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Date: 17 November 2023

## Notice of meeting

### Corporate Policy and Resources Committee

**Date:** Monday, 27 November 2023

**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. Sexton (Chair)

C. Bateson (Vice-Chair)

M.M. Attewell

M. Beecher

J.R. Boughtflower

J. Button

J.T.F. Doran

S.M. Doran

M. Gibson

K.M. Grant

K. Howkins

M. Lee

L. E. Nichols

O. Rybinski

K. Rutherford

H.R.D. Williams

Substitute Members: Councillors D. Clarke, N. Islam, M. Bing Dong, S.A. Dunn, A. Gale, S.N. Beatty and M. Buck

*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**

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## Agenda

Page nos.

1. **Apologies and Substitutes**

To receive apologies for absence and notification of substitutions.

2. **Minutes**

5 - 20

To confirm the minutes of the meeting held on 16 October 2023 as a correct record.

3. **Disclosures of Interest**

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

4. **Questions from members of the Public**

There are no questions from members of the public.

5. **Knowle Green Estates - Board Directors Presentation**

21 - 42

The Committee are to receive a presentation from Knowle Green Estates Board Directors.

6. **Management of Staines Market**

43 - 52

Committee is asked to:

1. Authorise the Group Head Neighbourhood Services to commence a tender exercise for the procurement of the management of Staines Market for a period of 3+1+1 years,
2. Delegate the selection of the Contractor to the Group Head Neighbourhood Services in consultation with the Chair of Corporate Policy & Resources Committee,
3. Authorise the Group Head Corporate Governance to enter the contract with the selected supplier,
4. Authorise an increased annual budget to cover additional contractual costs of the market provision (**Appendix 1**); and
5. Delegate authority to the Group Head Neighbourhood Services to authorise the charging of ad-hoc market rents **1.7**.

7. **Procurement of Cleaning services for the Council's municipal portfolio and the residential properties**

53 - 60

The Committee is asked to approve the procurement of cleaning services for the Council's municipal portfolio and the residential properties.

**8. Regulation of Investigatory Powers Act Policy 61 - 90**

The Committee is asked to note the changes to the Regulation of Investigatory Powers Act Policy following a review and to agree the adoption of the revised policy.

**9. Determination of 2024/25 Council Tax Base for Tax Setting 91 - 96**

The Committee is asked to recommend to Council that they approve the gross and net Council Tax Base for 2024/25.

**10. Treasury Management Half-Yearly Report 97 - 122**

The Committee is asked to note the performance of the Treasury Department during the first six months of 2023/24.

**11. 2024-25 to 2027-28 Outline Budget Report 123 - 146**

**Please note that this is a Draft Report**

The Committee is asked to:

1. Note the current projected draft Budget gaps set out in 1.21 of the report,
2. Recommend that the Council uses its reserves to deliver a balanced budget for 2024/25 and note that there is some headroom to protect front line services and vulnerable residents, either in 2024/25 or future years; and
3. Confirm support for the initiatives suggested in the report which will allow Officers to work on closing the gaps for the years 2024-25 to 2027-28

**12. Update on County Deal**

Report to follow.

**13. Corporate Plan**

Update to follow.

**14. Asset Management Strategy & Asset Management Plan 147 - 194**

Committee is asked to:

1. Recommend to Council that they approve the adoption of the Asset Management Strategy and the Asset Management Plan; and

2. Recommend to Committee System Working Group to review the introduction of a new Sub-Committee that will report into this Committee with 4/5 members including an independent external advisor.

**15. Forward Plan**

**195 - 200**

To consider the Forward Plan for committee business.

**16. Urgent Actions**

There are none.

**17. 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.

**18. Progression of the Waterfront Development**

**201 - 214**

The Committee is asked to approve the progression of discussions of an alternative development scheme via a property-based contract.

**19. Corporate Policy & Resources Chair's Updates**

To receive any updates from the Chair of Corporate Policy & Corporate Committee.

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**Minutes of the Corporate Policy and Resources Committee  
16 October 2023**

**Present:**

Councillor J.R. Sexton (Chair)  
Councillor C. Bateson (Vice-Chair)

Councillors:

M. Beecher	M. Gibson	O. Rybinski
J.R. Boughtflower	K.M. Grant	K. Rutherford
J. Button	K. Howkins	H.R.D. Williams
J.T.F. Doran	M. Lee	
S.M. Doran	L. E. Nichols	

**105/23 Apologies and Substitutes**

Apologies were received from Councillor Attewell.

**106/23 Minutes**

The minutes of the meeting held on 11 September 2023 were agreed as a correct record of proceedings.

**107/23 Disclosures of Interest**

Councillor Sexton advised that she was also a Surrey County Councillor.

**108/23 Questions from members of the Public**

There were none.

**109/23 Environmental Health & Building Control Enforcement Policy  
2023/2026**

The Committee considered a report from the Senior Environmental Health Manager that sought approval for adoption of the Environmental Health & Building Control Enforcement Policy 2023-26.

The Committee were advised that this policy would ensure that all companies were compliant and that no company was disadvantaged due to safeguards being put in place.

The Committee **resolved** to:

1. Adopt the Environmental Health & Building Control Enforcement Policy (2023-2026),
2. Approve that minor changes can be made to the Policy with the approval of the Deputy Chief Executive with responsibility for Place, Protection and Prosperity; and
3. Note Spelthorne Borough Council's Environmental Health 'Procedure for Setting Financial Penalties – Banding the Offence and Determining Appropriate Sanctions'.

### **110/23 Development Delivery Options for Council Owned Development Sites**

The Committee considered a report from the Group Head of Assets that sought approval for the Development Sub-Committee to consider all the possible workstreams for all Council owned sites.

The Development Sub-Committee will consider and make recommendations that will be brought to this Committee before going to Council for final decisions to be made.

The Committee expressed that they felt the information contained within the report for this item and the other financial reports within the agenda was confusing and inconsistent. It was requested that in future, the Finance Team and the Assets Team liaise to produce one report that is consistent in the information provided and provides cross-referencing for ease when considering each site.

It was agreed that the Member Financial Reporting Working Group will, as part of its ongoing work, look at how reports were written and presented to ensure that all councillors are able to understand the current financial position and also the financial implications of any decision made. It was agreed that Councillor Gibson would join this working group.

The Group Head of Assets confirmed that the public will be consulted before any decisions were made with regard to the individual sites but when and how this would be done would be for councillors to decide.

The Committee **resolved** to approve that:

The Development Sub-Committee, with support from officers:

1. Progress a comprehensive mixed use, phased masterplan strategy for Council owned site in Staines,



2. Identify suitable development delivery options for Council owned sites, in other parts of the Borough and not included as part of a comprehensive Staines masterplan or subject to early disposal to mitigate high holding costs,
3. Identify and progress options for mitigating holding costs via:
  - a) Early disposal of sites, which have high monthly holding costs and are not suitable for inclusion in a comprehensive masterplan for Staines-upon-Thames,
  - b) Work to obtain fixed costs for the demolition of Thameside House to offset high holding costs,
  - c) Temporary lettings for those sites which will continue to remain in the Council's ownership in the medium to long term; and
  - d) Delegate authority to the Development Sub-Committee to agree the terms and completion of lettings where these are not covered under the Officer Scheme of Delegation.

#### **111/23 Update on County Deal**

This item was deferred to the meeting of this committee on 27 November 2023.

#### **112/23 Updated Capital Programme**

The Committee considered an addendum to the 2023-24 to 2026-27 Capital Programme for Suspension of the Direct Housing Projects from The Chief Accountant.

Officers were instructed by the Committee to ensure that no more capital projects be undertaken without the agreement of the Corporate Policy & Resources Committee and Council.

The Committee **resolved** to recommend to Council that it approves the proposed revised Capital Programme for 2023-24 to 2026-27 as set out in Appendix B of the report.

#### **113/23 Updated Treasury Management Strategy**

The Committee considered an addendum to the Treasury Management Strategy Statement 2023-24 from The Chief Accountant.

The Committee **resolved** to make the following recommendations to Council:

1. Reduce the Authorisation Limit from £1,450m to £1,167m,
2. Reduce the Operational Boundary from £1,350m to £1,067m; and

3. That they note the updates to the Treasury Management Strategy for 2023-24 as set out in the report.

#### **114/23 2023/24 Q1 Capital Monitoring**

The Committee considered a report from the Chief Accountant that outlined the projected (£3.4m) underspend on the Council's Capital Projects as at 30 June 2023.

The Committee **resolved** to note the report.

#### **115/23 2023/24 Q1 Revenue Monitoring**

The Committee considered a report from the Chief Accountant that asked them to:

1. Note the forecast underspend of (£182,081) for 2023-24 as at 30 June 2023; and
2. Approve the timing difference budget virement between landlord costs and the sinking fund which will be reversed in 2024-25.

The **Committee** resolved to note recommendation No. 1 and approve recommendation No. 2.

#### **116/23 Cost of Living Support Fund**

The Committee considered a report from the Group Head Community Wellbeing & the Strategic Lead, Independent Living.

The Committee were advised that the Council had allocated £200,000 to assist residents through the cost-of-living crisis. £9,000 of this fund had previously been allocated to help families with children that had a life limiting condition, leaving £191,000 still to be allocated.

This report had previously been considered at the Community Wellbeing & Housing Committee on 26 September 2023 and they recommended that Option 2 in the report be adopted to provide the most appropriate and proportionate distribution of these funds.

The Committee **resolved** to:

1. Note the amount of funds available for the Cost of Living Support Fund,
2. Approve the recommendation from the Community Wellbeing & Housing Committee to use the Spelthorne Healthy Communities Partnership Board to allocate the remaining money; and

3. Approve the proposed governance applied to this fund.

### **117/23 Forward Plan**

The Committee **resolved** to note the Forward Plan for the business of this committee.

### **118/23 Urgent Actions**

There were none.

### **119/23 Exclusion of Public & Press (Exempt Business)**

It was proposed by Councillor Bateson, seconded by Councillor Nichols and resolved that the public and press be excluded during consideration of the following items, in accordance with paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended) because it was likely to disclose information relating to the financial or business affairs of any particular person (including the authority holding that information) and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information because, disclosure to the public would prejudice the financial position of the authority in being able to undertake even-handed negotiations and finalising acceptable contract terms.

