Please reply to:
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Date: 18 November 2022

Notice of meeting

Corporate Policy and Resources Committee

Date: Monday, 28 November 2022

Time: 7.00 pm

Place: Council Chamber, Council Offices, Knowle Green, Staines-upon-Thames TW18 1XB

To the members of the Corporate Policy and Resources Committee

Councillors:

J.R. Boughtflower (Chairman)	R.O. Barratt	L. E. Nichols
A.J. Mitchell (Vice-Chairman)	J.T.F. Doran	R.J. Noble
M.M. Attewell	S.A. Dunn	O. Rybinski
I.J. Beardsmore	T. Fidler	J.R. Sexton
M. Beecher	S.C. Mooney	V. Siva

Substitute Members: Councillors C. Bateson, S. Buttar, J. Button, N.J. Gething, M. Gibson, H. Harvey, T. Lagden, V.J. Leighton, D. Saliagopoulos, J. Vinson and S.J Whitmore

Councillors are reminded that the Gifts and Hospitality Declaration book will be available outside the meeting room for you to record any gifts or hospitality offered to you since the last Committee meeting.

Spelthorne Borough Council, Council Offices, Knowle Green

Staines-upon-Thames TW18 1XB

www.spelthorne.gov.uk customer.services@spelthorne.gov.uk Telephone 01784 451499

Agenda

Page nos.

1. Apologies and Substitutes

To receive apologies for absence and notification of substitutions.

2. Minutes **5 - 10**

To confirm the minutes of the meeting held on 10 October 2022 as a correct record of proceedings.

3. Disclosures of Interest

To receive any disclosures of interest from councillors in accordance with the Council's Code of Conduct for members.

4. Questions from members of the Public

The Chair, or his nominee, to answer any questions raised by members of the public in accordance with Standing Order 40.

At the time of publication of this agenda no questions were received.

5. Ward Issues

To consider any issues raised by ward councillors in accordance with Standing Order 34.2

At the time of publication of this agenda no ward issues were received.

6. Urgent Actions

To note those urgent actions which have been taken by the Chief Executive in consultation with the Leader since the last Corporate Policy and Resources meeting on 10 October 2022.

7. Knowle Green Estates Annual Report 2021/22 **11 - 32**

Committee are requested to note the Annual Report 2021/22 for Knowle Green Estates Ltd and approve the re-appointment of Anne Fillis and Darren Levy as the two Non-Executive Directors for a further two year term.

8. Corporate Risk Management

Report to follow.

9. Treasury Management Mid-Year Report **33 - 52**

The Committee is asked to note the performance of the Treasury Department during the first six months of 2022/23.

10. Outline Budget 2023/24

Report to follow.

11. Determination of 2023/24 Council Tax Base for tax setting **53 - 58**

Committee is asked to make a recommendation to Council to approve:

1. The gross Council Tax Base for 2023/24 is determined at 41,185 (2022/23: 40,867) after taking account of the Council's agreed Council Tax Support Scheme, and

2. The net Council Tax Base for 2023/24 calculated as Band D equivalents, is determined at 39,949 (2022/23: 39,233) after adjustment by 3% to allow for irrecoverable amounts, appeals and property base changes.

12. Sinking Fund Policy

Report to follow

13. Environmental, Social & Governance (ESG) Policy for Current and Future Medium-term Investments. **59 - 64**

Committee are asked to agree the criteria set out in 2.4 to 2.6 of the report to allow a review to be carried out of the Council's existing medium term investment portfolio.

14. Review of the Community Lettings Policy

Report to follow

15. Forward Plan **65 - 70**

To consider the Forward Plan for committee business.

16. Exclusion of Public & Press (Exempt Business)

To move the exclusion of the Press/Public for the following items, in view of the likely disclosure of exempt information within the meaning of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985 and by the Local Government (Access to information) (Variation) Order 2006.

17. Annual Commercial Property Report 2021/22 **71 - 116**

Committee is asked to approve the Annual Commercial Property

Report for the year ending 31 March 2022 and to agree the recommendation that Option B is approved and that the report should be made publicly available on the Council's website..

18. Oast House Listed Building

Report to follow.

19. Temporary Adoption of the Staines Development Framework **117 - 124**

Committee are asked to consider a report from the Chief Accountant and make a recommendation to Council in respect of the Motion brought before Council on 20 October seeking a temporary adoption of the Staines Development Framework.

Minutes of the Corporate Policy and Resources Committee
10 October 2022

Present:

Councillor J.R. Boughtflower (Chairman)

Councillors:

M.M. Attewell	J.T.F. Doran	L. E. Nichols
I.J. Beardsmore	T. Fidler	R.J. Noble
M. Beecher	S.C. Mooney	O. Rybinski

Substitutions: Councillors C. Bateson

S. Buttar

N.J. Gething

Apologies: Councillors A.J. Mitchell, R.O. Barratt, S.A. Dunn, J.R. Sexton and V. Siva

106/22 Apologies and Substitutes

Apologies for absence were received from Councillor Richard Barratt (substituted by Councillor Nick Gething), Councillor Sandra Dunn (substituted by Councillor Chris Bateson), Councillor Tony Mitchell (substituted by Councillor Sati Buttar) and Councillor Veena Siva.

107/22 Disclosures of Interest

There were none.

108/22 Questions from members of the public

There were none.

109/22 Ward Issues

There were none.

110/22 Procurement of Waste and Street Cleansing Vehicles

This item followed up on the report that was considered by the Committee at its meeting on 11 July 2022, where authorisation was received to begin a tendering exercise for the procurement of waste and street cleansing vehicles. The quotes that had been received were highlighted (which were significantly higher for electric vehicles (EVs)), along with the anticipated lead in times for acquiring vehicles under the different options available.

There was discussion about the practicalities of operating EVs. The Council had participated in a largely successful trial of an electric waste vehicle. There had been a technical problem initially, but following this being resolved, the vehicle had performed well and feedback from the staff that had operated it was favourable. It was not possible to review what other councils had done, as there were very few operating a large fleet of waste collection vehicles and none currently operating a wholly electric fleet.

The challenges associated with operating electric waste vehicles, in particular their maintenance and long term reliability as an unproven technology, and National Grid limitations when more than a small number of vehicles were to be operated, were noted. The power capacity at the Council’s depot was also a consideration, with an estimate of two years for this to be addressed by the borough’s appointed power supplier.

The Committee was mindful of the Council’s commitment to the environment, having declared a ‘climate emergency’. This however needed to be considered in light of the challenging financial context, in particular the increasing interest rates and high electricity prices.

Councillors discussed the emissions of diesel vehicles. New diesel vehicles would be of the same emissions standard (Euro 6) as the outgoing ones, but newer vehicles were generally cleaner than ones that had covered a significant number of miles over several years.

It was requested that details of the ‘carbon tonnage’ relating to the operation and manufacture of both diesel and electric vehicles be made available in advance of Council on 20 October 2022. Details of the differing maintenance costs between diesel and EVs was also requested.

It was **resolved** that the following recommendations be put to Council on 20 October 2022:

1. That option 1 (an all diesel fleet), as detailed in appendix 2 of the officer’s report, be agreed.

2. That the funding for the Committee's preferred option be allocated to enable the purchase of the vehicles.

111/22 Spelthorne Place Arrangements To Facilitate Health Outcomes

The proposed changes hoped to enable Spelthorne to access additional resources aimed at improving residents' health via a strategy of prevention. Work had taken place to review the models that had been deployed by a number of other councils, which had informed the proposal before the Committee.

There was a discussion about the integrated care system and whether there was sufficient public and political accountability over the limited resources available.

The lack of references to people with disabilities or learning difficulties was raised. It was suggested that updates to the action plan could be made to include these groups.

It was **resolved** that the following recommendations be put to Council on 20 October 2022:

1. That the Council's approach to expanding the Health and Wellbeing Board to take account of the new requirements under the Health and Care Act and the associated White Paper, Health and social care integration: joining up care for people, places and populations (Option 2) be endorsed.
2. That the Health and Wellbeing Board be renamed the Spelthorne Healthy Communities Board, with an expanded terms of reference, a wider membership of community participants and increased ability to award financial and other assistance using 'pooled budgets' from Health, Adult Social Care and the Council.
3. That devolved authority be provided to the Spelthorne Healthy Communities Board, within strict spending limits, to utilise 'pooled budgets' to expedite community-based health initiatives. Initially using £50,000 of £132,000 awarded for prevention made by North West Surrey Alliance.
4. That there be periodic reporting back to the Corporate Policy and Resources Committee on the Healthy Communities Board's funding decisions.

112/22 Shared Prosperity Fund and Business Rates Retention pot

This report followed upon the one considered by the Corporate Policy and Resources Committee on 11 July 2022.

The government had since announced that grant funding for the Shared Prosperity Fund was to be delayed. This would impact on the investment plan, which was to provide funding to several projects aimed at boosting the borough's economic recovery and growth. It was therefore suggested that the projects in the investment plan could be funded via the business rates retention pot, with a view to replenishing the pot when the government's shared prosperity fund grants were received.

There was discussion about the risk associated with using the business rates retention pot's funds without a solid commitment from the government on the shared prosperity fund grants. It was however reported that there was no reason to believe that shared prosperity grant funding would not be provided to local authorities.

The Committee requested a breakdown on the Youth Hub's operating costs.

It was resolved that option 1 contained within the officer's report – to use the Business Rates Retention pot to 'forward fund' all of the projects in the Shared Prosperity Fund (SPF) Investment Plan in advance of the government funds (which were not due to be received until 2024/25) – be agreed.

113/22 Procurement Update

The Committee received a presentation on the local and statutory procurement processes undertaken at Spelthorne.

There was discussion about the due diligence work that was carried out with suppliers, after contracts had been awarded to them. It was confirmed that contract managers and the procurement team shared responsibility for ensuring that environmental considerations were factored into tender specifications. The capacity of the procurement team was also discussed.

The Committee requested that it receive periodic briefings on procurement. A review of procurement was scheduled by the internal audit team in its 2022/23 work programme.

The committee noted the progress of the actions in the Procurement Action Plan.

114/22 Spelthorne/Surrey Partnership

The Leader provided a verbal update on partnership working between Spelthorne Borough Council and Surrey County Council (SCC).

Suggestions for areas where members felt value could be added by closer partnership working were invited. It was felt that transport links between Spelthorne and London Heathrow Airport would benefit from SCC input. The Committee hoped that the Leader of SCC could be invited to a future meeting to discuss his plans for closer partnership working.

The scepticism expressed at the previous meeting was reiterated, as was the suggestion that Spelthorne should engage positively with SCC.

The operation and membership of the Surrey Delivery Board was confirmed.

The update was noted.

115/22 Corporate Peer Review Challenge Update

Following discussions at the Corporate Policy and Resources Committee on 11 July 2022, discussions had been held with the Local Government Association (LGA) about the timing and content of the peer review. The peer review was now due to take place between 15 and 17 November 2022 which was earlier than previously planned. The Committee's previous request for additional topics had been turned down by the LGA due to them being covered by other elements of the peer review. The lead members had also been confirmed and a statement of facts about Spelthorne had been prepared.

The update was noted.

116/22 Forward Plan

The forward plan was agreed, subject to the following inclusions:

1. That the annual property review be added to the agenda for the 28 November 2022 committee.
2. That the review of the Reserves Policy be added to the agenda for the 16 January 2023 committee.

117/22 Urgent Actions

The urgent action was noted.

118/22 Exclusion of the public and press

It was resolved that the public and press be excluded from the remainder of the meeting, in accordance with Schedule 12A of the Local Government Act 1972, due to the likely disclosure of exempt information for the reasons set out in the reports.

119/22 Update on Council Developments

The update on Council developments was noted.

120/22 Service plans

The service plans for the Finance and Internal Audit teams were noted.

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Corporate Policy & Resources Committee

28 November 2022

Title	*Knowle Green Estates Ltd., Annual Report 2021/22*
Purpose of the report	To note and make a key decision
Report Author	*Paul Taylor Chief Accountant*
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Community Affordable housing Recovery Environment Service delivery
Recommendations	**Committee is asked to note the report as part of the presentation to the Committee by the Board of Directors from Knowle Green Estates Limited (KGE) and to consent to the re-appointment of Anne Fillis and Darren Levy, the two Non-Executive Directors for a further two-year term.**
Reason for Recommendation	*Under the terms of the Shareholder Agreement KGE cannot appoint any director without the consent of this Committee as Shareholder*

1. Summary of the report

1.1 The Directors of KGE present the 2021/22 Annual Report and will talk through the report at the committee meeting.

1.2 Anne Fillis and Darren Levy were appointed as NEDs at the board meeting of KGE held on 21 January 2021 for a term of two years. Their term is about to expire shortly. Both NEDs have added useful experience, expertise and supportive challenge to the Board. The Committee is asked to consent to the re-appointment of Anne Fillis and Darren Levy, the current NEDs for a further term of two years .

