by Councillor Richard Smith-Ainsley
Seconded by Councillor Christopher Bateson

To invite Members to consider and agree the proposed approach to dealing with certain behaviours identified by the borough Commander and to consider whether the Council should commence statutory consultation on the making of a Public Spaces Protection Order (“PSPO”) under Section 59 of the Anti-Social Behaviour, Crime and Policing Act 2014 (“the 2014 Act”).

The purpose of a PSPO would be to assist the Council and its partners to provide an appropriate and robust response to various behaviours taking place in Staines-upon-Thames town Centre and surrounding area, that existing enforcement powers have been unable to resolve. It would help ensure that the law-abiding majority can use and enjoy these public spaces, safe from anti-social behaviour (“ASB”).

It should be noted that Members are not being asked to decide whether a PSPO should be made but to approve the commencement of statutory consultation. A further report on the next steps will be made once the consultation process has been completed. At that future stage, Members may be asked to make a PSPO if the statutory criteria are met and it is thought to be a necessary and proportionate response to the issues that have been identified. No decision or recommendation is made on that at this stage.

Motion

That consultation be undertaken into the possibility of the Council making a Public Spaces Protection Order (PSPO) under Section 59 of the Anti- Social Behaviour, Crime and Policing Act 2014 in respect of the areas and activities in Spelthorne determined by the borough Commander

That the proposed consultation process be as set out below.

During the consultation process the Council will seek comments on:

- Whether a PSPO is appropriate, proportionate or needed at all;
- The proposed restrictions; and
- The proposed area to be designated as the Restricted Area.

Consultation would be over a 6 week period, with the following stakeholders:

- Borough Commander for Spelthorne
- The Police and Crime Commissioner
- Town Centre Businesses
- Ward Councillors
- The voluntary sector
- Community representatives
- Local residents/those working nearby (via a survey).

Findings from the consultation will be brought back to Council for it to decide whether to proceed with the PSPO – and, if so, the area to be designated and the restrictions which would apply. At that point the Council would have to consider all material considerations including proportionality i.e. are the proposed restrictions proportionate to the harm/nuisance that is being caused?

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Questions from councillors

Question 1 – Councillor Malcolm Beecher

"Could the Leader or Chair of the Audit Committee, advise what is the current market value of Spelthorne's commercial property portfolio?"

Question 2 – Councillor Helen Harvey

"Broken down by ward and out of ward/borough, please can you identify the amount of staff time, and cost of that time (appreciating this might be an estimate), which has been dedicated to answering questions from members of the public about the Council's developments across the borough and is this impacting on service delivery in any areas?"

Question 3 – Councillor Olivia Rybinski

"As the Deputy Chair of O&S during the previous Boughtflower strong leader model administration, I have continued to take a particular interest in transparency and scrutiny of the business of the council and during the past months, have become increasingly concerned with the apparent failure of each committee to scrutinise their own decisions and also the leader and deputy leader seemingly acting outside their remit.

I recall that during the full council debate on the introduction of the committee system, Cllr Leighton, the then long-standing Chair of O&S, raised her concern over the risk to the authority of no longer having an O&S committee. Apparently, it was the decision of the committee system working group to no longer have an O&S committee!

In view of the clear ongoing need for an O&S committee function does the leader think it was a mistake to lose an O&S committee and will he be recommending in the upcoming review of the committee system, that such a committee be formed or added to the role of another committee such as Administration, as there is at our neighbour at Runnymede council?"

Question 4 – Councillor Helen Harvey

"During the last full council meeting on 9th December 2021, I asked the leader a formal question regarding how was the £23m Capital funding gap for the new leisure centre going to be met? This was a concern that I had previously raised to the former cabinet portfolio holder Cllr Attewell during the council meeting (and additionally in part 2) on the new replacement leisure centre proposal 22 October 2020.

GetSurrey gave an incisive report on 10th December on the issue, highlighting the weak and vague answer provided by the leader and failure to provide a credible financial solution to meet such a significant estimated gap of £750k per year for the revenue budget, on an ongoing sustainable basis.

My follow-on question was: - 'Are you confident that this chamber should proceed with this state-of-the-art leisure centre, when it appears to me that this answer does not project far enough into the future as to how the gap will be closed?'

In reply, Cllr Nichols informed me that I would be provided with a written answer. On 2nd January 2022, I wrote to remind him that members were yet to be furnished with that

answer. On 12th January Cllr Nichols replied to me saying that he had a draft response but was just checking some things with Finance.

I have still not yet received this answer and it's now over 2 months and today is the deadline for submitting questions for the next Full Council. Due to this failure, I am now compelled to ask the following additional question irrespective of whether Cllr Nichols retrospectively sends me the answer before next weeks' full council meeting:-

One wonders if there is something been hidden. Why have I and members, not been provided with a clear and unambiguous financial plan for how this huge funding gap will be met on a long term and sustainable basis and since the tender for the build has not yet been agreed, will you give an undertaking to provide members with a detailed, transparent and sustainable financial plan covering the short term up to 5 years, 6-20 years and 20-50 as to how this gap is to be met before you proceed to enter into the build contract?"