### **120/23 Staffing Report - Independent Living**

The Committee considered a report from the Strategic Lead, Independent Living that sought approval of a proposed staffing issue.

The Committee **resolved** to agree the recommendations as outlined in the exempt report.

### **121/23 Procurement of Leisure Centre Operator**

It was proposed by Councillor Bateson and seconded by Councillor Gibson that Standing Order 38.2 be suspended to allow the continuation of the meeting behind the 3 hours.

Committee **resolved** to suspend Standing Order 38.2 to deal with the remaining items on the agenda.

The Committee considered a report from The Leisure Development Manager that sought to outline the process used to identify the preferred operator and to approve the report being brought before Council on 19 October 2023 for a final decision to be made.

The Committee asked that once the preferred operator had been confirmed they be invited in to speak to the Committee.

Concerns were raised about how the Council would ensure that the Operator would be monitored to ensure that the Passivhaus accreditation was not rescinded. The Committee was advised that this was an accreditation for the life-span of the Leisure Centre.

The Committee was advised that there would be a number of different memberships available for the public.

Concerns were raised by the Committee about the freelance instructors that were used by the current operator and whether they would continue to be used. The Committee were advised that it would be the preferred bidder's decision as to whether the freelance instructors will continue to be used and what classes they would provide.

The Committee **resolved** to:

1. Note the full evaluation process to identify the preferred Operator (Bidder B) as the preferred Leisure Centre Operator,
2. Approve the report going onto Council on 19 October 2023 who will then be asked to:
  - a) Approve the Council entering into a management agreement (subject to the required standstill period) with Bidder B to manage Sunbury Leisure Centre and the new Spelthorne Leisure Centre on behalf of the Council for a period of 10 years from the opening of the new centre and with the option (at the sole discretion of the Council and subject to satisfactory performance) to extend the contract for a further period of 5 years; and
  - b) Authorise the Group Head of Assets to agree terms in respect of any necessary leasehold arrangements with the Preferred Bidder in respect of the new Spelthorne Leisure Centre and Sunbury Leisure Centre and to authorise the Group Head Corporate Governance to enter into a contract with the Preferred Bidder.

### **122/23 Consultant Review**

The Committee considered a report from the Group Head Commissioning and Transformation and Human Resources on the use of contractors within Spelthorne Borough Council.

Following the consideration of the Establishment Review Report at a meeting of the Committee on 17 July 2023, officers were asked to provide full details of contractors currently employed by the Council.

The Committee **resolved** to note the update on the review of Consultants within Spelthorne Borough Council

**123/23 Corporate Policy & Resources Chair's Updates**

The Chief Executive advised the Committee that the Capital and Reserves Strategy Report had been pulled from the agenda. This was because officers needed to receive instructions from the councillors with regard to their wishes for the Council owned development sites, before any tangible financial figures could be relayed to them.

It was anticipated that a report would be brought to this Committee in the next few months to be considered and then be taken to Council.

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Knowle Green  
Estates Ltd



# 2022/23 ANNUAL REPORT

# CONTENTS

Welcome from the Board	3
Meet the Directors and the team	4
Vision, values, priorities and homes	5
Support	6
Sustainability	7
Residents Feedback	8
KPIs and governance	9
Looking ahead	10
Financial summary	11



## Welcome

### People...not just property.

Knowle Green Estates Ltd (KGE Ltd), with Spelthorne Borough Council as the sole shareholder, is continuing to serve residents of Spelthorne by delivering affordable and sustainable homes to live in, now and in the future. Above all, our mission focuses on delivering impact and change for our communities by supporting them through all aspects of their lives.

The lack of affordable housing in Spelthorne continues to be the driving force behind our aspirations and ambitions but the focus has shifted to encompass how we can best serve our tenants, ensuring that they have the appropriate opportunities and support network in place so they can live fulfilling lives.

KGE Ltd, in partnership with the Council, has played a pivotal role in supporting our Afghanistan and Ukrainian refugees. Under government initiatives including the Afghan Relocation Scheme, which was designed to help Afghans who helped the UK armed forces and their families, we have been assisting with resettling and integrating families into our local community. Most recently, homes have been secured for 18 Afghan households and KGE Ltd will manage a number of these longer-term tenancies and work with the families, many of whom have employment in the area or whose children are settled into local schools. The homes will offer the residents a new lease of life, with kitchen and gardens and much more space than overcrowded hotel rooms.

Our residential team are responsible for the day-to-day management of 101 homes in the Borough, which includes both apartments and houses. Across the team there is over 60 years' experience of property management. Our Tenancy Sustainment Officers' primary role is supporting residents with their tenancies. But this goes much broader than that, with KGE Ltd offering support and advice with finances, mental health support and later in this report (page 8) you can read residents testimonials on what this support means to them.

All our residents are referred by the Council's Housing Options team, which ensures that those who 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 we believe everyone has the right to feel settled in their homes and able to seek long-term employment and education opportunities.

We are developing some fantastic initiatives for our tenants which you will read more about in this report. This includes plans for a community garden, a swap shop and we have also appointed a new Board Member (see page 4) following the local elections.

Finally, we remain proud of the achievements this year and our appreciation goes to the KGE Ltd team and Spelthorne Borough Council, as our sole shareholder, for their support and efforts in progressing our priorities.

As we look forward to the year ahead, the team at KGE Ltd will be developing strategies for how we change our approach to the direct delivery of new residential accommodation within the Borough. Our focus will remain our people, not just our properties.



## Our Directors



### Terry Collier

Terry, 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.



### Lawrence Nichols

Lawrence has been a Spelthorne Borough Councillor for the ward of Halliford and Sunbury West since 2019. He joined the board earlier this year and 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 brings the Board a 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. She is passionate about ensuring that all residents are able to access housing that they can afford.

## Our team



### Rachael Fry

Residential Management Advisor



### Vicki Ellis

Principal Residential Property Manager



### Akin Akinyemi

Residential Estates and Facilities Manager



### Taran Gahunia

Residential Tenancy Sustainment Officer



### Russell Davis

Property Accounts Manager

## Vision and Values

### 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

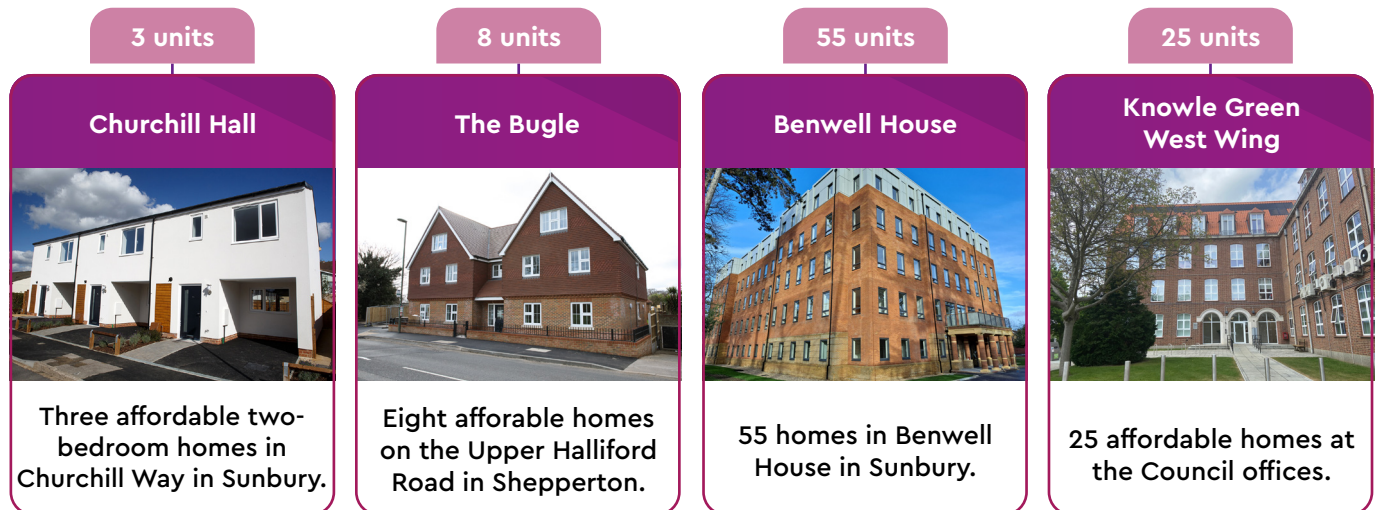
### Values

- > Affordable for our residents
- > Better quality housing
- > Local homes, locally managed
- > Environmentally friendly

### Corporate Priorities

- > Protect and expand affordable rented housing stock
- > Regenerate areas
- > Invest locally
- > Deliver quality low carbon living for residents
- > Economic long-term investments

## Our homes



## Supporting our residents

This year KGE Ltd has been supporting its communities through the cost-of-living crisis which has affected so many people. Our team have committed to helping our residents as much as we can and have implemented a package of support for families and individuals across our communities to overcome pressures, both financial and social.

### Meet Taran Gahunia

Taran is our dedicated Tenancy Sustainment Officer and is the primary support officer for all KGE Ltd residents.

I have been in my role for one year and one of the main benefits of doing this job is getting to know all of our tenants. My primary goal is to offer practical and emotional support, advice and information to residents so they feel settled in their new homes and help with any short or long-term concerns and issues that they may have. This could include financial worries, mental health support or questions relating to their property, the area and job and education opportunities in the Borough.

#### My responsibilities include:

- acting as a first port of call for residents who need advice
- building professional relationships with residents to assist with their needs
- collaborating with appropriate Council teams such as Housing Benefits to provide the best support
- carrying out relevant administrative tasks
- maintaining residents' records in line with data protection and confidentiality policies and procedures
- networking effectively between residents and relevant voluntary and statutory agencies to maximise all the available resources for the residents



#### Contact:

t.gahunia@spelthorne.gov.uk  
01784 448604

## Support and initiatives



### Household Support Fund

The government's Household Support Fund helped vulnerable households with the rising cost of energy bills and food. Spelthorne Borough Council provided £470k\* of financial assistance to residents who need it the most.



### Food bank referrals

There are five food banks in the Borough KGE Ltd will signpost residents for referrals.