2. Risk considerations

2.1 There are none

3. Procurement considerations

3.1 There are none

4. Legal considerations

4.1 The Shareholder Agreement with KGE requires the prior consent of the Shareholder to any appointment of a director to KGE. The Shareholder is represented by the Corporate Policy & Resources Committee under the Constitution

5. Other considerations

5.1 There are none.

6. Equality and Diversity

6.1 There are none.

7. Sustainability/Climate Change Implications

7.1 There are none.

8. Timetable for implementation

8.1 Not applicable.

9. Contact

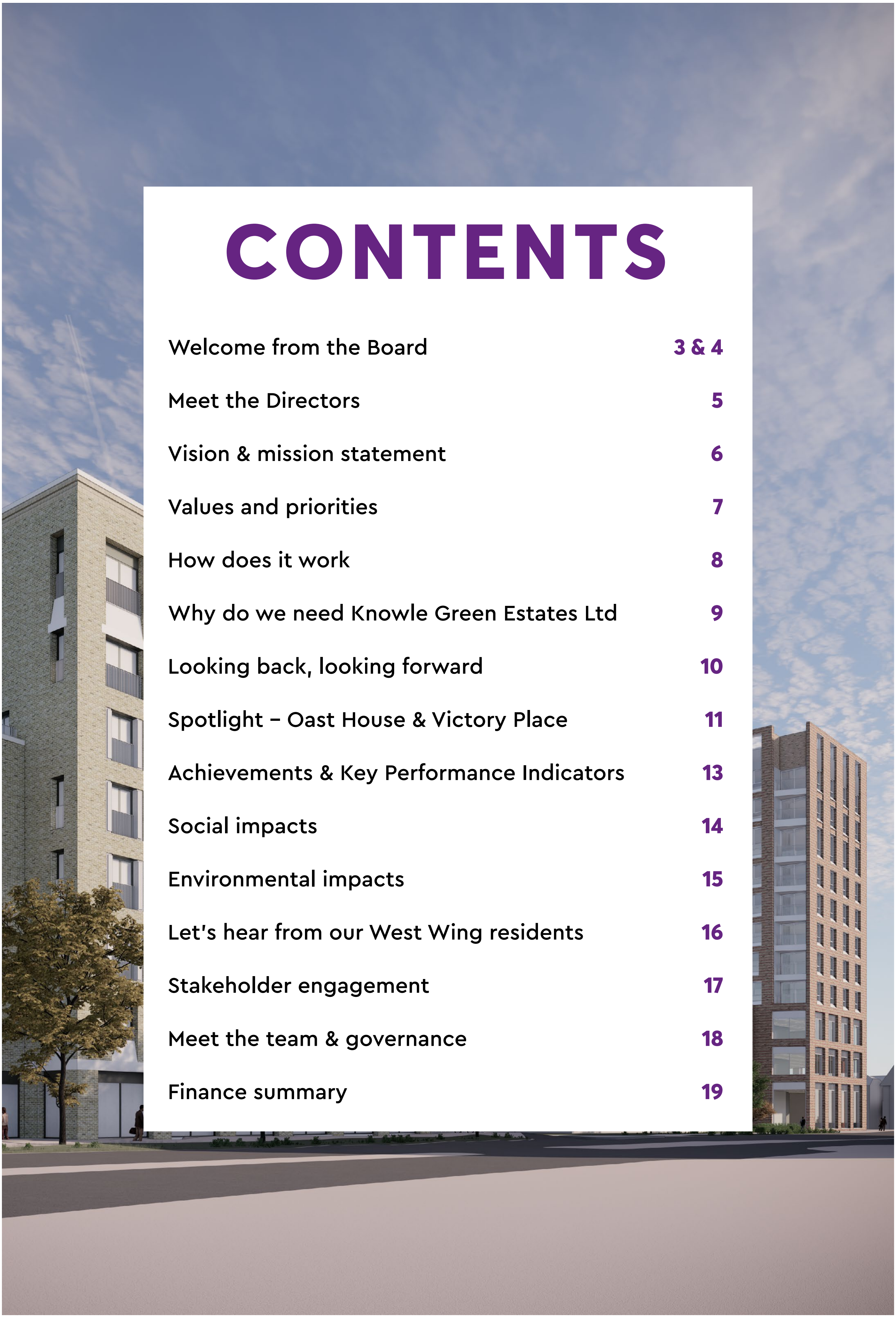
9.1 P.taylor@spelthorne.gov.uk

Background papers: There are none.

Appendices: KGE Annual Report 2021/22

Knowle Green Estates Ltd

2021/2022 ANNUAL REPORT



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WELCOME
BOARD STATEMENT

Welcome to our **2021/2022** annual report, where you can read about the financial, social and environmental performance and achievements of Knowle Green Estates Ltd (KGE), in what has been a turbulent year for social housing and the wider property market. Despite this, the headline remains that KGE are serving residents of Spelthorne to deliver affordable and sustainable homes to live in, now and in the future.

Both our sole shareholder Spelthorne Borough Council and the company are passionate about our mission. The lack of affordable housing in Spelthorne is an issue, with the Borough having had to rely in the past on Registered Social Landlords and the private sector to provide affordable housing. The outcome in terms of delivery was incredibly disappointing and fell well short of what is required and in response to this challenge, we are leading by example and here began the KGE journey.

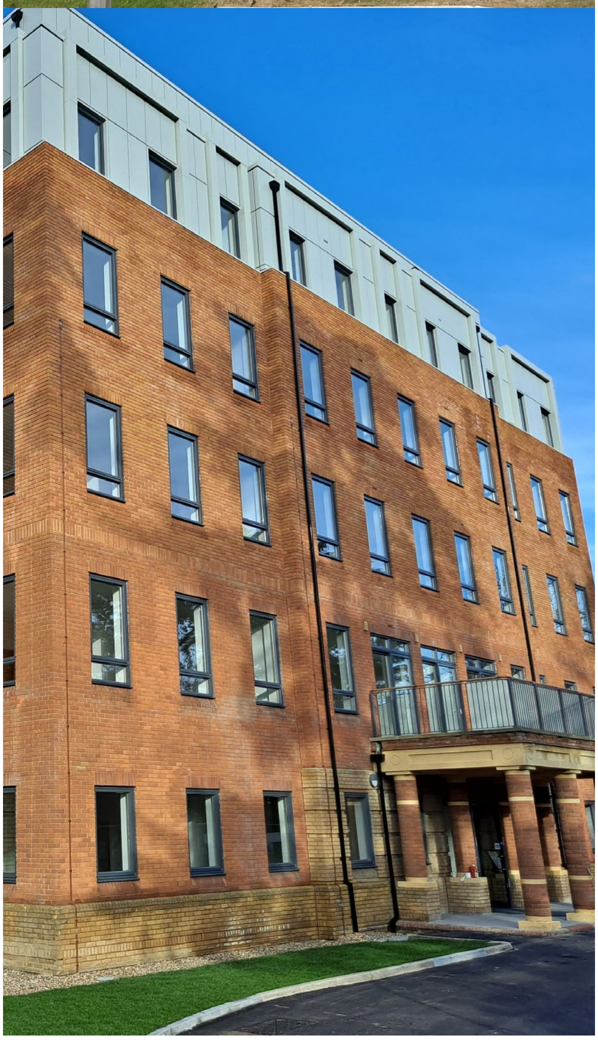
The experience of the Covid-19 pandemic has certainly demonstrated both the resilience and the flexibility of KGE. As the national and global economy continues to be extremely challenging after two years of unbelievable disruption, we are seeing the cost of living increasing and KGE will continue to strive to deliver its mission to provide affordable homes. We believe that the continued work of KGE is vital to the health and economic wellbeing of residents and pivotal in creating a stronger Borough.

KGE had a momentous year in 2021–22, significantly increasing its portfolio. In May 2021, KGE took on the management of Benwell Phase 1 (55 units) made up of 60% affordable rental units, 20% key worker units and 20% private rental units.

Swiftly followed by the completion of the West Wing in winter 2021 which was transferred to the KGE. 17,800sqft of affordable rental residential space was created, providing a bespoke mix of 8 one, 13 two and 4 three-bedroom flats (25 in total). The mix was designed to meet the variety of needs identified by our clients on the Council's housing register. Additionally, solar panels were installed to ensure we maximise the use of green energy on the development (meeting the requirement for at least 10% via renewable energy).

The West Wing was recognised as a pioneering project nationally when the decision was made by Spelthorne to convert the U-shaped Council Civic Office at Knowle Green into affordable homes – a situation which we believe is unique in the country. Other authorities sold or redeveloped their offices for residential development but this solution has been far more innovative.

The vast majority of KGE homes are let on rents of up to 80% of the equivalent market rent and we now provide 91 homes for residents in Spelthorne. The majority of residents come through the Council's Housing Options team, which ensures that those who need most need this accommodation are prioritised. Residents are being offered five-year tenancies which provide far more stability that they would have in the private rented sector.



As part of this growth, Spelthorne Borough Council recruited additional staffing resource, whose costs are fully recharged to KGE, with the experience, skills and expertise in managing new tenants, both social and private; supporting tenancy sustainment; and putting into practice the appropriate range of policies such as Tenancy Sustainment, Hardship Fund, Delegation Policy, Vulnerable Persons Policy and Safeguarding Policy.

There are other developments in the pipeline which are either in planning or at the design stage which will over the next five years increase the provision of affordable and keyworker homes for rent in the Borough of Spelthorne.

Over the coming years, we plan to redevelop Victory Place for 127 apartments, which will be reserved as key worker homes, as well as a number of redevelopment projects in Staines and Ashford, for which KGE will become the property management company.

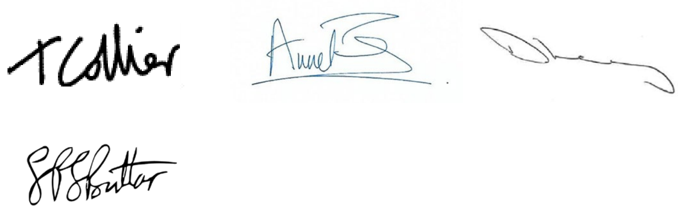
This year has compelled us to think about how we support tenants, what their needs will be in future, and how to adapt the company's role as landlord in the coming years. Our social impact came to the fore this year: what do our residents need and how can we ensure the vulnerable are supported. We have worked in partnership with the Council on how we are engaging with residents and a number of consultation events took place in summer 2022 with regards to specific residential proposals.

Enabling two-way communication and for our tenants to report property related issues easily is important if we are to ensure they are resolved as soon as possible. This year we launched DWELLANT, a new web platform for logging, managing, and monitoring facilities management jobs that enables us to provide our residents with a more reliable and efficient property management service.

We have also committed to becoming a Net Zero company and will continue working on our Environmental Strategy throughout 2022-23. This includes all new residential developments to include air source heat pumps and solar technology for energy efficient homes.

KGE successfully demonstrated that local authorities working in partnership with housing delivery companies have the capability to innovate their approach to developing and delivering a variety of housing solutions to help tackle the long-term inequalities in housing for its communities. It certainly promises to be an exciting few years.

Finally, we are immensely proud of what the team has achieved this last year and we would like to thank each and every one of our colleagues for their incredible efforts over what has been a challenging, yet productive and successful year.



MEET THE DIRECTORS


Terry Collier

Terry, who currently chairs the board, is an accountant by profession and is also Spelthorne Borough Council's Chief Finance Officer. Terry has been on the Board since the creation of Knowle Green Estates Ltd in May 2016. Terry is particularly keen to see the achievement of long-term financial sustainability of the company, providing much needed accommodation to a broad mix of tenants living in quality accommodation.


Satvinder Buttar

Satvinder is a Spelthorne Borough Councillor for the ward of Ashford North and Stanwell South and has been since 2019. Satvinder has worked for the private, public and voluntary sector. He has served on various boards including Feltham Young Offenders, West Thames College Governance Board as Vice Chair, Children's Fund Board, Hounslow Health and Social Care Board, Local Strategic Partnership Board, Hounslow Multi-agency Criminal Justice Board. Satvinder has been an executive and non-executive director on a range of third sector companies limited by guarantee. He is a local resident and understands resident's need for accessible, good quality housing in the Borough.


Darren Levy

Darren has over 30 years' experience delivering housing, property, asset management and development services across public, private and charitable sectors. He spent several years as a consultant and interim executive, working with a wide range of registered providers across the UK delivering business change and transformation. Darren has also been a non-executive director of a range third sector and social enterprise organisations, bringing a particular focus on business growth and development.


Anne Fillis

Anne is a Chartered Accountant and has had a varied career with roles in healthcare, government, financial services and the voluntary sector. Her early career was in banking where she focused on lending to the public sector and since then she has held senior roles in healthcare management and regulation. She has much experience at board level, helping organisations improve their finances, organisational structures and board governance. Having lived for many years in the local area, she is aware of the local challenges and is passionate about ensuring that all residents are able to access housing that they can afford.

VISION & MISSION STATEMENT

Vision
A property business with a commercial head and a social heart

Mission
Homes for the future: working with the Council and for the residents of Spelthorne, increasing the availability, affordability and quality of housing in our Borough

VALUES

Affordable for our residents

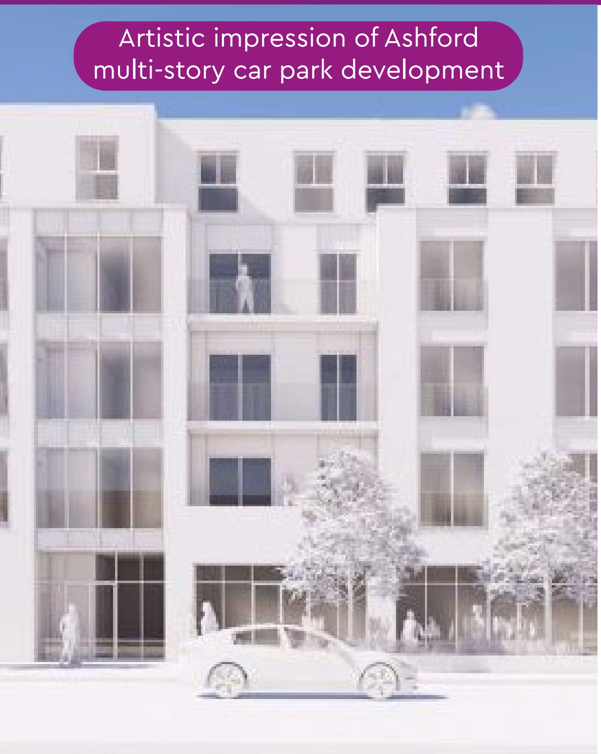
Better quality housing

Local homes, locally managed

Environmentally friendly

Artistic impression of Benwell House – Phase 2 development

PRIORITIES



Artistic impression of Ashford multi-story car park development

Protect and expand affordable rented housing stock

Regenerate areas

Invest locally

Deliver quality low carbon living for residents

Economic long-term investments

HOW DOES THE
AND WHY DO

1

The Council borrows funds from the Public Works Loan Board at a low interest fixed rate for 50 years

2

Council lends the money (operates like a bank) with interest to KGE

BANK

3

KGE buys a property. Maintains and manages the assets on a long term basis

SOLD

SPELTHORNE BOROUGH COUNCIL

Spelthorne Borough Council owns Knowle Green Estates LTD

Knowle Green Estates Ltd

4

Receives rent from tenants

5

Like a mortgage repay annually the loan to Council with interest

6

Funds generated invested for more future homes, Borough regeneration opportunities and to protect Council front-line services

*Actual rate charged by Spelthorne Borough Council to KGE Ltd depends on the percentage mix of affordable/key worker units to private rental units

COMPANY WORK
WE NEED IT?

Housing need

Increasing the provision of affordable housing in Spelthorne is one of the Council's five main priorities and we have plans in place to deliver hundreds of new affordable homes in the next five years. The current number of applicants on the housing register is 3,161 (Oct 2021).

To implement Council housing polices aligned with the Corporate Plan

To secure a return on investment for the Council. Housing developments must be maximised to their full potential to protect and support front line services:

- Community centres
- Independent living
- Meals on wheels
- Parks maintenance
- Community transport
- Grants to voluntary organisations
- Frequency of refuse and recycling collection

» delivers very high proportion of afforable/keyworker homes

» high environmental design standards

» long term opportunities to re-invest in more new homes

Looking back

5 units

Churchill Hall, Kington Road & Cranford Avenue

Five affordable homes in Sunbury and Staines.

8 units

The Bugle

Eight afforable homes on the Upper Halliford Road in Shepperton.

55 units

Benwell House

55 homes in Benwell House in Sunbury.

25 units

Knowle Green West Wing

25 affordable homes at the Council offices.

2018 • 2019 • 2020 • 2021

Looking ahead

127 units

Victory Place, Ashford

140 units

Thameside House, Staines

182 units

The Oast House, Staines

43 units

Ashford Car Park, Ashford

35 units

Benwell House, Phase 2, Sunbury

17 units

White House, Ashford

12 units

Staines High Street

The pipeline acquisitions (as pictured) will deliver nearly 500 homes in the Borough in line with the Council's approved Housing Strategy.

SPOTLIGHT ON THE OAST HOUSE PROJECT

Spelthorne Borough Council announced the purchase of the Oast House and car park on the Kingston Road in Staines-upon-Thames, in October 2019.

Comprising a historic Grade 2 listed building and car park, The Oast House is adjacent to Staines Railway Station with fast links to London Waterloo. This purchase represented another significant step in plans to rejuvenate Staines-upon-Thames linked to the Council's Masterplan to transform and develop the heart of the area. The regeneration of Staines town centre is a key ambition, improving housing, environmental factors and economic prosperity.

Plans for a new medical centre and much needed affordable homes for residents on the Oast House site progressed in May 2022 after the Council voted to progress a mixed-use scheme to the planning application phase as part of its development strategy for Staines.

The revised scheme brings forward a unique offering for the town, namely 182 new homes available at affordable rents for local people on the housing waiting list. At 193 dwellings per hectare, this density of housing is considerably lower than any commercial developer would propose (nearby commercial schemes are roughly double the proposed density). The maximum height of the scheme's larger rear blocks are 12 + 10 + 9 storeys.

Staines-upon-Thames has been nominated as one of only 6 towns nationwide to be part of the pilot NHS community health and wellbeing programme which proposes to offer the most innovative thinking in terms of delivering connected NHS health and well-being services. The pioneering site will bring together primary care, community care, mental health, hospital out-reach and a range of other voluntary services and activities to support the community.

As part of our commitment to deliver these new homes, a consultation exercise was undertaken in July 2022, demonstrating our commitment to listen and work with Borough residents and stakeholders.

- 60% of residents voted 'yes' or 'unsure' in support of the development of the Oast House / Kingston Road car park site for new affordable homes
- 73% of residents support the provision of a new NHS community health and wellbeing centre
- 89% of residents support the refurbishment of the Oast House for community & cultural uses

SPOTLIGHT ON VICTORY PLACE

Victory Place will be 100% affordable housing prioritised for 'key workers' in the Borough. This site was specifically purchased for this purpose from the hospital and subsequently an explicit agreement was made in to provide an entire site for key workers and NHS staff.

This brand-new development highlights our commitment to build homes for residents whilst leading the way in ensuring local homes are provided for valued key workers which are so important to the community.

The design achieves 44% energy savings, demonstrating our commitment to tackling the climate emergency. The site is 2.2 acres and will include two children's play areas, with significant amenity space for the flats. This level of provision is 42% greater than that required under current amenity policies. There are already several mature trees at the site and the area will benefit from further tree plantings and landscaping to reduce potential overlooking between neighbours.

There will be a total of 127 homes, 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. All of these homes will be available at affordable rents with 22 of these secured by the S106 planning agreement, while the remaining 105 will be prioritised for key worker and NHS accommodation. With many NHS staff having to travel significant distances to get to work, we believe living locally will improve their quality of life as well as have a positive impact on their health and wellbeing, while the reduced travel time will provide environmental benefits. The site is easily accessed by pedestrians and cycles, with bus stops at both Ashford Hospital and Tesco Extra and is within walking distance of Ashford Train Station.

ACHIEVEMENTS & KPIs

Cabinet Office

Shortlisted for Government Property awards 'Project of the Year' for the West Wing

Interior shot of West Wing

The Board during construction

The development, which will be 100% affordable, has been nominated for **Project of the Year at the Government Property Awards**, in relation to the West Wing on Knowle Green.

Spelthorne Borough Council is the first local authority in the country to convert part of its office into affordable housing and held an opening ceremony for the West Wing on Friday 3 December. The then Mayor of Spelthorne, Cllr Ian Harvey, formally opened the building. Residents have moved into all 25 new homes in the West Wing.

All the apartments are now let on rents of up to 80% of the equivalent market rent through the Council's Housing Options team. This ensures that those who need this accommodation most are prioritised.

Residents were offered five-year tenancies to provide more stability than they would have in the private rented sector.

Key Perfomance Indicators

Key Performance Indicator	Target	Actuals
Rent arrears as % of income	4%	1.27%
Average re-let days	10 Days	22 Days*
Number of complaints recorded and response time	5 days response time	2 complaints recorded, responded to before 5 days target
Homeless households housed	n/a	51
Repairs and Maintenance		
Defects completed within timescale	85%	60%
High priority repairs completed within timeframe	85%	100%
Medium priority repairs completed within timescale	85%	51%

*only 2 voids, one re-let on target at 10 days, second void took 34 days therefore pushed up the average.

Data represents the period between 01/04/2021 and 31/03/2022

SOCIAL IMPACTS

To deliver housing which meets the needs of all sections of our communities, building new homes, offering a better quality of living, one that makes a real difference to someone's life. We are different to a private developer, our community is at the heart of everything we do and we will always aspire to be better and bolder in our thinking.

- Stable tenancies
- Affordable housing
- Priority accommodation
- Homes for NHS workers
- Tackling homelessness
- Access to health facilities
- Quality of builds/living
- Rent Deferral Schemes
- Hardship Fund – Vulnerable Persons Policy

ENVIRONMENTAL IMPACTS

We've also been working hard to reduce the environmental impact of our buildings and lead the charge in supporting the Council's environmental priority of 'working with our communities and partners to minimise our effects on the environment, play our part in tackling the threat of climate change and to maintain a clean, green and attractive Borough, which recognises and protects biodiversity.'

Construction and development are significant contributors to climate change so we make it a priority of ours that any works we undertake to refurbish or expand our portfolio are done in a sustainable way and help minimise the impact on the local environment.

- energy efficiency measures (e.g. solar panels) into conversions and refurbishments
- sustainable building design
- electric vehicles for staff to use
- climate change strategy
- homes to have close access to parks & open spaces
- positive biodiversity impact through suitable planting
- sustainable located homes close to public transport
- sustainable procurement
- bicycle storage
- hybrid working policy
- underground bins
- future financial treasury management strategy to consider the environment

LET'S HEAR FROM OUR WEST WING RESIDENTS

Thank you....Thank you.... Thank you. My son is moving around in the house in his wheelchair.

I can't tell you how happy and delighted I feel to see him going around the flat, you have made his life so easy. He moves from his room to mine, to the lounge and the kitchen. He can help himself to food from the fridge and cabinets whenever required. He can go to the bathroom by himself, you have made his life so much easier now.

He goes on his wheelchair outside of the home for fresh air and drives back home! This new freedom has made him so happy. For so many years he just sat on his bed, looking out the back garden, for months he was indoors. Now he is enjoying this freedom.

I want to convey this message to all those people who have helped us achieve this home and all the employees connected to the process. I want to say to all of you, how thankful I am.
Resident at the West Wing

From my initial viewing of West Wing, all I've experienced from the team involved is faultless. From the customer service side of things I couldn't have asked for more. Any question I had about the property was promptly answered, If not by the person who accompanied me then by a colleague that they swiftly contacted to answer my question. The standard of the property upon viewing was jaw droppingly amazing, right down to the fully integrated kitchen appliances and the very tasteful fitted blinds in every room.

The welcome pack upon moving in covered everything possible making it very easy and straightforward getting all bills set up for the flat and also, the gesture of welcome credit on the water and heating top up device made it a stress free process as there wasn't the pressure of having to act upon everything from the moment I moved in.

Outside of my flat there is nothing negative to be said about the development either. The communal areas are immaculately kept, the main reception area is very slick and welcoming and in general, the grounds of West Wing make it truly feel like home right down to the smartly designed car park and garden area that welcomes you upon arrival.

Aside from myself, the close people in my life can't believe how lucky I have been to have been offered such a lovely council flat. Looking at the building from the street you would never imagine the building was social housing. Truly amazing.
Resident at the West Wing

I'm extremely grateful to be given a beautiful flat for me and my baby boy, the life it has giving me and him is beyond what I ever expected. I've never been happier and grateful and seeing how my boy loves being in his home it makes me the happiest person.

Especially how beautiful it is, getting a washer and dryer fridge and cooker built in is absolutely lifesaving from where I was before moving in to the flat. I've had nothing but lovely professional people help me along the way. I will never forget what the wonderful people have done for me and my child, so thank you all for saving me and my darling son, our lives began soon as we were handed the keys.
Resident at the West Wing

When we were looking for a place as family, it was a nightmare for us to get a place which will be very spacious for children to play around.

I fell so in love at our first viewing at the property offered to us by Knowle Green Estates. Everywhere was neat and well built, I always want to keep my home neat. And there are so much around which makes life more easier. More space to keep stuff, I'm really enjoying my stay here.

Thanks very much Knowle Green Estates for making families happier with their homes.
Resident at the West Wing

STAKEHOLDER ENGAGEMENT

Knowle Green Estates Ltd is committed to improving community engagement, with good quality communication essential in engaging with residents, stakeholders, and partner agencies. We will always look to build on how we can improve our conversations with residents but we can make the following commitments:

» We will involve you when making significant changes to your services
» We will share our knowledge and expertise through training, advice and support to councillors and staff so engagement is as good as it can be
» We will keep you informed so you know what is happening, how it will affect you and how you can be involved

Communication is key to any relationship, so we will always try to be clear, concise and approachable.

» News releases
» Noticeboards
» Social media
» Dwellant portal for residents
» Website
» Councillor briefings
» Dedicated residential property managers
» Consultations

THE KNOWLE GREEN ESTATES LTD TEAM

What do our team say?

In June 2022 in conjunction with the Local Government Association, we conducted a staff survey which focussed on cultures and values, pay and rewards and recruitment and retention. Here is what they had to say:

trustworthy
high job engagement
strong satisfaction levels in employee contribution
elevated organisational engagement
solution orientated
supportive place to work

Rachael Fry
Residential Management Advisor

Sheila Kimpton
Residential Property Assistant

Akin Akinyemi
Residential Estates and Facilities Manager

Taran Gahunia
Residential Tenancy Sustainment Officer

Vicki Ellis
Residential Property Manager

Russell Davis
Property Accounts Manager

Governance

- 4 Directors, including 2 Non-Executive Directors appointed through competitive recruitment process
- monthly (minuted) Board meetings. Board regularly monitors financial performance and range of operational performance indicators
- website: www.knowlegreenestates.co.uk
- accounts independently audited
- annual report produced (in future years this will develop to provide more feedback to tenants)
- range of policies in place including safeguarding and tenancy support
- Knowle Green Estates Ltd exists to deliver what shareholder wants – a clear consistent set of strategic parameters provided by the Council
- Monthly health & safety reviews with compliance reports provided and discussed in detail

FINANCIAL SUMMARY

Financial position

The Annual Report contains the audited statement of accounts for the year ending 2021–22. The rents received (turnover) increased significantly in the year, as both West Wing and Benwell House phase I were handed over for occupation, resulting in an operating profit of £259k (2020–21: (£50k) Loss). The company saw the valuation of its properties fall during the year because of the impact of the pandemic on the property market, creating a paper loss of £2.0m. As the Directors are holding the property assets for the long term, i.e., the next 50 years, they expect the property values to return to the upward trend in valuations experienced over the last 200 years. The balance sheet shows £1.548m in shareholder funds (2020–21: (£258k) negative equity). In 2022–23 there will be a slow down in growth due to the delays in completing the Council's development properties.