### Council Tax Support

KGE Ltd will work with Spelthorne Borough Council to advise tenants that, if required, there is a Council Tax Support local scheme that helps people with low income to pay their Council Tax. Visit [www.spelthorne.gov.uk/counciltaxsupport](http://www.spelthorne.gov.uk/counciltaxsupport)



### Swap Shop

KGE Ltd launched a Swap Shop at Benwell House in 2022, encouraging residents to swap items that are no longer needed, including clothes, toys and books. This initiative not only fosters a sense of community between neighbours but is better for the environment and saves money.



### Agencies and support

During the winter there were 27 warm hubs in the Borough which KGE Ltd signposted residents to. We also liaised with the Spelthorne Jobs and Skills Hub and will promote the information, including job fairs and CV writing support. Help is always available through organisations in the Borough that can help residents, including mental health support, domestic abuse help and cost of living assistance.

\*between April 2022 and April 2023.

## Sustainability

KGE Ltd has committed to becoming a Net Zero company and this underpins how we deliver our housing projects and what we do to minimise our effect and play our part in tackling the threat of climate change.

As we continue to focus on our sustainability outcomes, we are confident that we will deliver our objectives for the benefit of present and future generations in Spelthorne.

This year our measures include:

- solar panels into conversions and refurbishments
- sustainable building design
- positive biodiversity impact through suitable planting
- sustainable procurement
- recycling initiatives and information for tenants



### Underground bins

Working with Spelthorne Direct Services (SDS), a local commercial waste company which focuses on helping the local community minimise the amount of waste going to landfill and increase recycling rates, KGE Ltd have installed underground bins at The West Wing.

The unique underground bin system is a different approach to managing recycling and waste, where wheelie bins do not feature at the development at all, instead residents place their recycling and waste into sleek steel bin chutes set into the pavement outside their homes. The waste falls into an underground chamber and a sensor notifies SDS when it is full so that collections are only carried out when they are needed. A special lorry then hoists the container out of the ground with a crane and empties the waste into the vehicle. The many benefits for the residents include not having to store or move wheelie bins or remember when and which bins to put out for collection. And of course, it encourages residents to recycle without the worry of over spilling bins.

### Community garden

We recognise the benefits of residents having access to open spaces and gardens. In fact, we will always ensure that our developments are close to one of the many parks that are in the Borough. The West Wing, in Staines-upon-Thames, is in fact opposite the award-winning Staines Park which has twice been recognised nationally for its biodiversity initiatives.

However, KGE Ltd are planning on going one step further by creating a dedicated community garden for residents to develop and enjoy, directly outside the West Wing.

We know that too often, affordable housing settings face numerous challenges, such as providing access to fresh, healthy and affordable food for residents whilst addressing carbon footprint and enhancing social value. The community garden will provide a fun and attractive solution to this challenge.

The aim of the community garden project is to provide a space for residents to grow their own flowers, plants and food, which we know will not only increase social cohesion but also promote sustainable living practices. The garden will be run by volunteers, both residents and Spelthorne Borough Council staff.



## Residents Feedback

“I have been supported since the start of my tenancy and have been given great advice, regarding housing, finance and personal matters by the team at KGE Ltd.”

“I would like to express my heartfelt gratitude for the invaluable assistance I received from you during a difficult situation I have recently been facing. Your dedication, professionalism, and willingness to help have exceeded my highest expectations. Your valuable knowledge, ability to listen, and understanding of my situation not only helped me find a solution to my problem but also provided me with relief and peace of mind. Thanks to you, I truly felt supported and reassured that I am not alone in my struggles.”

“Thank you very much for your help and support to us. Your service was excellent and offered with a clear explanation and understanding. My family and I appreciate all your effort, many thanks again for everything.”

“The support I have received from KGE Ltd and the Council has more than met my expectations. They are always available to help me mentally, financially and emotionally and provide solutions immediately to make sure we are safe and looked after.”

## People...not just property.



## Key Performance Indicators

Key Performance Indicator	Target	Actuals
Rent arrears as % of income	4%	0.69%
Average re-let days	10 days	6.8 days
Complaint response time	5 days response time	1 day
Homeless households housed	n/a	2 households
<b>Repairs and Maintenance*</b>		
Defects completed within timescale	85%	54.5%
High priority repairs completed within timeframe	85%	65.9%
Medium priority repairs completed within timescale	85%	58.6%

\* 258 repairs were completed during this period, including defect works and planned/cyclical works and delay in include obtaining parts and access issues resulted in target not being met.

Data represents the period between 01/04/2022 and 31/03/2023.

## Governance

KGE Ltd is overseen by four Directors, including two Non-Executive Directors appointed through a competitive recruitment process. To ensure full and compliance governance is adhered to, KGE Ltd undertakes the following:

- monthly (minuted) Board meetings, monitoring financial performance, resident feedback and range of operational performance indicators
- [www.knowlegreenestates.co.uk](http://www.knowlegreenestates.co.uk)
- accounts independently audited
- yearly annual report
- policies in place including safeguarding and tenancy support
- monthly health and safety reviews with compliance reports

## Looking ahead

Our focus will remain our people, not just our properties and we will look to continue to support our communities. KGE Ltd, in partnership with the Council, has played a pivotal role in supporting our Afghanistan and Ukrainian refugees.

Two years ago, the United Kingdom took the historic decision to welcome tens of thousands of Ukrainians fleeing the invasion of their country. Since then, and thanks to the generosity of the British public, more than 150,000 Ukrainians have been welcomed into homes and communities under the Homes for Ukraine and Ukraine Family schemes.

Under the Afghan Relocation Scheme, the UK has also welcomed around 23,000 Afghans. The scheme was designed to help Afghans who helped the UK armed forces and their families, and here KGE Ltd in partnership with Spelthorne Borough Council have been assisting with resettling and integrating families into our local community.



The Department of Levelling Up of Housing and Communities (DLUHC) introduced a £500 million capital fund to support the local authorities who are facing the greatest challenges in providing move on and settled accommodation for refugees. Later in the year, the fund was extended to provide further £250 million to extend the scheme. However, over 9,000 refugees are still living in bridging hotel accommodation, making it difficult for families to fully integrate in their local community and live a life they deserve.

The aims of the fund are to alleviate housing pressures on local authorities arising from recent and unforeseen conflicts in Afghanistan and Ukraine. The government's humanitarian response to these crises, has unavoidably created additional demand for housing at a time when local authorities are already under strain. This fund enables us to resolve some of the housing pressure in the community. The actions we take now, will have a long-term positive impact on the community.

KGE Ltd, in partnership with the Council, has acquired and manages properties for Afghan and Ukrainian refugees. Homes have been secured for 18 Afghan households and KGE Ltd will manage the tenancies and work with the families, many of whom have employment in the area or whose children are settled into local schools. The homes will offer the residents a new lease of life, with kitchen and gardens and much more space than overcrowded hotel rooms.

As we look ahead to next year we will continue to identify homes that will be suitable for families and the KGE Ltd team will provide ongoing support measures to all our residents that need them.



## Financial Summary

The Annual Report contains the audited statement of accounts for the year ending 2022-23. The rents received (turnover) increased significantly in the year, as both West Wing and Benwell House phase 1 became fully occupied. The company saw the valuation of its properties rise significantly during the year, creating an unrealised gain of £2.98m (2022: £4.0m). As the Directors are holding the property assets for the long term, i.e. the next 50 years, they expect the property values to continue its overall upward trend in valuations. The balance sheet shows £4.112m (2022: £3.179m) in total equity.

	2023	2022
	£	£
Turnover	1,140,166	781,359
Administrative expenses	(1,357,254)	(536,373)
<b>Operating profit/(loss)</b>	<b>(217,088)</b>	<b>(244,986)</b>

Interest receivable	20	0
Interest payable and similar expenses	(812,389)	(100,652)

<b>Loss before taxation</b>	<b>(1,029,457)</b>	<b>144,334</b>
Tax on loss	132,600	0
<b>Profit/(loss) for financial year</b>	<b>(896,857)</b>	<b>144,334</b>

<b>Other Comprehensive income</b>		
Profit/(loss) for the financial year	2,981,145	4,052,176
Tax on other comprehensive income	(851,564)	(731,535)
<b>Loss for the financial year</b>	<b>1,232,724</b>	<b>3,464,975</b>



Knowle Green  
Estates Ltd



# People... not just property.

 [knowlegreenestates@spelthorne.gov.uk](mailto:knowlegreenestates@spelthorne.gov.uk)

 [knowlegreenestates.co.uk](http://knowlegreenestates.co.uk)

 Knowle Green Estates Ltd.

 01784 451499

 [www.spelthorne.gov.uk](http://www.spelthorne.gov.uk)

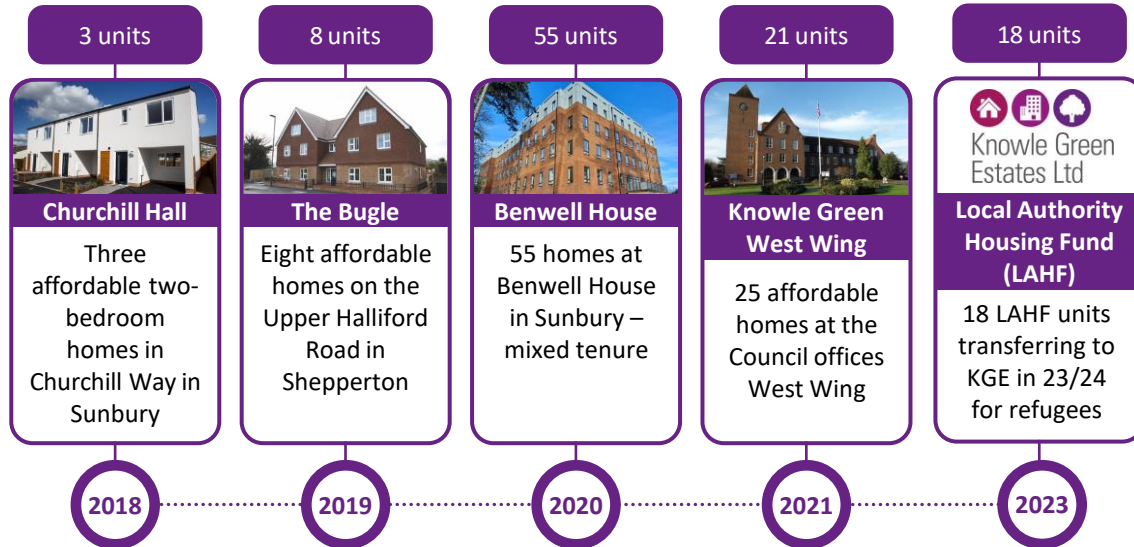
# Shareholder Presentation

Page 33

27 November 2023

Knowle Green Estates Ltd (KGE Ltd) is a housing company, wholly owned by Spelthorne Borough Council, established to help the Council tackle the housing crisis and provide new affordable homes for Spelthorne residents