Unaudited Draft Statement of Comprehensive Income for the year ending 31 March 2022

	2022	2021
	£	£
Turnover	781,359	168,437
Administrative expenses	(522,373)	(218,306)
Operating profit/loss	258,986	(49,869)
Profit on the disposal of tangible fixed assets	0	56,552
Loss on revaluation of investments	(2,012,160)	0
Interest payable and similar expenses	(100,652)	(101,319)
Loss before taxation	(1,853,835)	(94,636)
Tax on loss	0	993
Loss for the financial year	(1,853,835)	(93,643)

Unaudited Balance Sheet as at 31 March 2022

	2022	2022	2021	2022
	£	£	£	£
Fixed assets				
Tangible assets		32,996,900		4,542,272
Current assets				
Debtors	19,883		11,999	
Investments held as current assets				
Cash at bank and in hand	155,855		68,917	
		175,738		80,916
Creditors: amounts falling due within one year		(543,499)		(295,659)
Total assets less current liabilities		(367,761)		(214,743)
Creditors: amounts falling due after more than one year		(31,080,803)		(4,613,389)
Net (liabilities)/assets		(31,448,564)		(4,828,132)
Capital and reserves				
Called up share capital		-		1
Revaluation reserve		3,767,656		-
Profit and loss reserves		(2,219,320)		(285,861)
Shareholder's funds		1,548,336		(285,860)

Homes for the future

knowlegreenestates@spelthorne.gov.uk

knowlegreenestates.co.uk

01784 451499

Knowle Green Estates ltd.

www.spelthorne.gov.uk

Knowle Green Estates Ltd

Corporate Policy and Resources Committee

29 November 2022

Title	Treasury Management Half Yearly Report
Purpose of the report	To note
Report Author	Sam Masters, Treasury and Capital Accountant (Interim)
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Financial Sustainability
Recommendations	**Committee is asked to:** To note the performance of the Treasury department during the first six months of 2022/23
Reason for Recommendation	Not applicable

1. Summary

1.1 This report covers Treasury Management activity for the six months to September 2022 at Spelthorne Borough Council. Performance is shown and analysed via the RAG system (Red, Amber, Green). Context and economic background to this report is provided at **Appendix C.**

1.2 The Council takes a prudent approach to Treasury Management, both in how it manages liquidity and how it mitigates operational, financial, and reputational risk.

1.3 The Council's Treasury Management performance has remained within its prudential indicators for the six months to September 2022 as outlined in the next section and detailed at **Appendix A,** with the exception of '*cash availability',* which fell below the £20.0m liquidity risk indicator to £16.7m on Friday 30th September. However, this position was rectified on 3rd October, the following Monday.

1.4 The investments held by the Council achieved an average overall (across both short term and medium-term funds) return of 1.22% over the six to the 30th September, shown in **Appendix D** and an average of 2.65 % for pooled investment funds. However, at the end of September the Council, as analysed by Arlingclose, was achieving a negative total return. The September end negative return was principally driven by unfavourable movements in the capital value of the investments consistent with wider market conditions. When excluded, the Council achieved a yield of 2.30%, as detailed in **Appendix B1.** For comparison **Appendix B2**, the position as at 30th September 2021, is also provided.

2. Report

Performance against the Council's prudential indicators (PI's) is listed in Table 1 and **Appendix A,** which also provides comments.

Table 1: Treasury Management Performance Indicators as at 30 September 2022

Indicator	PI Level	30/09/2022		RAG Indicator
	£m	£m		
Capital Financing Requirement				
- CFR as at 30/09/2021	1,153.0	1,076.6		G
- as at 31/03/2022 forecast		1,072.0		G
Total outstanding debt	1,106.0	1,094.7		G
Debt below CFR		Yes		G
Liquidity: cash availability	20.0	16.7		A
Affordable borrowing				
Authorised limit	1,450.0			
Operational boundary	1,350.0			
Outstanding borrowing		1,094.7		G
Maturity Structure of Borrowing				
	Upper limit	**£m**	**Of total**	
Under 12 Months	10%	22.0	1%	G
1 – 2 Years	15%	198.1	2%	G
>2 – 5 Years	20%	45.5	4%	G
>5 – 10 Years	25%	243.3	8%	G
>10 – 20 Years	50%	298.8	18%	G
>20 – 30 Years	75%	189.0	22%	G
>30 – 40 Years	90%	83.5	28%	G
>40 – 50 Years	100%	14.5	17%	G
	Total	**1,094.7**	**100%**	
Other				
Price Risk Indicator	£70.0	£41.0		G
Standalone financial derivatives	Limited	None		G

KEY	
Exceed PI significantly	**R**
Near but not within PI	A
Within or at PI level	G

2.1 The Council has significant levels of long-term borrowing (at fixed rates of interest) of £1,094.7m (Table 3), secured to fund historic property acquisitions and to fund completed residential and regeneration schemes. The Council's current strategy for funding capital developments is to use short-term borrowing during the development phase and once the asset is operational, fix at a lower rate via long-term borrowing from the PWLB.

2.2 The need to borrow for capital purposes is assessed by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These are summarised at Tables 2 and 3 below.

2022/23

Table 2: CFR Summary

	2021/22 End 31/03/2022 £m	2022/23 End 30/09/2022 £m	2022/23 End 31/03/2022 £m
Opening Capital Financing Requirement	**1,128.5**	**1,117.7**	**1,117.7**
Capital investment			
Property, Plant and Equipment	4.7	4.8	14.3
Intangible Assets	0.3	0.1	0.4
Revenue Spend Funded from Capital under Statute	1.0	0.5	1.0
Total Capital Investment	**6.0**	**5.4**	**15.8**
Sources of Finance			
Capital Receipts	(0.7)	(0.4)	(1.0)
Government Grants and Contributions	(2.6)	(1.3)	(2.6)
Revenue contributions	(1.2)	(0.6)	(1.2)
Repayment of debt	(12.3)	(44.3)	(56.6)
Total Sources of Finance	(16.8)	(46.6)	(63.4)
Closing Capital Financing Requirement	**1,117.7**	**1,076.6**	**1,072.0**

2.3 The CFR represents the cost of capital expenditure that remains to be financed, after applying available sources of finance. This year's opening CFR (1 April 2022) of £1,117.7m is forecast to be increased by £15.8m capital expenditure during 2021/22 and decreased by £63.4m of funds applied, leaving a closing CFR of £1,072.0m. The mid-year position reflects the delays in capital projects, which, if these continue to be delayed, will result in a decrease in CFR by year end.

Table 3: Treasury Management Summary

	Balance 31/03/2022 £m	Movement £m	Balance 30/09/2022 £m		Rate 31/09/2022 %
Long-term borrowing	(1,084.4)	(0.2)	(1,084.7)		2.28%
Short-term borrowing	(37.7)	27.7	(10.0)		0.18%
Total borrowing	**(1,122.2)**	**27.5**	**(1,094.7)**	**G**	
Long-term investments	35.9	(4.6)	31.3		4.27%
Short-term investments	40.5	24.9	65.4		2.16%
Cash and cash equivalents	53.0	(36.2)	16.7	**A**	2.15%
Total investments	**129.3**	**(16.0)**	**113.3**		
Net borrowing	**(992.9)**	**11.5**	**(981.3)**		

2.4 For the year to 30th September 2022, the Council had net borrowing of £981.3m. This represents a reduction of £11.6m in net borrowing. Borrowing is lower than anticipated due to delays in the Capital Programme.

2.5 Council funds are being kept sufficiently liquid to ensure that funding is readily available for design and planning costs expected for the remainder of the financial year. However, as borrowing costs have increased significantly recently with the Bank of England raising its rate in quarter three to 3.00%, its anticipated that all schemes that have not yet ‘broken ground’ maybe paused post obtaining planning permission. However, there are significant holding costs associated with the schemes of circa £0.170m per month that must be considered.

2.6 The Council held £1,094.7m of loans as at 30 September 2022, a decrease of £27.5m from 31 March 2022. Outstanding loans are summarised in Table 4 below.

Table 4: Borrowing Position

	Balance 31/03/2022 £m	Movement £m	Balance 30/09/2022 £m		Rate 30/09/2022 %	Maturity (wtd average years)
Public Works Loan Board	1,074.0	10.7	1,084.7		2.28%	44
Local authorities - long-term	10.4	(10.4)	-		-	
Local authorities - short-term	37.7	(27.7)	10.0		0.18%	<1
Total Borrowing	**1,122.2**	**(27.5)**	**1,094.7**	**G**		

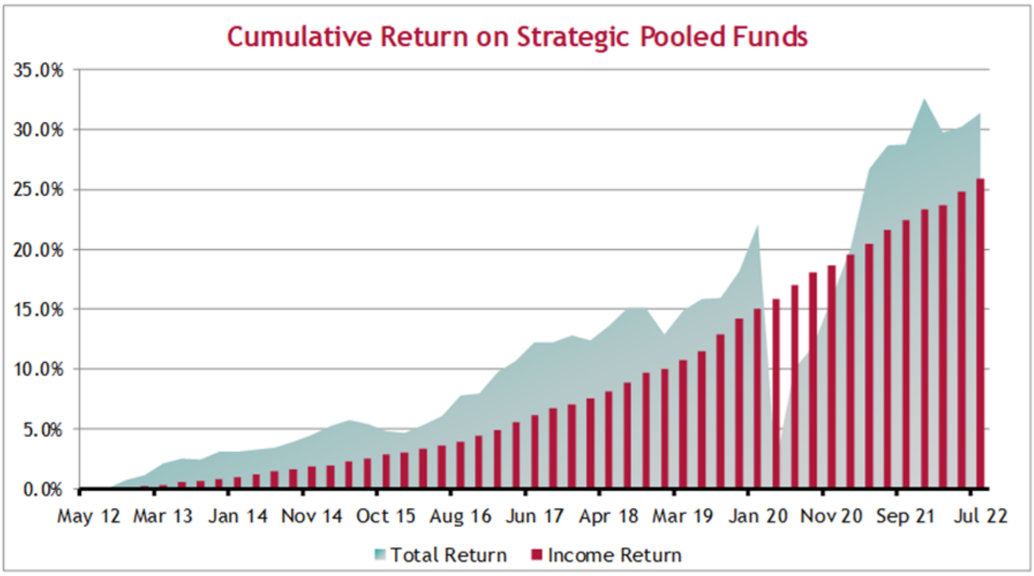
2.7 The Council’s investment portfolio totalled £113.6m as at 30 September 2022, with £82.1m of this being short-term and cash funds. A breakdown of investments is given in **Appendix D**.

2.8 Interest received on the short term investments totalled £0.65m and a yield of 0.79% for the 6 months to September. Interest paid on total borrowing was £12.5m for the same period. Both figures were in-line with their respective budgets as per the table below.

Table 5: Interest

		2022/23 Budget	2022/23 Actual 30/09/22	2022/23 Forecast	2022/23 Forecast to Budget Variance	2022/23 Forecast to Budget Variance
	£	£	£	£	£	%
Interest Earnings		(1,288,400.0)	(645,945.9)	(1,291,891.9)	(3,491.9)	0.27%
Debt Interest Payable		25,078,800.0	12,508,288.0	25,016,576.0	(62,224.0)	-0.25%
Total		**23,790,400.0**	**11,862,342.1**	**23,724,684.1**	**(65,715.9)**	

2.9 As at 30 September 2022, the Council held £31.5m in externally managed strategic pooled funds (bond, equity, multi-asset and property). These funds are typically less liquid. This asset class generated a return £0.83m and a yield of 2.65% in the six months to September. Cumulative return is provided below, performance is detailed in **Appendix E.**



2.10 Council continues to review its approach to ethical and sustainable investment with advice through the Arlingclose ESG (Environmental, Social and Governance) and Responsible Investment service for local authorities.

2.11 The Council held non-treasury investments in directly owned property valued at £916.8m at the end of March 2022, as well as shareholding in Knowle Green Estates Limited, with investment property of £4.6m, and in Spelthorne Direct Services Limited which delivers commercial waste services.

2.12 These investments are expected to generate approximately £58.6m of gross rental investment income for the Council, representing a rate of return of 6.4%. This return helps towards supporting the cost of the Council's services even after accounting for sinking funds set aside to address future property costs.

2.13 The Chief Finance Officer reports that treasury management activities undertaken during the first half year complied with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy. There have been no incidents of counter party limit breaches in the six months to 30 September.

3. Options analysis and proposal

3.1 Not applicable.

4. Financial implications

4.1 The financial implications are detailed in the main body of the report. The ability to maximise interest returns, whilst keeping risk within acceptable tolerances, is crucial to being able to generate sufficient income to support the General Fund and the Capital Programme. Small adverse movements in interest rates can mean a significant reduction in cash returns. Therefore, it is our aim to continue to maintain flexibility with a high level of security, liquidity and minimal risk when making investment decisions.

5. Risk considerations

5.1 With the rise in the BoE's base rate, 3.0% at the time of writing this report, and the associated rise in borrowing costs, there is now a significant question mark over the viability of the schemes that are yet to 'break ground' as the higher cost of finance means that the schemes would produce a negative net present value (NPV) i.e. would not be profitable for the Council. However, as detailed above, postponing the schemes, with the intention of taking to completion once market volatility and borrowing costs reduce, is not without risk as it attracts significant holding costs, currently estimated to be £0.170m per month. This exposes the Council to the financial risk that individual schemes enter a negative NPV scenario if those schemes are postponed for too long a period of time. In addition to this, the Council has faced negative publicity over its debt level in relation to its Capital Programme, so there is likely to be reputational risk associated with postponing or deciding to not go ahead with elements of the programme given the investment in those schemes to date.