Page 34



# KGE is Competent, Capable & Willing



Knowle Green  
Estates Ltd

## Competent:

- strong governance
- independently audited accounts
- overseen by four Directors, including two Non-Executive Directors

Page 35

## Capable:

- defined policies, procedures and processes
- performance driven

## Willing:

- will support the Council with procurement and management of additional accommodation they need



# Next 12 months



Knowle Green  
Estates Ltd



complete the purchase  
of 18 LAHF properties  
and ensure property  
management processes  
are imbedded



retain high occupation  
rates and low rent  
arrears



retain 100%  
statutory compliance



embed any legislative  
changes that come  
into effect

# How does it work?



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



<b>Balance Sheet Position (as at 31<sup>st</sup> March 2023):</b>	
	<b>£'s</b>
Tangible Assets (properties)	35,478,410
<b>Net Assets after liabilities</b>	<b>4,411,839</b>
Made up of:	
Revaluation Reserve	5,450,222
Accumulated Losses	-1,038,383
	<b>4,411,839</b>





# Financial update



Knowle Green  
Estates Ltd

Income and Expenditure	at 31 <sup>st</sup> March 2023 £'s	Budget 2023/24 £'s
Turnover (Rental Income)	1,140,166	1,180,000
Property Related Expenditure	-694,375	-793,900
Depreciation	-499,635	-560,000
Unrecoverable VAT	-163,244	
<b>Operating Loss</b>	<b>-217,088</b>	<b>-173,900</b>
Net Interest Payable	-812,369	-814,500
<b>Income after Tax and Revaluation</b>	<b>1,232,724</b>	<b>988,400</b>
Cash loss (depreciation is not a cash outflow)		-428,400

Page 39



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Knowle Green Estates Ltd.



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# Why does KGE matter?



- implements Council Housing Policies aligned to the Corporate Plan

Page 40



- secures a return on investment for the Council and eases pressure on Council's homelessness budget



- supports Spelthorne residents

[See Annual Report](#)

# Questions?



Knowle Green  
Estates Ltd

**KGE delivers high quality, well-maintained  
and well-managed accommodation for  
Spelthorne Residents**

Page 41



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# Corporate Policy & Resources Committee

Monday 27 November 2023



<b>Title</b>	Management of Staines Market
<b>Purpose of the report</b>	To make a Key Decision
<b>Report Author</b>	Jackie Taylor - Group Head Neighbourhood Services Francesca Lunn - Service Monitor
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	Appendix 1 of this report is exempt
<b>Exemption Reason</b>	<b>Appendix 1</b> is exempt in accordance with paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended) because it was likely to disclose information relating to the financial or business affairs of any particular person (including the authority holding that information) and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information because, disclosure to the public would prejudice the financial position of the authority in being able to undertake even-handed negotiations and finalising acceptable contract terms:
<b>Corporate Priority</b>	Community Recovery Environment Service delivery
<b>Recommendations</b>	<b>Committee is asked to:</b>  1) Authorise the Group Head Neighbourhood Services to commence a tender exercise for the procurement of the management of Staines Market for a period of 3+1+1 years. 2) The committee is asked to delegate the selection of the contractor to the Group Head Neighbourhood Services in consultation with the Chair of Corporate Policy and Resources Committee. 3) Authorise the Group Head Corporate Governance to enter the contract with the selected supplier. 4) Authorise an increased annual budget to cover additional contractual costs of the market provision. <b>Appendix 1</b> 5) Delegate authority to the Group Head Neighbourhood Services to authorise charging of ad hoc market rents <b>1.7</b>
<b>Reason for Recommendation</b>	Staines upon Thames market contract is due to expire in April 2024. We therefore need to commence the procurement exercise and appoint a contractor to undertake the management and operation of Staines upon Thames market.

## **1. Summary of the report**

- 1.1 This report seeks authority to tender for a Market Management Contractor to operate the Wednesday, Friday and Saturday markets in Staines upon Thames High Street, the current contract is due to expire on 25<sup>th</sup> April 2024.
- 1.2 Staines upon Thames (SUT) market is held on the main high street on every Wednesday, Friday, and Saturday throughout the year. The general retail market provides a variety of items from fruit and vegetables to plants and fashion along with telephone products and food stalls, the diversity of stalls increases during the Christmas period and other unique events. The market is held in the pedestrian area of SUT High Street.
- 1.3 This supports the Councils Strategy by promoting a sustainable economy, enables small new scale employment opportunities to be developed, delivers revenue for the Council, and helps to make SUT a destination to visit.
- 1.4 The current market management company have continued to deliver a successful market despite the general decline of markets across the country, some of this general decline should be attributed to Covid and the changes in peoples shopping habits.
- 1.5 Maintaining the market income generates an income to the Council which contributes positively towards the overall budget. The market has been situated in the main high street for over 20 years and generates footfall for the town.
- 1.6 Across the UK, particularly for low-income communities, retail markets function as vital social infrastructure, providing places to meet, enhancing local resilience, and generating much needed vibrancy for local economies. The high street marketplace represents much more than a place to buy and sell and is therefore especially important for our communities and attracts a diverse range of users.
- 1.7 This procurement exercise was last undertaken in 2018 and we would anticipate that returned tenders will exceed current budget. If this is the case additional budget will need to be agreed and allocated to cover increased costs.
- 1.8 Ad-hoc requests for a stall on the market outside of the general market are regularly received. To avoid turning away potential income the Group Head is seeking continued authorisation to agree ad hoc rental charges.

## **2. Key issues**

- 2.1 Spelthorne continues to advocate a market trade within its primary shopping centre which aims to achieve a market that:
  - Provides and enhances the local economy.
  - Offers optional and everyday shopping needs for the local community.
  - Supports small business and provides opportunities for entrepreneurs.
  - Creates employment.
  - Increases footfall to Staines town centre.
  - Provides a hub for independent retail in the town.

- Working together to create services for the future of Spelthorne.
  - Reducing environmental impacts, by eliminating excessive packaging, waste, and transport.
- 2.2 SUT market generates an annual income for the Council. Although Covid took its toll on the market income in the same way that retail shops have suffered. **Appendix 1** (exempt) shows that income from rent collected from the traders has been steadily increasing year on year.
- 2.3 Despite the general decline of markets across the country the current market management company has continued to be successful in sustaining a lively and vibrant market meeting the needs of our residents and visitors.

### 3. Options analysis and proposal

#### 3.1 Option 1

**Directly employed staff**-this option would give us more direct control of the market operation and the interface between other parties such as the Elmsleigh centre, Two Rivers, Business Improvement District (BID) and the High Street shops.

This option does however have the potential to create operational and management issues within Neighbourhood Services during periods of staff absence. There is also the issue that any potential directly employed market manager may have little knowledge of wider market operations and limited access to more widespread market traders.

#### 3.2 Option 2

**Preferred option-Tendered Contract**-The current contract is based on a fixed annual management fee. This has the advantage that it allows an elevated level of control by the Council through the contract specification, with the day-to-day operational management of the market remaining with the contractor. The contract would provide us with the expertise that we need to help us maintain levels of income and the general day to day services of market management: -

- (a) Contractor staff to put up and take down on stalls & associated equipment every market trading day.
- (b) Be on site from the start to end of every market trading day to ensure equipment is safely stored.
- (c) Deal with all day-to-day market issues and traders.
- (d) Collect and bank money on every market day.
- (e) Advertise the market and introduce new traders.
- (f) Supervision of trading licences, certificates & insurances.
- (g) Deal with all issues relating to the sale of counterfeit or illegal goods.
- (h) Move rubbish away from the market during the day.
- (i) Follow H&S regulations and procedures.
- (j) Event organisation to encourage footfall.
- (k) Arrange and manage specialist markets.

- 3.3 This contracted out approach to operation of the market ensures that peak periods are managed without additional costs to the Council along with complete management of trader fees.
- 3.4 Direct management of the SUT market was undertaken for approximately 18 months which evidenced the need to Spelthorne officers to have the market operation managed externally by a suitable contractor who was experienced in the market trade.
- 3.5 Given that the Council now owns the Elmsleigh Centre a more joined up approach can be achieved with our partners on the Two Rivers and the BID.
- 3.6 If the existing supplier does not prove to be the successful tenderer, there is a risk that the links forged with Traders, Retailers and the BID will take time to recreate. This can be mitigated by allowing time for a planned contract mobilisation ensuring at change over, these links are maintained.

#### **4. Financial implications**

- 4.1 Income received from market rents has been increasing over the last 3 years. Income and expenditure associated with the management of the market can be seen in **Appendix 1** (exempt)
- 4.2 If the tendered prices for the new contract come in higher than budgeted CPRC will need to allocate additional budget to cover the increased costs. Should the increase in costs exceed £x per year a further report will come back to CPRC seeking the additional budget.
- 4.3 The fees and charges for standard market stalls are agreed and set each year as part of the budget setting exercise. We do however receive ad-hoc requests for stalls, units, and promotions outside of the market trading days. As these requests are varied, costs are adjusted to suit individual requests and agreed by the Group Head Neighbourhood Services.

#### **5. Risk considerations**

- 5.1 There is a mix of both permanent and casual traders who take pitches on SUT market which has the potential to affect the income generated, it therefore needs to be recognised that income from the market will fluctuate during the year. To mitigate this, we will encourage more traders to take permanent pitches.
- 5.2 There is a financial risk that the future cost of managing the SUT Markets will increase. There is a risk that a new market operator will not be as successful in securing traders for the market, putting the business at risk and reducing the number of visitors to the town. Careful evaluation of the submitted tenders will mitigate this risk.
- 5.3 The tender exercise will examine the record of accomplishment of the operators in securing traders, the quality and range of the traders offer and their experience in managing and growing a market in a prime retail location. And is an opportunity for the Council to test the Market to ensure that the Council does not pay above the market price for the services of a Market Operator.

#### **6. Procurement considerations**



6.1 Procurement is aware of the forthcoming exercise and will continue to support the tendering exercise for a suitable contractor to meet the Council requirements, ensuring value for money is achieved from a compliant tender process.