6. Procurement considerations

6.1 None.

7. Legal considerations

7.1 None.

8. Other considerations

8.1 The Council fully complies with best practice as set out in CIPFA's 2019 Treasury Management and Prudential Codes and in the Government's Guidance on Investments effective from April 2018. As issues arise, as when limits were breached as noted 2.15, measures are taken to address the underlying reasons.

8.2 Nothing in the Council's current strategy is intended to preclude or inhibit capital investment in local projects deemed beneficial to the local community and which have been approved by the Council.

9. Equality and Diversity

9.1 No impact.

10. Sustainability/Climate Change Implications

10.1 The Council continues to review its ESG position with its advisers on a regular basis and has asked them to assist the Council to manage a transition over time towards a more environmentally sustainable portfolio.

11. Timetable for implementation

11.1 Not applicable.

Appendices:

Appendix A – TM Prudential Indicators
Appendix B1 – Benchmarking 22-23
Appendix B2 – Benchmarking 21-22
Appendix C – Context and Background
Appendix D – Details of Investments
Appendix E – Strategic Pooled Funds

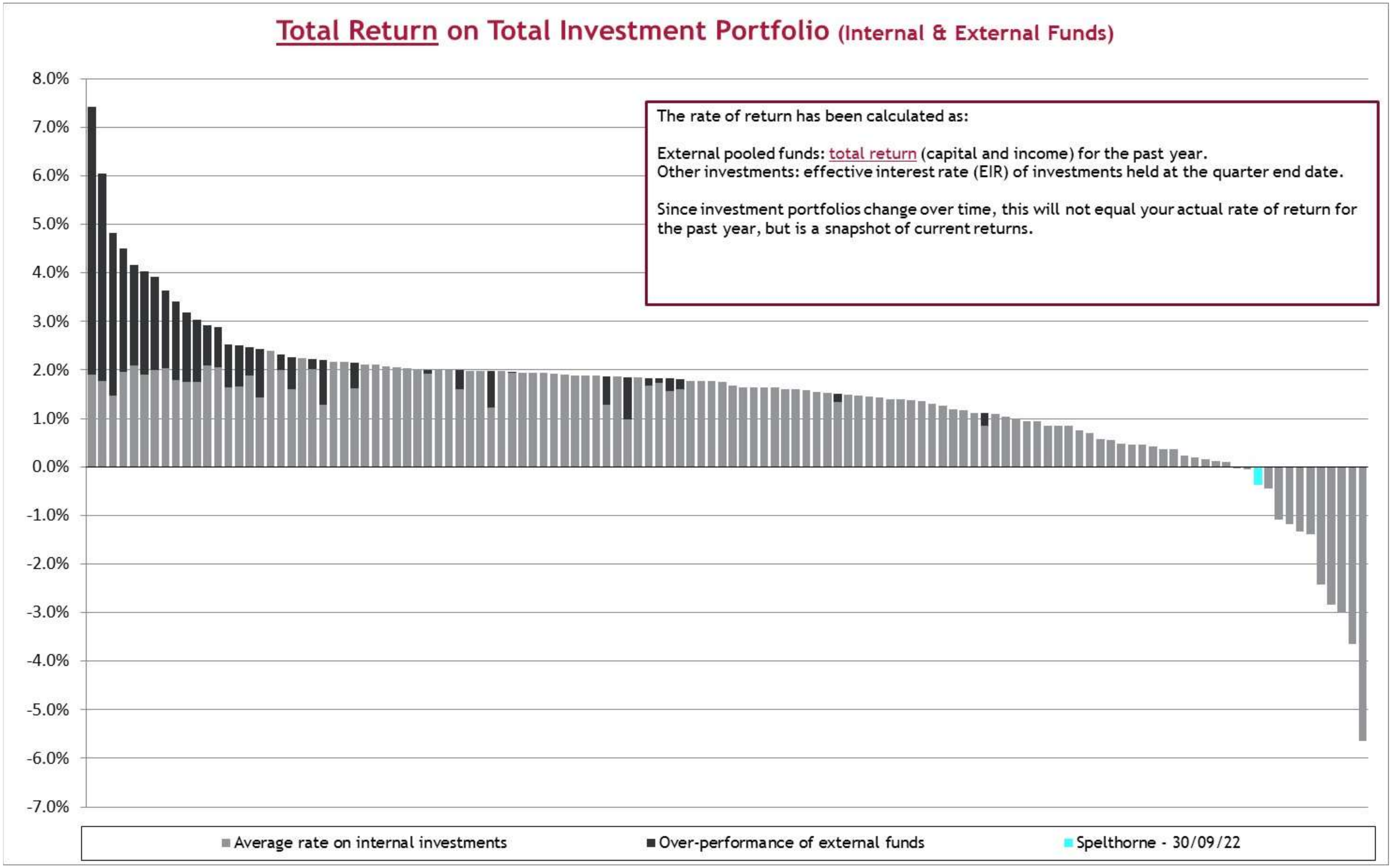
Appendix A

Treasury Management Prudential Indicators as at 30th September 2022

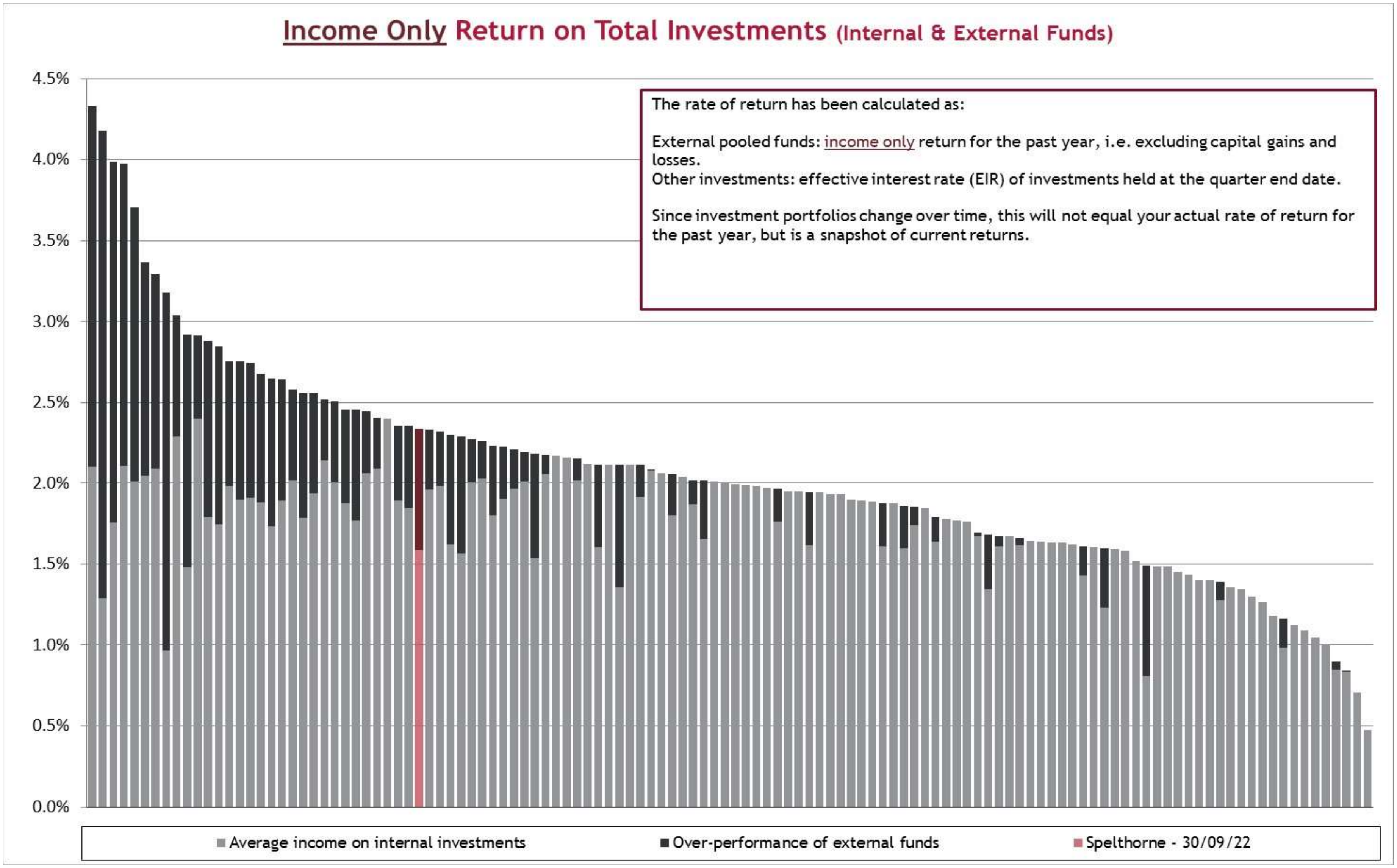
Performance Indicator	PI Level	30/09/2022		RAG Indicator	Comment
	£m	£m			
Capital Financing Requirement					
- CFR as at 30/09/2022	1,153.0	1,076.6		G	Less than forecast for year
- CFR as at 31/03/2023 forecast		1,072.0		G	Note that continued delays in planned capital projects are likely to bring the year end CFR to below target.
Total outstanding debt	1,106.0	1,094.7		G	Less than CFR
Debt below CFR	CFR below	Yes		G	'Internal' borrowing
Liquidity risk indicator					
- cash availability	20.0	16.7		A	Money market funds are used to ensure instant access availability of up to £50m, with cash balances monitored with particular reference to 3- and 6-month projections.
Affordable borrowing					
Authorised limit	1,450				
Operational boundary	1,350				
Outstanding borrowing		1,094.7		G	Less than the borrowing limits.
Maturity Structure of Borrowing					
	Upper limit	**£m**	**Proportion**		
Under 12 Months	10%	22.0	2%	G	
1 – 2 Years	15%	198.1	18%	G	
>2 – 5 Years	20%	45.5	4%	G	
>5 – 10 Years	25%	243.3	22%	G	
>10 – 20 Years	50%	298.8	27%	G	
>20 – 30 Years	75%	189.0	17%	G	
>30 – 40 Years	90%	83.5	8%	G	
>40 – 50 Years	100%	14.5	1%	G	
	Total	**1,094.7**	**100%**		
	£m	£m			
Other					
Price Risk Indicator	£70m	£41m		G	Limit on principal invested beyond year end.
Standalone financial derivatives	Limited	None		G	Only used where demonstrated to reduce the overall level of the financial risks.
	£m	£m			
'Net Revenue Stream'	15.0	14.4			The amount to be met from gov grants and local taxpayers.
Financing costs	36.1	36.1			Debt-related costs
Financing as % of net revenue	241%	251%		G	
Investment properties - income	(54.0)	(53.5)			
- Net of financing costs	(17.9)	(17.4)			

KEY		
Exceed PI significantly	R	Not within target
Near but not within PI	A	Near target
Within or at PI level	G	At or below target

Benchmarking carried out by Arlingclose using data from their clients
- Spelthorne shown as blue bar

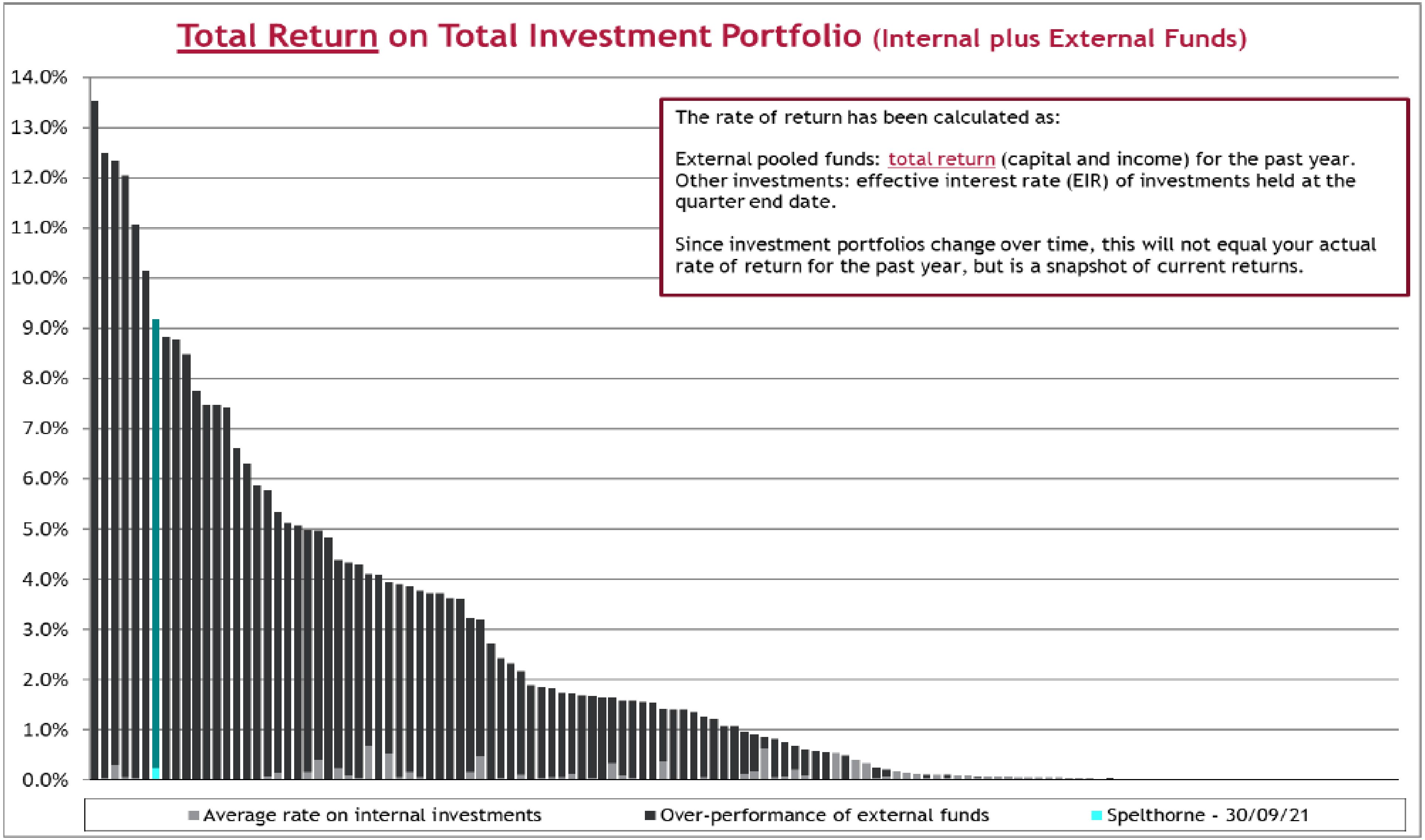


Benchmarking carried out by Arlingclose using data from their clients
- Spelthorne shown as red bar