6.2 The procurement documentation shall clearly set out what the Council requires for the management of the Market under a new contract which includes the following key points:

- Organising the erection of stalls at agreed locations in the High Street with due regard for pedestrian flow, access to retail shops and access for emergency vehicles.
- Liaising with the retailers and the BID in consideration of their requirement regarding the siting of the stalls.
- Deal with all applications for pitches on the market with the objective of supporting the vitality and viability of SUT as a retail location and visitor destination.
- Ensure that Food traders comply with Food safety & Health and Safety legislation and comply with robust procedures for food traders providing all necessary certificates and evidence of public liability insurance before being allowed to trade.
- Maintain high quality markets which contain a variety of stalls selling a range of high-quality goods and produce and customer focused stallholders which will encourage members of the public to visit the town.
- Ensure that stalls are provided to local traders where possible.
- Market Manager on site always.
- Work with stakeholders to accommodate events with due regard for safety which require access to the High Street and make reasonable adjustments to the operation and layout of the Market, as necessary. This may include the early closure of the market, adjustment to the positioning of stalls, marshalling pedestrians through the high Street.
- Liaise with the Fire Service and always have due regard for Health & Safety, ensuring that a route for emergency vehicles of not less than 4m wide is maintained through the High Street pedestrianised areas and ensure that no stall shall obstruct a means of escape from adjacent premises.

## **7. Legal considerations**

7.1 The current market contractor manages markets seven days a week across the country and has indicated that TUPE would not apply to their directly employed Staines upon Thames market staff as they would not meet the TUPE criteria. This will be followed up during the tender process.

## **8. Other considerations**

8.1 We will consider options for the market contractor to offer a variety of markets such as Farmers, Christmas, Artisan, and Antiques. Options for delivering a World Food Festival in SUT would also be considered as an option at the procurement stage.

- 8.2 The potential to hold Antiques & Collectibles Markets relate directly to the Council Strategy by providing residents with the opportunity to become engaged in cultural and creative activities. This type of market generally helps to meet the economy objectives by helping residents to enhance their skills and ambitions by running a micro business, make the best use of the Councils estate to support the local economy and helps meet the High-Quality Environment objectives by reducing greenhouse gas emissions by making products available locally which might otherwise require residents to make a trip to another town or shopping centre.
- 8.3 The SUT market reflects the Councils Corporate Plan and overarching priorities through delivering an efficient service to our residential and business communities. We take account of the 'CARES' priorities in the operation of the market, most recently the 'Recovery' from the effects of the COVID-19 pandemic.
- 8.4 The existing Market Management Contractor is aware of the forthcoming tender exercise and once the procurement is authorised it is intended to formally write to them enclosing a standard letter to give to the stallholders advising them of the process.

## **9. Equality and Diversity**

- 9.1 The Council embraces equality and diversity by including individuals from all social and ethnic backgrounds in our communities within the borough.
- 9.2 The new contract for the management of Staines upon Thames market will require the contractor to evidence that services provided to visitors by market traders are appropriate, inclusive, accessible, and fair.

## **10. Sustainability/Climate Change Implications**

- 10.1 SUT market offers a wide range of items which reduces the necessity to travel further to purchase goods and services.
- 10.2 Consumers shopping locally reduces their carbon footprint. Initiatives to build on this can lead the way to improve sustainability by recycling waste and offering organic fruit and vegetables. Evaluation of tenders received will be considered as to how these areas are focused on.
- 10.3 Consideration for current government legislation around single use plastics will be considered during the procurement stages and will align with Spelthorne's single use plastics policy.

## **11. Timetable for implementation**

- 11.1 Dependant on the outcome of this report, we would aim to go out to tender in January 2024 with evaluation and award taking place in early March to enable us to have a seamless transfer from one contractor to another.

## **12. Contact**

- 12.1 Jackie Taylor Group Head Neighbourhood Services  
[j.taylor@spelthorne.gov.uk](mailto:j.taylor@spelthorne.gov.uk)  
01784446418

**Background papers:**  
**Spelthorne single use plastics policy**

[Single Use Plastics Policy - Spelthorne Borough Council](#)

**Appendices:**

**Appendix 1 (exempt)**

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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# Corporate Policy and Resources Committee

Date of Meeting: 27 November 2023



<b>Title</b>	<b>Procurement of Cleaning services for the municipal portfolio and the residential properties</b>
<b>Purpose of the report</b>	To make a decision
<b>Report Author</b>	John Hesbrook; Facilities Manager
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No
<b>Exemption Reason</b>	N/A
<b>Corporate Priority</b>	<p><b>Community</b> – refers to the cleaning services for municipal properties.</p> <p><b>Affordable Housing</b> – refers to the cleaning services for Knowle Green Estates (KGE) residential properties</p> <p><b>Recovery</b> – requires social value benefits to be delivered via the new contracts</p> <p><b>Environmental</b> – requires consideration of reduced environmental impact into the cleaning services contracts</p>
<b>Recommendations</b>	<p>The Committee is recommended to:</p> <ol style="list-style-type: none"> <li>i. Note and approve the procurement process for the letting of a contract for cleaning services to the Council's municipal and residential properties.</li> <li>ii. Agree contract commencement date of 01 April 2024 for an initial contract term of three (3) years, with the option to extend annually for a further two (2) 12-month periods, at the Council's sole discretion, taking into account the contractor's performance on the contract</li> <li>iii. Delegate the appointment of the contractor to the Group Head of Assets in consultation with the Chair and Vice Chair of the Corporate Policy and Resources Committee</li> <li>iv. Authorise the Group Head of Corporate Governance to enter into any legal documentation necessary to implement the new contract.</li> </ol>
<b>Reason for Recommendation</b>	<p>These recommendations are:</p> <ol style="list-style-type: none"> <li>i. To ensure the continuity of cleaning services for all the Council municipal and residential properties.</li> <li>ii. To advise that the procurement processes will follow a Public Contracts Regulations (PCR) 2015-compliant</li> </ol>

	<p>Restricted (two-stage) procurement procedure commencing with advertising the contracts on Find a Tender Services (FTS), shortlisting of tenders expressing an interest via a Selection Questionnaire, and the invitation to tender of shortlisted providers</p>
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## 1. Key issues

- 1.1 The cleaning of the Council municipal and residential properties is an essential service that allows the buildings to function effectively to deliver key services. The Council offices rely on the daily cleaning service to ensure a clean, hygienic work place is provided to staff and visitors alike. Failure to provide cleaning services would result in the potential closure of Day Centre's. The kitchens within the Day Centre's would not be able to operate through non-compliance with food hygiene standards. This would result in the Centre's not being able to serve daily meals to Centre users. The meals on wheels service would also not be able to provide meals to elderly residents that rely on the service. The residential properties included within this contract are flatted developments which are reliant on having communal areas cleaned.
- 1.2 The current contractual arrangements have worked well. The cleaning specifications for all sites have been reviewed and the specification for each site revised with consultation with all the respective stakeholders, i.e. Day Centre Managers etc. The specification review is intended to deliver better outcomes by targeting the resources to tasks identified by stakeholders as needing higher priority. Other specification requirements have been tailored back where appropriate and it is hoped that this will result in financial savings, and the proposed reduced contract value will be stated in the tender documents.
- 1.3 It is not an option to extend the contract with the current provider. The current contract has run it's term of 3 years with the option of two additional 12 month extensions which were exercised. The current provider is operating on an interim contract that will expire on 31 March 2024.
- 1.4 It is considered that the Council could achieve better value for money, reduced risk of contractor underperformance and increased social value and community benefits if a new a comprehensive single contract covering all KGE and relevant Council owned municipal properties is let through a competitive tendering exercise by 31 March 2024. This will mean the overall cost of the cleaning contract will increase, but this should be less than the total of all the current individual contracts.
- 1.5 The cleaning specification includes daily services, weekly services and bi-annual deep cleans to all sites.
- 1.6 The properties included in this new contract are municipal buildings, (Knowle Green Offices, Fordbridge Day centre, Staines Community Centre, The Greeno Centre and the car park's office at Elmsleigh surface car park) and the communal areas of residential buildings. Currently the following sites are not covered by the cleaning contract, White House Depot, White House Hostel (WHH), Harper House (HH), The Business Hub, Laleham Nursery. These sites are cleaned under contract by separate service providers. All contracts have



the same expiry date of 31/03/2024, with the exception of White House Hostel and Harper House. I will advise on the contract expiry for WHH and HH sites once this has been clarified. The preferred option is for all the previously listed sites to come under the proposed new cleaning contract.

- 1.7 Some of the residential properties are listed under Knowle Green Estate (KGE) Ltd.'s portfolio while others remain under the Council's direct management.
- 1.8 The KGE residential property portfolio includes The Bugle, Benwell House, Knowle Green West. KGE will reimburse the Council the costs for these sites. Other Council residential properties in the municipal portfolio are, Harper House, White House Hostel.
- 1.9 Given that the potential value of this contract is above UK procurement (sterling) threshold, the letting of the contract falls within the Public Contracts Regulations 2015 and, therefore procurement will commence with advertising the contracts on Find a Tender Services (FTS), seeking expression of interest via Selection Questionnaires (SQ). The procurement process will follow the restricted procedure, which includes the selection of a tender list and subsequent invitation of selected organisations to submit tenders. The contract is being tendered by SBC with.
- 1.10 The Restricted (two-stage) Procurement procedure will give opportunity to local and other contractors of all sizes to submit Selection Questionnaires (SQ) [1<sup>st</sup> stage of the procurement process]. Contractors will be selected based on SQ scores and those selected will subsequently be invited to submit tenders. This process will thereby fostering effective competition, value for money, social benefits and also has the advantage of allowing local contractors to try to secure work.
- 1.11 The contract term of five (05) years (based on a contract term of an initial period of three (03) years + two (02) extension periods of 12 months each) is the normal contract period for this type of service. It is sufficiently long to allow contractors to deliver the contract deliverables but not too long that the Council cannot be sure of achieving value for money by further competitive market testing. The Council can also achieve further efficiencies with the contractor as part of the contract extension negotiations.
- 1.12 The price element of the tender will comprise of 60% of the total tender score, with weighting of quality at 40% to represent health and safety risk inherent in the contract.
- 1.13 The scoring of the quality element will be based on Method Statements submitted by each contractor. In that context, the 60/40 price/quality proportion is intended to deliver the right balance between quality and price.
- 1.14 Where TUPE may apply, this will be at the secondary level (i.e., contractor to contractor) and the project manager will ascertain from the incumbent contractors whether they believe that any employees within the existing contract fall under the TUPE liabilities and include such information in the tender documents to allow bidders to cost their tender responses accordingly.