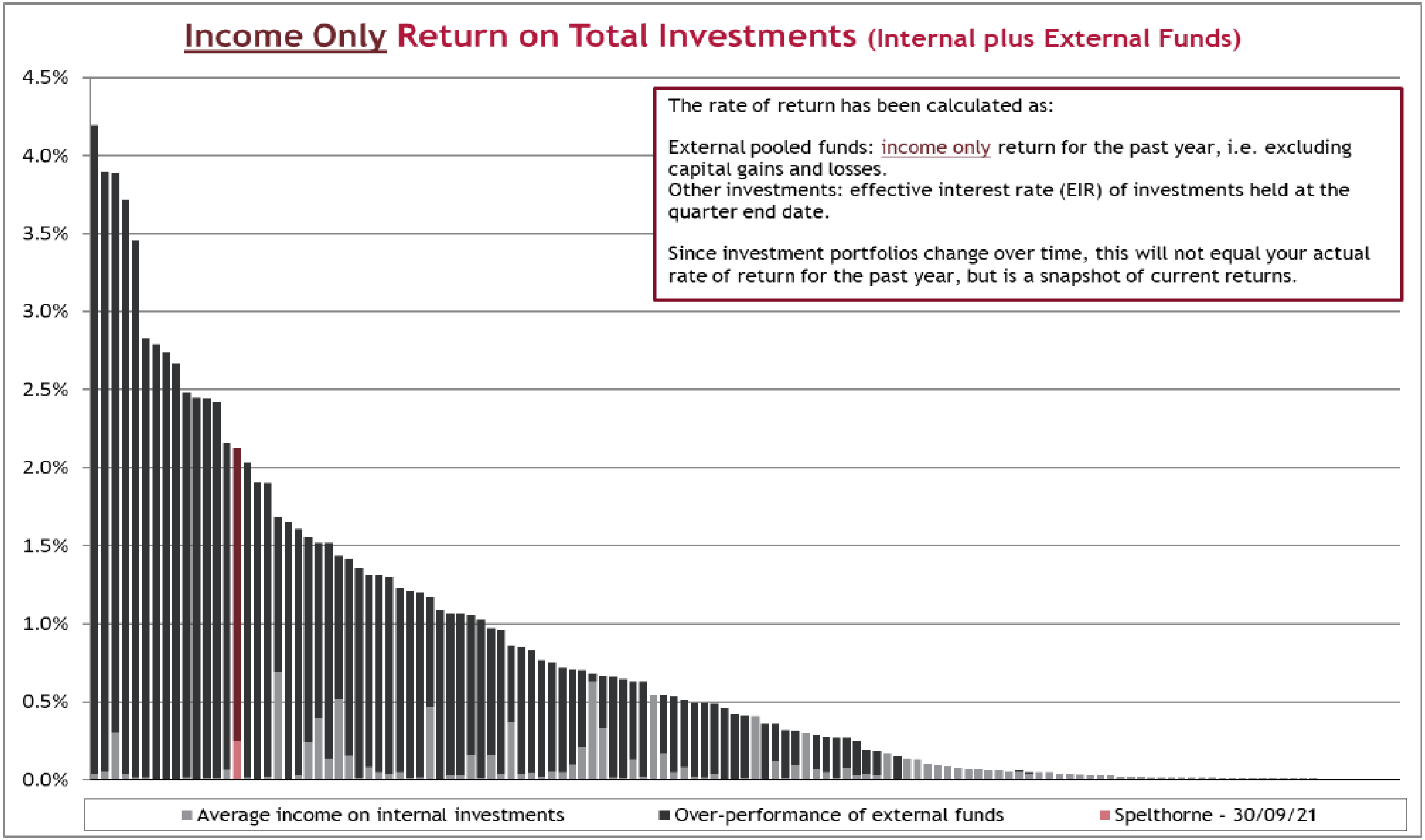
Benchmarking carried out by Arlingclose using data from their clients

- Spelthorne shown as blue bar (ranked 7th from top)



Benchmarking carried out by Arlingclose using data from their clients

- Spelthorne shown as red bar (ranked 15th from top)



Context and Background as of 30th September 2022

Introduction

Treasury Management is the management of an entity's liquidity, funding, cash flows, banking, money market and capital market transactions and the mitigation of operational, financial and reputational risk whilst optimising investments returns.

The Council has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Authority to produce and approve treasury management semi-annual and annual reports.

The Council's treasury management strategy for 2022/23 was approved at a meeting on 24th February 2022. The Council has borrowed and invested significant sums of money and is therefore 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 risk remains central to the Authority's treasury management strategy.

The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council's Capital Strategy, complying with CIPFA's requirement, was approved by Council on 24 February 2022 for financial year 2022-23.

The following sections are derived from data and analysis provided by Spelthorne's treasury advisor, Arlingclose.

External Context

Economic background: The ongoing conflict in Ukraine has continued to put pressure on global inflation and the economic outlook for UK and world growth remains weak. The UK political situation towards the end of the period following the 'fiscal event' increased uncertainty further.

The economic backdrop during the April to September period continued to be characterised by high oil, gas and commodity prices, ongoing high inflation, and its impact on consumers' cost of living, no imminent end in sight to the Russia-Ukraine hostilities and its associated impact on the supply chain, and China's zero-Covid policy.

Central Bank rhetoric and action remained robust. The Bank of England, Federal Reserve and the European Central Bank all pushed up interest rates over the period and committed to fighting inflation, even when the consequences were in all likelihood recessions in those regions.

UK inflation remained extremely high. Annual headline CPI hit 10.1% in July, the highest rate for 40 years, before falling modestly to 9.9% in August returning to 10.1% in September. RPI registered 12.3% in both July and August. The energy regulator, Ofgem, increased the energy price cap by 54% in April, while a further increase in the cap from October, which would have seen households with average energy consumption pay over £3,500 per annum, was dampened by the Truss government stepping in to provide around £150 billion of support to limit bills to £2,500 annually until 2024. The Sunak administration has also confirmed the support with the Chancellor, Jeremy Hunt, confirming the arrangement until the same date, but with a limit of £3000.

The labour market remained tight through the period but there was some evidence of easing demand and falling supply. The unemployment rate 3m/year for April fell to 3.8% and declined further to 3.6% in July. Although now back below pre-pandemic levels, the recent decline was driven by an increase in inactivity rather than demand for labour. Pay growth in July was 5.5% for total pay (including bonuses) and 5.2% for regular pay. Once adjusted for inflation, however, growth in total pay was -2.6% and –2.8% for regular pay.

With disposable income squeezed and higher energy bills still to come, consumer confidence fell to a record low of –44 in August, down –41 in the previous month. Quarterly GDP fell -0.1% in the April-June quarter driven by a decline in services output, but slightly better than the 0.3% fall expected by the Bank of England.

The Bank of England increased the official Bank Rate to 2.25% over the period. From 0.75% in March, the Monetary Policy Committee (MPC) pushed through rises of 0.25% in each of the following two MPC meetings, before hiking by 0.50% in August and again in September. August's rise was voted by a majority of 8-1, with one MPC member preferring a more modest rise of 0.25%. the September vote was 5-4, with five votes for an 0.5% increase, three for an 0.75% increase and one for an 0.25% increase. The Committee noted that domestic inflationary pressures are expected to remain strong and so given ongoing strong rhetoric around tackling inflation further Bank Rate rises should be expected.

On 23rd September the UK government, following a change of leadership, announced a raft of measures in a 'mini budget', loosening fiscal policy with a view to boosting the UK's trend growth rate to 2.5%. With little detail on how government borrowing would be returned to a sustainable path, financial markets reacted negatively. Gilt yields rose dramatically by between 0.7% - 1% for all maturities with the rise most pronounced for shorter dated gilts. The swift rise in gilt yields left pension funds vulnerable, as it led to margin calls on their interest rate swaps and risked triggering large scale redemptions of assets across their portfolios to meet these demands. It became necessary for the Bank of England to intervene to preserve market stability through the purchase of long-dated gilts, albeit as a temporary measure, which has had the desired effect with 50-year gilt yields falling over 100bps in a single day.

Bank of England policymakers noted that any resulting inflationary impact of increased demand would be met with monetary tightening, raising the prospect of much higher Bank Rate and consequential negative impacts on the housing market.

After hitting 9.1% in June, annual US inflation eased in July and August to 8.5% and 8.3% respectively. The Federal Reserve continued its fight against inflation over the period with a 0.5% hike in May followed by three increases of 0.75% in June, July and September, taking policy rates to a range of 3% - 3.25%.

Eurozone CPI inflation reached 9.1% y/y in August, with energy prices the main contributor but also strong upward pressure from food prices. Inflation has increased steadily since April from 7.4%. In July the European Central Bank increased interest rates for the first time since 2011, pushing its deposit rate from –0.5% to 0% and its main refinancing rate from 0.0% to 0.5%. This was followed in September by further hikes of 0.75% to both policy rates, taking the deposit rate to 0.75% and refinancing rate to 1.25%.

Financial markets: Uncertainty remained in control of financial market sentiment and bond yields remained volatile, continuing their general upward trend as concern over higher inflation and higher interest rates continued to dominate. Towards the end of September, volatility in financial markets was significantly exacerbated by the UK government's fiscal plans, leading to an acceleration in the rate of the rise in gilt yields and decline in the value of sterling.

Due to pressure on pension funds, the Bank of England announced a direct intervention in the gilt market to increase liquidity and reduce yields.

Over the period the 5-year UK benchmark gilt yield rose from 1.41% to 4.40%, the 10-year gilt yield rose from 1.61% to 4.15%, the 20-year yield from 1.82% to 4.13% and the 50-year yield from 1.56% to 3.25%. The Sterling Overnight Rate (SONIA) averaged 1.22% over the period.

Credit review:

In July Fitch revised the outlook on Standard Chartered from negative to stable as it expected profitability to improve thanks to the higher interest rate environment. Fitch also revised the outlook for Bank of Nova Scotia from negative to stable due to its robust business profile.

Also in July, Moody's revised the outlook on Bayerische Landesbank to positive and then in September S&P revised the GLA outlook to stable from negative as it expects the authority to remain resilient despite pressures from a weaker macroeconomic outlook coupled with higher inflation and interest rates.

Having completed its full review of its credit advice on unsecured deposits at UK and non-UK banks, in May Arlingclose extended the maximum duration limit for five UK banks, four Canadian banks and four German banks to six months. The maximum duration for unsecured deposits with other UK and non-UK banks on Arlingclose's recommended list is 100 days. These recommendations were unchanged at the end of the period.

Arlingclose continued to monitor and assess credit default swap levels for signs of credit stress but made no changes to the counterparty list or recommended durations. Nevertheless, increased market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

Arlingclose's Economic Outlook for the remainder of 2022/23 (based on 26th September 2022 interest rate forecast)

	Current	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
Official Bank Rate													
Upside risk	0.00	0.50	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	2.25	4.25	5.00	5.00	5.00	5.00	5.00	5.00	5.00	4.75	4.25	3.75	3.25
Downside risk	0.00	-1.00	-1.00	-0.75	-0.50	-0.50	-0.50	-0.75	-1.25	-1.50	-1.75	-1.75	-1.75

Arlingclose expects Bank Rate to rise further during 2022/23 to reach 5% by the end of the year.

The MPC is particularly concerned about the demand implications of fiscal loosening, the tight labour market, sterling weakness and the willingness of firms to raise prices and wages.

The MPC may therefore raise Bank Rate more quickly and to a higher level to dampen aggregate demand and reduce the risk of sustained higher inflation. Arlingclose now expects Bank Rate to peak at 5.0%, with 200bps of increases this calendar year.

This action by the MPC will slow the economy, necessitating cuts in Bank Rate later in 2024.

Gilt yields will face further upward pressure in the short term due to lower confidence in UK fiscal policy, higher inflation expectations and asset sales by the BoE. Given the recent sharp rises in gilt yields, the risks are now broadly balanced to either side. Over the longer term, gilt yields are forecast to fall slightly over the forecast period.

Background:

Monetary policymakers are behind the curve having only raising rates by 50bps in September. This was before the "Mini-Budget", poorly received by the markets, triggered a rout in gilts with a huge spike in yields and a further fall in sterling. In a shift from recent trends, the focus now is perceived to be on supporting sterling whilst also focusing on subduing high inflation.

There is now an increased possibility of a special Bank of England MPC meeting to raise rates to support the currency. Followed by a more forceful stance over concerns on the looser fiscal outlook. The MPC is therefore likely to raise Bank Rate higher than would otherwise have been necessary given already declining demand. A prolonged economic downturn could ensue.

Uncertainty on the path of interest rates has increased dramatically due to the possible risk from unknowns which could include for instance another Conservative leadership contest, a general election, or further tax changes including implementing windfall taxes.

The government's blank cheque approach to energy price caps, combined with international energy markets priced in dollars, presents a fiscal mismatch that has contributed to significant decline in sterling and sharp rises in gilt yields which will feed through to consumers' loans and mortgages and business funding costs.

UK government policy has mitigated some of the expected rise in energy inflation for households and businesses flattening the peak for CPI, whilst extending the duration of elevated CPI. Continued currency weakness could add inflationary pressure.

The UK economy already appears to be in recession, with business activity and household spending falling. The short- to medium-term outlook for the UK economy is relatively bleak.

Global bond yields have jumped as investors focus on higher and stickier US policy rates. The rise in UK government bond yields has been sharper, due to both an apparent decline in investor confidence and a rise in interest rate expectations, following the UK government’s shift to borrow to loosen fiscal policy. Gilt yields will remain higher unless the government’s plans are perceived to be fiscally responsible.

The housing market impact of increases in the Base Rate could act as a “circuit breaker” which stops rates rising much beyond 5.0%, but this remains an uncertainty.

Appendix D

Details of Investments Held as at 30 September 2022

Investment Type	Valuation £m	Yield %	Start Date	Maturity Date
<u>Pooled Investment Funds</u>				
(see Appendix B for details)				
WS Charteris Premium Income Fund	0.64	3.53%	11-May-12	N/A
Ninety One (Investec) Diversified Income Fund	3.80	1.92%	19-Oct-21	N/A
M&G Global Dividend Fund	5.64	1.90%	01-Jun-21	N/A
M&G Optimal Income Fund	1.47	1.27%	14-Jan-22	N/A
M&G Uk Income Distribution Fund	1.70	2.92%	15-Aug-16	N/A
Threadneedle Global Equity Income Fund	1.71	1.59%	15-Aug-16	N/A
Threadneedle Uk Equity Income Fund	3.35	2.26%	29-Mar-22	N/A
Ubs Multi Asset Income Fund	1.16	2.77%	29-Oct-21	N/A
Aegon (Kames) Diversified Monthly Income Fund	2.52	3.22%	29-Mar-22	N/A
Schroder Income Maximiser Fund	4.49	4.26%	31-Mar-13	N/A
Schroder Uk Corporate Bond Fund	1.41	2.81%	30-Apr-14	N/A
CCLA – Lamit Property Fund	3.61	2.34%	22-Feb-19	N/A
Total - Core Inv. Portfolio	**31.51**	**2.65%**		
<u>Money Market Funds (ICD Portal)</u>				
BNP Paribas	0.16	2.20%	N/A	Instant Access
Invesco	10.00	2.12%	N/A	Instant Access
Morgan Stanley	6.51	2.12%	N/A	Instant Access
Total	**16.67**	**2.05%**		
Local Authorities	55.0	1.26%	N/A	Short term
Bank Deposits	5.00	4.52%	N/A	Short term
Close Brothers	5.00	0.70%	N/A	Short term
<u>Funding Circle</u>				
Loans to small businesses	0.40	1.29%	N/A	N/A
Total Investments at 30/09/2021	**113.58**	**1.22%**		

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Appendix E

Pooled (Strategic Investment) Funds as at 30 September 2022

Fund	Date of Initial Investment	Total Invested	No. of Shares	Value as at 30/09/2021	Value as at 31/03/2022	Value as at 30/09/2022	Price per share 30/09/2022	Dividends Accrued 6M to 30/09/2022	6M Yield to 30/09/22	Capital Gain/ (Loss) 6M to 30/09/22	Total Return 6M to 30/09/2022	Capital Gain/ (Loss) Inception to 30/09/22
		£			£	£	£	£	%	£	£	£
Charteris - Elite Premium Income Fund	11/05/12	800,000	688,039	759,182	741,843	642,490.63	0.9338	28,235	3.53%	(99,353)	(71,118)	(157,509)
Ninety One Class J Income	25/08/16	4,500,000	4,304,368	4,243,417	4,155,658	3,799,035.13	0.8826	86,556	1.92%	(356,622)	(270,067)	(700,965)
M&G Global Dividend Fund	27/06/12	4,000,000	4,783,490	5,842,705	6,210,911	5,644,518.34	1.1800	76,157	1.90%	(566,393)	(490,236)	1,644,518
M&G Optimal Income Fund	15/09/15	1,656,247	1,722,011	1,752,591	1,638,993	1,474,730.09	0.8564	21,091	1.27%	(164,263)	(143,172)	(181,517)
M&G Uk Income Distribution Fund	18/08/16	2,000,000	158,204	1,909,048	1,949,375	1,700,551.35	10.7491	58,399	2.92%	(248,823)	(190,424)	(299,449)
Threadneedle Global Equity Income Fund	21/02/19	1,500,000	1,712,947.33	1,730,714	1,829,488	1,712,947.33	1.0000	23,789	1.59%	(116,540)	(92,751)	212,947
Threadneedle Uk Equity Income Fund	08/09/16	2,000,000	1,981,457	2,195,468	2,178,238	3,348,662.42	1.6900	45,156	2.26%	1,170,425	1,215,581	1,348,662
Ubs Multi Asset Income Fund	22/02/19	1,500,000	3,104,305	1,466,784	1,385,451	1,160,078.64	0.3737	41,598	2.77%	(225,373)	(183,775)	(339,921)
Aegon (Kames) Diversified Monthly Income Fund	21/02/19	3,000,000	2,771,107	3,011,084	3,020,783	2,516,719.01	0.9082	96,531	3.22%	(504,064)	(407,533)	(483,281)
Schroder Income Maximiser Fund	06/07/12	6,000,000	12,732,853	5,088,432	5,475,774	4,489,603.80	0.3526	255,481	4.26%	(986,170)	(730,689)	(1,510,396)
Schroder Uk Corporate Bond Fund	11/05/12	1,500,000	1,408,451	1,969,014	1,833,803	1,405,633.80	0.9980	42,128	2.81%	(428,169)	(386,041)	(94,366)
CCLA – Lamit Property Fund	31/03/13	2,500,001	1,054,446	3,260,755	3,583,171	3,610,423.11	3.4240	58,595	2.34%	27,252	85,847	1,110,422
Value at 30/09/2021		**30,956,248**	**36,421,677**	**33,229,195**	**34,003,488**	**31,505,393.65**		**833,716.19**	**2.65%**	**(2,498,094)**	**(1,664,378)**	**549,145**

Strategic Fund Performance as at 30 September 2022

Capital appreciation of the total value of investments detailed above since inception is 1.77% as at 30/09/22.
The income yield for 2022/23 for the 6 months to 30/09/22 is 2.69% and for the 12 months to 30/09/22 is 4.44%.

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Corporate Policy & Resources Committee

28 November 2022

Title	*Determination of the 2023/24 Council Tax base for tax setting.*
Purpose of the report	To make a decision and a recommendation to Council
Report Author	*Paul Taylor Chief Accountant*
Ward(s) Affected	All Wards
Corporate Priority	Service delivery
Recommendations	**That in accordance with its delegated powers the Corporate Policy & Resources Committee resolves that the following recommendation in accordance with the Local Authorities (Calculation of Tax Base) (England) Regulations 2012, is made to Council for approval:** A. the gross Council Tax Base for 2023/24 is determined at 41,185 (2022/23: 40,867) after taking account of the Council's agreed Council Tax Support Scheme, and B. the net Council Tax Base for 2023/24 calculated as Band D equivalents, is determined at 39,949 (2022/23: 39,233) after adjustment by 3% to allow for; irrecoverable amounts, appeals and property base changes.
Reason for Recommendation	*To meet the legal requirements to set the Council tax base and publish it to between 1 December 2022 and 31 January 2023 to Surrey County Council and the Surrey Police Commissioner.*

1. Summary of the report

1.1 Section 67 of the Local Government Finance Act 1992 requires the Council to determine and approve its Council Tax Base for the following financial year before 31st January each year.

1.2 The Council is required to calculate the Council Tax Base for its area and has a statutory obligation to notify the figure to the major precepting authorities (Surrey County Council and the Surrey Police Authority) with the Council tax base no later than 31st January 2023.

2. Key issues

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

2.2 All domestic properties within the Borough are banded by the Valuation Officer in one of eight bands. The tax base calculation includes the estimated number of chargeable dwellings, which after allowing for discounts and exemptions, appeals and voids for each ward for the period to 31st March 2023 results in the number of chargeable properties. Chargeable properties are converted to a Band D equivalent by applying the prescribed formula and an allowance for losses on collection.

2.3 This report sets out the various factors which have to be taken into account and provides the calculations to arrive at the tax base for 2023/24.

2.4 The 2023/24 Council Tax base is set out in Appendix A.

3. Financial implications

3.1 The Local Government Finance Act 2012 (LGFA 2012) includes a number of amendments to the LGFA 1992 which affects the calculation of the Council of the council tax base. These amendments gave powers to determine discounts and set premiums in certain circumstances.

3.2 Section 10 of the Local Government Finance Act 2012 imposes an obligation on Billing Authorities to set up a Council Tax Reduction Scheme to replace Council Tax Benefit from 1 April 2013. The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 specify that the tax base must be adjusted to take account of the amount to be paid in accordance with the reduction scheme.

3.3 In arriving at a net base, allowance must be made for irrecoverable amounts, movements as a result of appeals and property base changes (new properties). For this purpose, an allowance of 3% is proposed.

3.4 The Council Tax Base for 2023/24 has been calculated in accordance with the prescribed guidelines

4. Risk considerations

4.1 The Council will not be able to calculate its share of Council Tax for 2023/24 until the Corporate Policy & Resources Committee have exercised its delegated power and agreed the figures contained in appendix A.

4.2 Should a recommendation not be forthcoming until after 31 January 2023, then the Council will suffer severe reputational damage with its stakeholders, Surrey County Council and the Surrey Police Commissioner, as they will not be able to complete their 2023/24 Budgets and Council Tax setting protocols.

5. Procurement considerations

5.1 None

6. Legal considerations

6.1 On the basis that this decision is made by 31 January 2023, there are no legal implications.

7. Other considerations

7.1 None.

8. Equality and Diversity

8.1 None.

9. Sustainability/Climate Change Implications

9.1 None.

10. Timetable for implementation

10.1 29 November – Corporate Policy & resources agree the 2023/24 Council Tax Base

10.2 By 31 January 2023, Spelthorne Borough Council advise Surrey County Council and the Surrey Police Commissioner of the Council Tax Base for 2023/24.

11. Contact

11.1 Paul Taylor p.taylor@speltorne.gov.uk

Background papers: There are none.

Appendices: Appendix A – Council Tax Base for 2023/24

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Appendix A - Council Tax Base for 2023/24

08/11/2022

Band	A(DR*)	A	B	C	D	E	F	G	H	O	Total
Number of dwellings equivalents after applying discounts and premiums to calculate tax base.	1.00	366.00	1458.25	8451.25	13717.00	9312.25	4331.75	2039.75	106.25		39783.50
Reduction in taxbase as a result of local council tax support	0.00	54.76	275.89	1173.22	996.12	267.63	55.37	10.14	0.00		2833.13
Number of dwellings equivalents after applying discounts, premiums and local tax support to calculate taxbase	1.00	311.24	1182.36	7278.03	12720.88	9044.62	4276.38	2029.61	106.25		36950.37
Ratio to band D	**0.555555556**	**0.7**	**0.777778**	**0.888888889**	**1.00**	**1.22**	**1.444444**	**1.666667**	**2**	**0**	
Total number of band D equivalents after allowance for council tax support (to 1 decimal place)	0.60	207.50	919.60	6469.40	12720.90	11054.50	6177.00	3382.70	212.50	0.00	41144.70
Number of band D equivalents of contributions in lieu (in respect of Class O exempt dwellings) in 2022-23										40.00	40.00
Tax base after allowance for council tax support (to 1 decimal place)	0.60	207.50	919.60	6469.40	12720.90	11054.50	6177.00	3382.70	212.50	40.00	41184.70
Less adjustment for losses in collection 3%											-1235.54
Net Tax Base											**39949.16**
2022/23 Band D equivalent	0.56	205.23	903.74	6369.15	12632.82	11015.83	6134.51	3351.37	214.00	40.00	40867.21
Less adjustment for losses in collection 3%											-1634.69
Net Tax Base											**39232.52**

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Corporate Policy & Resources Committee

28 November 2022

Title	*Environmental, Social & Governance (ESG) Policy for current and future medium-term investments.*
Purpose of the report	To make a decision and a recommendation to Council
Report Author	*Paul Taylor Chief Accountant*
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	*Refer to Guide on exemption/consult Legal and insert relevant category and Public Interest Test reason*
Corporate Priority	Community Affordable housing Recovery Environment Service delivery
Recommendations	**The Committee is asked to agree the criteria set out in 2.4 to 2.6 of the report below, as a starting point, to set the benchmark, which will enable the Council's investment advisers Arlingclose to carry out a review (Stage 1) of our existing medium-term investment portfolio and provide an orderly timetable for the diversification of our existing portfolio in order to meet the new criteria approved by Council, which will be presented for Council to approve by 30 April 2023 (Stage 2).** **All future medium-term investments will be expected to follow the ESG Policy.** **Where a managed fund can show that 85% or more of the companies included in that fund comply with the Council's ESG Policy, then overall that fund will have been deemed to comply with the policy and no further action on diversification is required.**
Reason for Recommendation	*The Council declared a climate emergency in October 2020 and the Council need to divest itself of the investments in companies that do not meet its investment criteria. Noting that the divesting of the portfolio needs to maintain the investment returns to safeguard existing Council services, regeneration, and housing projects, particularly at a time of increasing pressures on the Revenue Budget.*

1. Summary of the report

1.1 The Council declared a climate emergency in October 2020

1.2 This purpose of this report is to provide guiding principles to ensure that:

(a) The Council reviews its current £35m portfolio of medium-term managed investment funds with a view to divesting itself from funds or companies that are not compliant with Council's policy, whilst seeking to maintain its level of annual investment income, to protect Council services, regeneration projects and housing projects.
This will require a phased approach over the next five years.