## **2. Options analysis and proposal**

- 2.1 There are four main options that need to be considered in relation to this procurement:

- i) **Option 1** – To continue with the existing arrangement of different cleaning contractors for the named sites outside the current cleaning contract and not to bring in all the sites altogether under one contract. The current sites under the cleaning contract would however need to be tendered or resourced though. This is not a preferred option. It would miss the opportunity of achieving the value of scale of economy we hope to achieve with the preferred option.
- ii) **Option 2** - undertake a mini-competition using either the Council's Framework Agreements (which may not have all of the required specialisms) or another suitable framework open to the Council to use for a contract start date of 01 April 2022. This approach would help to mitigate the risk of procuring the contract in time for April 01, 2024 but would not necessarily open the opportunity to local contractors.
- iii) **Option 3** – To bring the cleaning service in house and the Council to employ staff directly. This could potentially achieve a financial saving due to eliminating the requirement for the cleaning company to make a profit. However, there would be concerns with our ability to resource sufficient cleaning staff. The current cleaning staff could be transferred over through TUPE, there would be the issue with ensuring adequate staff cover for instances of sickness and annual leave etc. The current cleaning contractor pays the cleaning staff minimum wage and struggles to recruit to positions. The cleaning service would require significant managerial supervision to ensure that sites were appropriately resourced to cover absence in addition to the on-site management of the cleaners.
- iv) **Option 4** - (preferred option) to tender the contract by carrying out a full PCR 2015 compliant tender, advertising the contract with contract start dates of 01 April 2024, to ensure the participation of local and sufficient suitably qualified contractors. This will allow us to fully test the market, using a detailed Specification of Requirements, tailored towards obtaining contract deliverables which align to our Corporate Priorities, specifically Service delivery.

### **3. Financial implications**

- 3.1 It is expected that a saving will be achieved through the new contract. The cleaning specifications have been reviewed and rewritten and it is expected this will achieve savings. It is also expected that bringing in all the sites together under one contract will achieve economies of scale.
- 3.2 Cleaning services carried out on KGE properties are paid from KGE budget.
- 3.3 The new contract will allow for annual fluctuations (price increase) based on the Consumer Price Index (CPI). With effect from the second year of the contract, CPI uplift shall be applied cumulatively on an annual basis until the end of the Contract Period.
- 3.4 See accompanying confidential appendix to this report for further financial details relating to the current contract and cleaning spend across the Council property portfolio.

#### 4. Legal considerations

- 4.1 The procurement exercise recommended in this report must comply with both the Council's Contract Standing Orders and the relevant procurement legislation (currently the Public Contracts Regulations 2015).
- 4.2 Due to the estimated value, any contract awarded must be made under seal and reviewed by Legal Services.

#### 5. Other considerations

- 5.1 Facilities Management/Day Centre managers/Site Leads will work with Corporate Procurement throughout the contract duration to ensure that contract deliverables are achieved.
- 5.2 The new contract will be drafted in such a way as to improve the service standards to ensure Spelthorne Borough Council staff and residents continue to receive high quality service standards.

#### 6. Equality and Diversity

- 6.1 The procurement process will be carried out in accordance with the Council's Contract Standing Orders, and the selected contractors will be required to comply with relevant Equality and Diversity laws, accessibility standards and Health and Safety regulations. The Specification and Method Statement questions will detail a requirement for social value benefits to be delivered.

#### 7. Sustainability/Climate Change Implications

- 7.1 As part of the procurement selection criteria, contractors will be required to demonstrate processes and the use of materials which minimise the environmental impact of their services.

#### 8. Timetable for implementation

- 8.1 Indicative timetable for procurement of the contract is as follows:

<b>Event</b>	<b>Date</b>
Publication of ITT	15 November 2023
Period for Expression of Interest (SQ Responses)	15 November – 15 December 2023
<b>SQ Submission Deadline</b>	<b>12 noon on 15 December 2023</b>
Evaluation of SQ	18 – 22 December 2023
<b>Notification of outcome of SQ Evaluation and Bidders Invited to Tender (Tenderers)</b>	<b>4 January 2024</b>
Site Visits	TBC
Deadline for Receipt of Clarifications	12 noon on 8 February 2024
<b>Deadline for Receipt of Tenders</b>	<b>12 noon on 15 February 2024</b>
Evaluation of Tenders	16 – 23 February 2024
Preferred Bidder(s) Identified	26 February

<b>Internal Approval Process</b>	<b>26 February – 1 March 2024</b>
Notification to Bidders of Contract Award Decision	4 March 2024
“Standstill” Period	4 – 14 March 2024
Confirm Contract Award	15 March 2024
Mobilization Period	March
Contract Commencement Date	01 April 2024

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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# Corporate Policy & Resources Committee

27 November 2023



<b>Title</b>	Regulation of Investigatory Powers Act Policy (RIPA policy)
<b>Purpose of the report</b>	To note the changes made to the Policy following the review and adopt the RIPA Policy
<b>Report Author</b>	Farida Hussain, Monitoring Officer
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No
<b>Exemption Reason</b>	Not applicable
<b>Corporate Priority</b>	The use of surveillance powers supports all the Council's corporate priorities
<b>Recommendations</b>	<p><b>Committee is asked to:</b></p> <p><b>Adopt the RIPA Policy and delegate to the Group Head of Corporate Governance to keep the Policy under regular review and update the Audit Committee on any updates to the Policy and use of the powers thereunder.</b></p>
<b>Reason for Recommendation</b>	To ensure transparency in respect of the Council's use of its powers under RIPA.

## 1. Summary of the report

- 1.1 RIPA regulates surveillance carried out by public authorities in the conduct of their business, specifically the monitoring, recording and interception of communications and the use of directed covert surveillance. The Council is required to have a policy in place to demonstrate how these powers are utilised.
- 1.2 This report seeks to advise the Committee on the outcome of the review of the RIPA Policy by the Group Head of Corporate Governance and to formally adopt the Policy.

## 2. Key issues

- 2.1 The Regulation of Investigatory Powers Act (RIPA) came into force in 2000. The Act allowed:

- Councils to carry out covert surveillance of alleged offenders and to instruct individuals to form relationships with the intention of obtaining information for the prevention and detection of crime.
  - Compliance with RIPA ensures that the surveillance actions taken by the Council are acceptable interference of qualified rights within the Human Rights Act 1998, in particular the right to privacy and the right to a fair trial, when gathering evidence in preparing cases for Court.
- 2.2 The Investigatory Powers Commissioner's Office (IPCO) carries out scheduled audits of the use of RIPA by Local Authorities to monitor quality of applications and compliance with the Codes.
  - 2.3 In addition, all authorisations for surveillance activities carried out by the Council under RIPA must be independently reviewed and approved by a Magistrates' Court.
  - 2.4 IPCO carried out a review of the Council in relation to surveillance activities in 2020. The Inspector made the following observation - "It was unclear when the RIPA guidance had last been updated, and a review is scheduled which will include details of the new SRO and data assurance guidance as explained below."
  - 2.5 It is not clear when the last review of the RIPA Policy took place however the Group Head of Corporate Governance has now completed the review with the Deputy Monitoring Officer and the updated Policy is at Appendix A. The updated RIPA Policy takes into account changes in personnel within the Council, the role of IPCO, data assurance and further information regarding surveillance via social media.
  - 2.6 Another recommendation made by the Inspector was to update members on the use of RIPA powers. Going forward a report will be taken to the Audit Committee on an annual basis to provide the update.
  - 2.7 The Council's RIPA Policy and related documents can be found on the intranet.
  - 2.8 An inspection was carried out by IPCO on 27<sup>th</sup> September 2023 and the following recommendations were made on the Policy:-
    - i. To remove reference to urgent oral authorisations as this option is no longer available following the implementation of the Protection of Freedom Act 2012;
    - ii. To update the definition of a covert human intelligence source (CHIS); and
    - iii. To make it clear that authorisations should not simply expire and should be cancelled when the directed surveillance no longer meets the criteria upon which it was authorised.

These recommendations have been included in the updated Policy.

- 2.9 Annual statistics on use of RIPA powers are reported to IPCO.
- 3. Options analysis and proposal**
- 3.1 The Council can agree to the updated Policy or propose other amendments.
- 4. Financial implications**



4.1 Not applicable.

**5. Risk considerations**

5.1 Not adopting the RIPA Policy may result in RIPA powers not being applied consistently across the Council. Not obtaining intelligence correctly in accordance with RIPA requirements, could impact on admissibility of evidence in prosecution of cases.

**6. Procurement considerations**

6.1 Not applicable.

**7. Legal considerations**

7.1 The legal considerations are covered in the main body of the report.

**8. Other considerations**

8.1 There are none.

**9. Equality and Diversity**

9.1 The RIPA Policy is accessible by all.

**10. Sustainability/Climate Change Implications**

10.1 There are none.

**11. Timetable for implementation**

11.1 Once approval for the updated RIPA Policy is received, it will be uploaded onto the Council's intranet as soon as possible.

Use of RIPA powers by the Council will be reported to the Audit Committee in January 2024.

**12. Contact**

12.1 Farida Hussain f.hussain@spelthorne.gov.uk.

**Background papers: There are none.**

**Appendices:**

**Appendix A – Updated RIPA Policy**

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# Regulation of Investigatory Powers Act 2000

## Policy and Procedural Guidance on the Use of Covert Surveillance

## CONTENTS

<b>Introduction</b>	<b>3</b>
<b>Grounds for Necessity</b>	<b>4</b>
<b>Proportionality</b>	<b>4</b>
<b>Terms and Definitions</b>	<b>5</b>
Surveillance	
Overt Surveillance	
Covert Surveillance	
<b>Different Types of Covert Surveillance</b>	<b>6</b>
Directed Surveillance	
Intrusive Surveillance (Not permitted by the Council)	
Covert Human Intelligence Sources (CHIS)	
Definition of CHIS	7
<b>Authorisation Procedures</b>	<b>8</b>
Standard Forms	
<b>Applications for Judicial Approval</b>	<b>8</b>
Making an application	9
Decision of Justices of the Peace	
Possible outcomes	
<b>Senior Responsible Officer's Role</b>	<b>10</b>
Management of Records	
<b>RIPA Monitoring Officer's Role</b>	<b>11</b>
<b>Applicant's Role</b>	<b>11</b>
The Application	
Standard Forms for making an application	12
Authorisation Duration	13
Conduct of Authorisation	
Renewals	14
Cancellation	
Equipment	
<b>Authorising Officer's Responsibilities under RIPA</b>	<b>15</b>
Authorising Officer's Responsibilities	
Necessity	
Proportionality	
Collateral Intrusion	
Confidential Material	
Safety and Welfare arrangements of CHIS	
Local Community Sensitivities	
Authorisation	
Authorisation Refused	
Authorisation Approved	
Urgent Verbal Authorisation	
Authorisation Duration	
Authorisation Review	
Renewals	
A new application for authorisation	
Refusal	
Cancellations	
Review upon cancellation	

<b>Working with or through other agencies</b>	<b>20</b>
<b>Record Keeping</b>	<b>20</b>
<b>Material obtained from Directed Surveillance and/or use of CHIS Operations</b>	<b>23</b>
Confidential Information	
<b>Social Networking Sites and Internet Sites</b>	<b>23</b>
<b>Complaints</b>	<b>24</b>
<b>Annex</b>	<b>25</b>
Authorising Officers	
Senior Responsible Officer	

## 1.Introduction

The Council has a number of regulatory and enforcement responsibilities. These functions are primarily for the purpose of protecting the wider community from criminal activity and public disorder.

The regulatory and enforcement activity and the responsibility to ensure the safety of the community require the Council to pursue and enforce statutory activity where appropriate which may require the use of investigatory powers.

Article 8 of the Human Rights Act 1998, states that:

Article 8.1 Everyone has the right to respect for his private and family life, his home, and his correspondence.

Article 8.2 There shall be no interference by a public authority with the exercise of this right except such as is in accordance with the law and is necessary in a democratic society in the interests of national security, public safety or the economic well-being of the country, for the prevention of disorder or crime, for the protection of health or morals, or for the protection of rights and freedoms of others.

This right is not absolute, it is a qualified right. This means that in certain circumstances the Council may interfere with the right if the interference is:

- In accordance with the law
- Necessary, and
- Proportionate.

Covert Surveillance and information gathering may constitute an interference with the right to respect for private and family life. To ensure that such activity is in accordance with the law the Council should ensure that surveillance is carried out in accordance with the **Regulation of Investigatory Powers Act 2000 (RIPA)** where appropriate.

A person with the authority to authorise directed Surveillance or Covert Human Intelligence Sources may be the Deputy Chief Executives, Group Head of Service, Service Manager or equivalent.

RIPA was enacted to provide a lawful procedure for public bodies to carry out covert investigations without the risk of a claim being made under the Human Rights Act 1998, against either the body or the Investigating Officer, by the person subject to such an investigation.

RIPA also provides for oversight by the Investigatory Powers Commissioner's Office (IPCO). IPCO conducts inspections, publishes annual reports, and procedures and guidance.

When making an application for covert surveillance, local authorities must be satisfied that surveillance is both necessary and proportionate.

## **2. Grounds for Necessity**

### **2.1 Necessity**

The **Statutory grounds for necessity** are set out within the legislation. There are several statutory grounds, however the Council may only use RIPA authorisation for one statutory ground detailed in Sec 28(3) and Sec 29(30) of the Regulation of Investigatory Powers Act –

#### **(b) – The purpose of preventing or detecting crime or preventing disorder.**

If the proposed conduct is necessary, those involved with the process must make reference to the relevant section within the codes of practice, issued by the Home Office which can be accessed at the link below.

Both applicant and authorising officer must articulate in their own words why the proposed activity is necessary in all of the particular circumstances relating to the case concerned.

Since the implementation of the Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) (Amendment) Order 2012, **the circumstances in which local authorities may authorise directed surveillance are now restricted** to the investigation of offences which are punishable by a maximum term of at least six month's imprisonment or are related to the underage sale of alcohol and tobacco or nicotine inhaling products.

### **2.2 Proportionality**

If the proposed conduct is proportionate, those involved with the process must make reference to the relevant section within the codes of practice.

Both applicant and authorising officer must articulate in their own words why the proposed activity is proportionate in all of the particular circumstances relating to the case concerned,

Any consideration of proportionality should contain a consideration of the three elements:

- (a) That the proposed covert surveillance is proportional to the mischief under investigation.
- (b) That it is proportional to the degree of anticipated intrusion on the target and others; and
- (c) It is the only option, other overt means having been considered and discounted.

The Codes of Practice are admissible as evidence in court and **must** be complied with. In the event of a trial or hearing this Policy might also be adduced in the court.

**Useful link**

<https://www.gov.uk/government/collections/ripa-codes>

### **3. Terms and Definitions**

#### **3.1 Surveillance**

**Surveillance** includes:

Monitoring, observing, listening to persons, watching or following their movements, listening to their conversations and other such activities or communications:

- Recording anything mentioned above in the course of authorised surveillance.
- Surveillance, by or with, the assistance of appropriate surveillance device(s).
- The interception of a communication in the course of its transmission by means of a postal service or telecommunication system if it is one sent by, or intended for, a person who has consented to the interception of the communication.

Surveillance can be overt or covert.

#### **3.2 Overt Surveillance**

Most of the surveillance done by the Council will be done overtly – there will be nothing secretive, clandestine or hidden about it. In many cases officers will be behaving in the same way as normal members of the public and/or will be going about Council business openly.

A general observation made by officers in the course of their duties constitutes overt surveillance.

Warning the person about the surveillance (preferably in writing) constitutes overt surveillance. (Consideration should be given to how long the warning should last. This must be a reasonable length of time and each case must be assessed as to what is reasonable having regard to the circumstances.)

Overt surveillance does not require authorisation under RIPA.

#### **3.3 Covert Surveillance**

Covert Surveillance means surveillance which is carried out in a manner calculated to ensure that the persons subject to the surveillance are unaware that it is or may be taking place.



Covert Surveillance does require authorisation under RIPA if other criteria as set out within the codes also apply.

#### **4. Different Types of Covert Surveillance**

RIPA regulates two types of Covert Surveillance:

- Directed Surveillance, and
- Intrusive Surveillance;

RIPA also regulates the use of Covert Human Intelligence Sources.

##### **4.1 Directed Surveillance**

Directed surveillance is defined as surveillance which is:

- Covert
- Not intrusive
- Undertaken for the purposes of a specific investigation or specific operation;
- Carried out in such a manner as is likely to result in the obtaining of private information about a person (whether or not that person is the target of the investigation or operation); and
- Undertaken in a pre-planned manner, and not as an immediate response to events or circumstances.

***If the proposed activity fulfils all of the criteria for directed surveillance, RIPA authorisation is required.***

##### **4.2 Intrusive surveillance (not permitted by the Council)**

Intrusive surveillance is surveillance in any residential premises or in any private vehicle carried out by a person or by means of a surveillance device on the premises or in the vehicle which provides information of the same quality and details as if it was on the premises or in the vehicle.

##### **4.3 Covert Human Intelligence Sources**

The term Covert Human Intelligence Sources is used to describe people who are more commonly known as informants or offices working 'undercover'.

Throughout this document these people are referred to as "CHIS".

This does not include members of the public who volunteer information to the Council as part of their normal civic duties or to contact numbers set up to receive information.

#### 4.4 Definition of CHIS

Under RIPA, a person is a CHIS if:

- they establish or maintain a personal or other relationship with a person for the covert purpose of facilitating the doing of anything falling within Section 26(8)(b) or (c);
- they covertly use such a relationship to obtain information or to provide access to any information to another person; or
- they covertly disclose information obtained by the use of such a relationship or as a consequence of the existence of such a relationship.

A relationship is established or maintained for a covert purpose if and only if it is conducted in a manner that is calculated to ensure that one of the parties to the relationship is unaware of the purpose.

A relationship is used covertly, and information obtained is disclosed covertly, if and only if the relationship is used or the information is disclosed in a manner that is calculated to ensure that one of the parties to the relationship is unaware of the use or disclosure in question.

The Regulation of Investigatory Powers (Covert Human Intelligence Sources: Relevant Sources) Order 2013 (“the 2013 Relevant Sources Order”) further defines a particular type of CHIS as a “Relevant Source”. This is a source holding an office, rank or position with the public authorities listed in the Order and Annex B to the Covert Human Intelligence Sources Code issued by the Home Office. Enhanced authorisation arrangements are in place for this type of CHIS as detailed in this Code. Such sources will be referred to as a “Relevant Source” throughout this Code. RIPA authorisation is required for CHIS activity.

If CHIS are to be used there should be a controller who will have overall control of the operation involving the use of the CHIS.

There are particular procedures relating to the conduct and use of CHIS authorisation, together with risk assessment and other procedures. There are also issues relating to the management of the personal details of a CHIS and the information obtained as a result of such activity. **Whilst the Council will make use of CHIS authorisation if appropriate, it is a tactic that must be discussed with the Legal Department.**

There are also special rules for using juveniles or vulnerable persons as CHIS, and only the Chief Executive can authorise such surveillance (or in his absence his nominated deputy).

If the conduct to be authorised may involve the acquisition of confidential or religious material or require an authorisation for using juveniles or vulnerable persons as CHIS, the Authorising Officer is, by law, the Chief Executive (or in his absence the Deputy Chief Executive who has been nominated to act in his place).

**Further advice should be sought from the Council’s Legal Department in such cases.**

## **5. Authorisation Procedures**

Directed Surveillance and the use of a CHIS can only be lawfully carried out if properly authorised and conducted in strict accordance with the terms of the authorisation.