(b) Ensures that all new medium- term investments comply with Council's ESG Policy.

1.3 The ESG Policy once agreed, will enable Arlingclose the Council's Treasury Management and Investment Advisers and Officers to begin Stage 1 and review our portfolio and asses where the Council needs to divest itself from a particular fund or company, together with alternative options for the Council to consider investing, whilst maintaining investment income returns.

1.4 Stage 2 of the process will be to agree the diversification plan, and this will be presented to Council by 30 April 2023.

1.5 This report is the starting point and will evolve over the next five years as investment indices and ratings schemes evolve, noting that the Officers will be reviewing each investment using the best indices available at the time.

1.6 As these indices are in their infancy and are not generally accepted across the investment sector, Officers will be monitoring the situation on a quarterly basis and will informally update the Corporate Policy & Resources Committee as appropriate, until there is standardisation of indices.

1.7 Officers will be formally updating this report on an annual basis.

1.8 This report does not apply to the Council's rental income from its investment and regeneration portfolio, which will be covered by a separate report in 2023.

Nor does it cover its short-term investments, which are mainly Inter Local Authority investments.

1.9 Because of the complex nature of managed funds Officers are recommending that as a starting point, if more than 85% of the companies within any one fund comply with this policy, the fund is deemed to have complied with the policy.

2. Key issues

2.1 The Council must maintain its forecast returns on investments on both classes of investment as the portfolio transitions into more ESG friendly sectors and companies, over the next two to five years, otherwise it will exacerbate the current cost of living crisis.

2.2 With the majority of the Council's medium-term investments tied up in managed funds, there are no suitable indices available to monitor or access the ESG credentials of each fund.

2.3 There are only a few qualitative general indices for establishing standards on investments, such as the United Nations – Sustainable Development Goals (UN-SDG), which are a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. _

2.4 The 17 SDGs are integrated—they recognise that action in one area will affect outcomes in others, and that development must balance social, economic, and environmental sustainability.

2.5 However, these SDGs have not been widely taken up by financial institutions, as this is still a relatively immature market when it comes to ratings of investments, sectors and companies, which means that Officers are going to be required to exercise judgements based on Council's approved policy, as the market matures, indices become more coherent and investment managers begin to standardise an acceptable sector wide approach to ranking companies according to pre-set ESG criteria.

2.6 Until these indices mature, and an industry standard is established within the managed investment fund sector, Officers are recommending that the Council approve a list of sectors that are excluded from any further medium-term investments or providing future tenancies to.

2.7 These could include the following, where a substantial part of the business includes either the production, distribution, supply or selling of:

(a) Alcohol

(b) Gambling

(c) Tobacco

(d) Adult entertainment

(e) Military weapons

(f) Fossil fuels

(g) Exploitative credit providers

(h) Third world debt exploitation

This is not an exhaustive list and can be added to through the year between reports on appropriate recommendation.

2.8 The Council could also consider excluding companies that often transgress the following:

(a) Failure to follow regulatory frameworks

(b) Ignore directions from regulators

2.9 Alternatively, Council could exclude those companies that have a significant involvement in the following exclusion lists:

(a) **Environment**

i) Adverse impact on land use, habitats, and biodiversity

ii) Causes water resource scarcity

iii) Contributes to carbon intensive industries

iv) Animal testing for cosmetic purposes

v) Exploits animals

vi) Poor supply chain management

(b) **Social**

i) Breaches of human rights principles

ii) Breaches of international labour standards

iii) Supports oppressive regimes and modern slavery

iv) Has a poor health & safety record

(c) **Governance**

i) Engages in bribery, fraud, or corruption

ii) Violation of international intellectual property rights

iii) Involved in unethical market behaviour or business practices.

iv) Does not pay the living wage where they operate, including supply chains.

v) Does not have a diversity & inclusion policy

vi) Does not have an ESG policy

2.10 The Council should be looking to invest in companies that can demonstrate some or all the following characteristics

(a) Is committed to the avoiding investing in the same companies listed in 2.6 above and does not have a significant issue with the criteria listed in 2.7 & 2.8 above.

(b) Has a strong ESG policy and delivers against it, i.e., is the opposite of the factors highlighted in 2.8 above.

3. Options analysis and proposal

3.1 **Do nothing -** This is not an option and will not be considered further.

3.2 **Recommended action** - once Council has agreed to the principles for its ESG Policy based on some or all of the above. Our advisers Arlingclose will be able to assess our portfolio of investments and provide Council with a recommended and orderly restructure of our investment portfolio, to deliver on the declared climate emergency, whilst maintaining cash receipts to support Council services, regeneration, and housing projects.

4. Financial implications

4.1 There could be significant financial implications to the Council, once Arlingclose have reviewed the existing portfolio based upon the Council approved criteria for our ESG Policy.

4.2 After the review has been conducted by Arlingclose and assessed by Officers, will make a recommendation on the planned diversification of the Council investment portfolio, which maintains the existing level of the Council’s investment income in order to protect services, affordable housing and regeneration programme. This is expected to be sent to Council by 30 April 2023, at the latest.

4.3 It is difficult to provide detailed financial implications until Council have an agreed strategy, our Treasury Management advisors, Arlingclose have indicated that the result of transitioning our portfolio in this way the net annual revenue return (as distinct to any capital growth) could be between 0.5% to 1% lower than the current portfolio, which equates to between £250,000 and £500,000 reduced investment income.

5. Risk considerations

5.1 The risks to the Council are considerable, both in terms of reputational risk and financial risk.

5.2 This report is the first step in providing our advisors with some guidance on the types of companies the Council wishes to invest in from an ESG point of view that will allow them to assess our current portfolio of investments and provide a medium-term strategy for the Council to divest itself from non ESG compliant companies, without reducing the level of the council's investment income.

5.3 By agreeing the policy, Council will ensure that any future investments made through our intermediaries will take those criteria into account before the Council invests in a company or managed fund.

6. Procurement considerations

6.1 There are none.

7. Legal considerations

7.1 There are none.

8. Other considerations

8.1 There are none.

9. Equality and Diversity

9.1 By the not allowing investment in any industries which do not pay a living wage, have breaches in human rights or are involved in modern slavery, the Council will demonstrate these are activities are unacceptable and will set standards in align with the corporate priorities for the industry and will step towards to improving equality and diversity.

10. Sustainability/Climate Change Implications

10.1 The funding of the fossil fuel industry allows fossil fuel companies to continue to extract coal, oil and gas, which are not only the main driving forces of climate change but also a major source of pollution through spills. By disinvesting in these and other harmful industries the Council will no longer be funding these activities which will reduce the impact they have on climate change.

11. Timetable for implementation

11.1 Once agreed by Council, Arlingclose will be asked to complete the review in three months and Officers would be looking to report back to Council in April 2023, as this will be a structured and managed medium-term transition that cannot be achieved overnight if the Council is to protect its income, services and affordable & regeneration programme

12. Contact

12.1 p.taylor@spelthorne.gov.uk

Background papers: There are none.

Spelthorne Borough Council
Services Committees Forward Plan and Key Decisions

This Forward Plan sets out the decisions which the Service Committees expect to take over the forthcoming months, and identifies those which are **Key Decisions**.

A **Key Decision** is a decision to be taken by the Service Committee, which is either likely to result in significant expenditure or savings or to have significant effects on those living or working in an area comprising two or more wards in the Borough.

Please direct any enquiries about this Plan to CommitteeServices@spelthorne.gov.uk.

Published on 28 November 2022

Spelthorne Borough Council

Service Committees Forward Plan and Key Decisions for 28 November to 31 March 2023

Anticipated earliest (or next) date of decision and decision maker	Matter for consideration	Key or non-Key Decision	Decision to be taken in Public or Private	Lead Officer
Corporate Policy and Resources Committee 23 11 2022 Council 08 12 2022	12 Hammersmith Grove - Re-letting Options	Non-Key Decision	Public	Katherine McIlroy, Property Manager
Audit Committee 24 11 2022 Corporate Policy and Resources Committee 28 11 2022	Corporate Risk Management	Non-Key Decision	Public	Punita Talwar, Internal Audit Manager
Corporate Policy and Resources Committee 28 11 2022 Council 08 12 2022	Sinking Fund Policy	Key Decision It is likely to result in the Council incurring expenditure above or making savings of up to £250,000	Public	Paul Taylor, Chief Accountant
Corporate Policy and Resources Committee 28 11 2022	Knowle Green Estates Annual Report and Business Plan	Non-Key Decision	Public	Farida Hussain, Corporate Head of Governance, Terry Collier, Deputy Chief Executive
Corporate Policy and Resources Committee 28 11 2022	Medium Term Investments Policy	Non-Key Decision	Public	Paul Taylor, Chief Accountant

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Date of decision and decision maker	Matter for consideration	Key or non-Key Decision	Decision to be taken in Public or Private	Lead Officer
Corporate Policy and Resources Committee 28 11 2022	Annual Commercial Property Report	Key Decision	Public	Katherine McIlroy, Property Manager
Members' briefing pack 28 11 2022	Q2 Revenue Monitoring Report - BRIEFING PACK JAN 23	Non-Key Decision	Public	Paul Taylor, Chief Accountant
Members' briefing pack 28 11 2022	Q2 Capital Monitoring Report - BRIEFING PACK JAN 23	Non-Key Decision	Public	Paul Taylor, Chief Accountant
Corporate Policy and Resources Committee 28 11 2022 Council 08 12 2022	Outline Budget 2023/24	Non-Key Decision	Public	Paul Taylor, Chief Accountant
Corporate Policy and Resources Committee 28 11 2022	Determination of 2023/24 Council Tax Base for tax setting	Non-Key Decision	Public	Paul Taylor, Chief Accountant
Corporate Policy and Resources Committee 28 11 2022	Staff and Councillor Survey Presentation	Non-Key Decision	Public	Jennifer Medcraff, Communications Manager
Corporate Policy and Resources Committee 28 11 2022	Treasury Management Mid-Year Report	Non-Key Decision	Public	Paul Taylor, Chief Accountant

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Date of decision and decision maker	Matter for consideration	Key or non-Key Decision	Decision to be taken in Public or Private	Lead Officer
Council 08 12 2022	Temporary Adoption of the Staines Development Framework Decision to be made on Cllr Beecher's motion for Council that he withdrew	Non-Key Decision	Public	Daniel Mouawad, Chief Executive
Corporate Policy and Resources Committee 28 11 2022	Oast House Listed Building	Non-Key Decision	Part public/part private	Heather Morgan, Group Head - Regeneration and Growth, Kamal Mehmood, Strategic Lead for Leisure and Community Development
Corporate Policy and Resources Committee 28 11 2022	Review of the Community Letting Policy	Non-Key Decision	Private	Katherine McIlroy, Property Manager
Corporate Policy and Resources Committee 16 01 2023	Service Plan - Assets	Non-Key Decision	Private	Nick Cummings, Property and Development Manager
Corporate Policy and Resources Committee 16 01 2023	Draft Capital Strategy	Non-Key Decision	Public	Paul Taylor, Chief Accountant
Corporate Policy and Resources Committee 16 01 2023	Service Plan - Procurement	Non-Key Decision	Confidential	Farida Hussain, Corporate Head of Governance
Corporate Policy and Resources Committee 16 01 2023	Reserves Policy 2023/24	Non-Key Decision	Public	Paul Taylor, Chief Accountant

Date of decision and decision maker	Matter for consideration	Key or non-Key Decision	Decision to be taken in Public or Private	Lead Officer
Corporate Policy and Resources Committee 16 01 2023	Fees & Charges 2023/24	Non-Key Decision	Public	Paul Taylor, Chief Accountant
Corporate Policy and Resources Committee 16 01 2023	Letting of MSU2, Elmsleigh Centre	Non-Key Decision	Public	Melanie Ager, Property Manager
Corporate Policy and Resources Committee 16 01 2023	TM Strategy 2023/24	Non-Key Decision	Public	Paul Taylor, Chief Accountant
Corporate Policy and Resources Committee 20 02 2023	Q3 Revenue Monitoring Report	Non-Key Decision	Public	Paul Taylor, Chief Accountant
Corporate Policy and Resources Committee 20 02 2023	Q3 Capital Monitoring Report	Non-Key Decision	Public	Paul Taylor, Chief Accountant
Corporate Policy and Resources Committee 20 02 2023	Detailed Budget 2023/24	Non-Key Decision	Public	Paul Taylor, Chief Accountant
Corporate Policy and Resources Committee 20 02 2023	Capital strategy 2023 to 2028	Non-Key Decision	Public	Paul Taylor, Chief Accountant

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Date of decision and decision maker	Matter for consideration	Key or non-Key Decision	Decision to be taken in Public or Private	Lead Officer
Corporate Policy and Resources Committee 20 02 2023	Capital Programme 2023/24 to 2027/28	Non-Key Decision	Public	Paul Taylor, Chief Accountant

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