All directed surveillance and use of CHIS shall be:

- Applied for in writing
- Authorised by an appointed Authorising Officer and subsequently by a Justice of the Peace
- Conducted in accordance with the authorisation
- Monitored and reviewed when required and in any case in accordance with reviews set by the Authorising Officer
- Renewed if applicable
- Cancelled as soon as the objective has been achieved or the activity is no longer to be conducted, whichever is sooner

### **5.1 The Standard Forms**

Directed Surveillance

- Application for directed surveillance authorisation
- Application to Magistrates' Court
- Review of directed surveillance authorisation
- Application for cancellation of directed surveillance authorisation
- Application for renewal of directed surveillance authorisation

Use of CHIS

- Application for conduct-use of a CHIS authorisation
- Review of use of a CHIS authorisation
- Application for renewal of use of a CHIS authorisation
- Application for cancellation of conduct-use of a CHIS authorisation

The Standard Forms are available from the Legal Services office.

## **6. Applications for Judicial Approval**

Sections 37 and 38 of the Protection of Freedoms Act 2012 came into effect on 1 November 2012. This legislation means that a local authority who wishes to authorise the use of directed surveillance, and use of CHIS under RIPA will need to obtain an order approving the grant or renewal of an authorisation or notice from a Justice of the Peace, JP (a District Judge or lay magistrate) before it can take effect. If the JP is satisfied that the statutory tests have been met and that the use of the technique is necessary and proportionate he/she will issue an order approving the grant or renewal for the use of the technique as described in the application.

## 6.1 Making the Application

The application must be made by the public authority that has granted the authorisation. Following approval by the authorising officer/designated person the first stage of the process is for the local authority to contact Her Majesty's Courts and Tribunals Service (HMCTS) administration team at the magistrates' court to arrange a hearing.

The local authority will provide the JP with a copy of the original RIPA authorisation or notice and the supporting documents setting out the case. This forms the basis of the application to the JP and **should contain all information that is relied upon**.

Wherever possible the authorising officer will attend court with the Investigating Officer.

## 6.2 Decision of the JP

The JP will consider whether he or she is satisfied that at the time the authorisation was granted or renewed or the notice was given or renewed, there were reasonable grounds for believing that the authorisation or notice was necessary and proportionate. They will also consider whether there continues to be reasonable grounds. In addition, they must be satisfied that the person who granted the authorisation or gave the notice was an appropriate designated person within the local authority and the authorisation was made in accordance with any applicable legal restrictions, for example that the crime threshold for directed surveillance has been met.

## 6.3 Outcomes of the Hearing

After the JP has considered the case, there are three conclusions which he/she may reach.

The JP may either:

- **Approve the Grant or renewal of an authorisation or notice** – the grant or renewal of the RIPA authorisation or notice will then take effect and the local authority may proceed to use the technique in that particular case.
- **Refuse to approve the grant or renewal of an authorisation or notice** – the RIPA authorisation or notice will not take effect and the local authority may **not** use the technique in that case. Where an application has been refused the local authority may wish to consider the reasons for that refusal. For example, a technical error in the form may be remedied without the local authority going through the internal authorisation process again. The local authority may then wish to reapply for judicial approval once those steps have been taken.
- **Refuse to approve the grant or renewal and quash the authorisation or notice** – this applies where a Magistrate's Court refuses to approve the grant, giving or renewal of an authorisation or notice and decides to quash the original authorisation or notice. The Court must not exercise its power to

quash that authorisation or notice unless the applicant has had at least two business days from the date of the refusal in which to make representations.

### **Useful Link**

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/118173/local-authority-england-wales.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/118173/local-authority-england-wales.pdf)

## **7. The Senior Responsible Officer's Role**

The Council's Senior Responsible Officer is the Group Head of Corporate Governance who is responsible for:

- The integrity of the process in place within the Council for the management of CHIS and Directed Surveillance
- Compliance with Part II of RIPA and the Codes of Practice
- Oversight of the reporting of errors to the relevant oversight Commissioner and the identification of both the cause(s) of errors and the implementation of processes to minimise repetition of errors
- Engagement with the IPCO inspectors when they conduct their inspections
- Oversight of the implementation of any post-inspection action plan approved by IPCO

### **7.1 Management of Records**

The Senior Responsible Officer is responsible for ensuring a central register of authorisation is maintained.

The register and all associated documents relating to authorisations, reviews, cancellations, or renewals and refused applications should be retained in an auditable format, with each particular authorisation allocated a unique reference number for that particular investigation or activity.

The Senior Responsible Officer is responsible for submitting annual statistics to IPCO in relation to authorisations.

The Senior Responsible Officer is also responsible for communicating to IPCO any unauthorised activity that might come to the attention of the authority. This must be done within five working days. The records, documentation, and associated documentation relating to this unauthorised activity must be retained by the Senior Responsible Officer and disclosed to IPCO upon request, and certainly to an inspector from the IPCO at the commencement of the next scheduled inspection.

Management of the records by the Senior Responsible Officer requires that person to carry out sufficient audit and checking in order to provide for a reasonable level of quality control. Any identified issues should be communicated with the authorising officer and any others concerned in order to ensure review drives improvement in compliance.

## **8. The RIPA Monitoring Officer's Role**

The Council's RIPA Monitoring Officer is the Legal Services Manager, responsible for:

- Maintaining the central register of authorisations and collating the original applications/authorisations, reviews, renewals and cancellations
- Oversight of submitted RIPA documentation

## **9. The Applicant's Role**

### The application

You will need to consider:

#### ***Whether covert surveillance is needed***

Consideration must be given as to whether covert surveillance is needed. You are advised to discuss the need to undertake directed surveillance or the use of CHIS with your line manager before seeking authorisation. All other options to obtain the information to be obtained by the authorised activity should be considered and used if appropriate.

#### ***Whether Directed Surveillance or the use of CHIS is needed***

You must establish what type of 'surveillance' is required having regard to the guidance contained in this document. The type of surveillance you require affects which application forms you need to complete.

#### ***Whether Directed Surveillance or use of a CHIS is necessary for statutory reasons (identify the particular offence to be prevented or detected or what disorder is to be prevented)***

Authorisation may only be granted if it is necessary for the reason permitted by RIPA. For local authorities, the only statutory reason is for the purposes of preventing and detecting crime or of preventing disorder (and now for certain offences only). You must set out this ground in your application form and provide details of the reasons why it is necessary to use covert surveillance.

#### ***Whether Directed Surveillance or use of CHIS is appropriate***

You must consider why the activity applied for is proportionate.

The methods must do no more than ensure you meet your objective. The proportionality test will also require you to consider whether there are any other appropriate means of obtaining the information and whether there is a risk of collateral intrusion (see consideration below) and how this can be minimised or managed, or if it is acceptable in the circumstances.

The following aspects of proportionality must be considered and evidenced:

- Balancing the size and scope of the proposed activity against the gravity and extent of the perceived crime or offence
- Explaining how and why the methods to be adopted will cause the least possible intrusion on the target and others
- Considering whether the activity is an appropriate use of the legislation and a reasonable way, having considered all reasonable alternatives, of obtaining the necessary result.
- Evidencing, as far as is reasonably practicable, what other methods have been considered fully and why these were not implemented.

### ***The risk and amount of collateral intrusion***

Collateral intrusion is the risk of intrusion into the privacy of persons other than the target. You are required to assess the risk of collateral intrusion. Details of any potential collateral intrusion should be specified. Measures must be taken wherever practicable to avoid or minimise collateral intrusion and a plan should be included in your application specifying how the potential for collateral intrusions will be minimised. You should give as much detail as possible, insufficient information may lead to the rejection of the application.

### ***Conduct a risk assessment in relation to health and safety of personnel and public (not a statutory requirement under RIPA, but an operational requirement)***

This requirement is not in relation to compliance with RIPA. However, it is a fundamental requirement when conducting any activity at work. The risk assessment helps the line manager and the authorising officer to consider the health and safety risks to the personnel and public are identified, and if possible measured and controlled, and only the level of risk to be taken will be that which reflects the benefit to the authority.

### ***Consideration: Surveillance from private premises***

It is preferable for surveillance to be carried out from a public place, such as a public highway. However, there may be circumstances where private premises may be required for carrying out the surveillance. In which cases, it is essential that you obtain the consent of the owner and/or occupier of the premises prior to authorisation being sought.

You should seek further guidance from the Council's Legal Department since there are other considerations in relation to management of CPIA Disclosure, and use of the product of the surveillance as evidence.

## **10. Standard Forms for Making an Application**

All applications must be made in writing on the standard forms provided.

The relevant forms are:

- An application for directed surveillance authorisation, and/or
- An application for the use of a CHIS
- An application to a Justice of the Peace

*The considerations set out above form part of the application form.*

### 10.1 Authorisation Duration

An authorisation for Directed Surveillance will last for three months from the date of authorisation unless renewed. It must be cancelled as soon as it is no longer required.

An authorisation for use of adult CHIS will last for twelve months from the date of authorisation unless renewed.

Review dates for the authorisation will be set by the Authorising Officer. All authorisations must be cancelled as soon as they are no longer required and must not be allowed to expire.

During the course of an investigation, the type and seriousness of offences may change. The option of authorising directed surveillance is dependent on the offence under investigation attracting a sentence of maximum six months imprisonment or more or being related to the underage sale of alcohol and tobacco. Providing the offence under investigation is one which appears on the statute book with at least a maximum six months term of imprisonment or is related to the specific offences listed in the Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010 as amended, concerning the underage sale of alcohol or tobacco, an application will be made. However, if during the investigation, it becomes clear that the activity being investigated does not amount to a criminal offence or that it would be a less serious offence that does not meet the threshold the use of directed surveillance should cease. If a directed surveillance authorisation is already in force it should be cancelled.

### 10.2 Conduct of Authorisation

It will be the responsibility of the applicant and persons conducting the authorised activity to ensure that any Directed Surveillance or use of CHIS is only undertaken under an appropriate and valid authorisation.

During the surveillance, you should ensure:

- Surveillance is carried out in accordance with the authorisation
- Collateral intrusion is monitored and minimised as far as possible
- Intrusive surveillance is not carried out
- All information obtained is recorded and managed appropriately and in accordance with the Data Protection Act (subsequently other legislation such as PACE and CPIA are likely to apply to the product of the surveillance).

During the use of CHIS, you should also ensure that the source is aware that:



- Only the tasks authorised are carried out
- Third party collateral intrusion is minimised as far as possible.
- Intrusive surveillance is not carried out
- Agent Provocateur (Entrapment) is not committed
- They must regularly report to you

You should also be mindful of the date when reviews and renewals are required.

You must inform the Authorising Officer if the authorised activity unexpectedly interferes with the privacy of individuals who are not covered by the authorisation or if there is another change in circumstances usually brought around by unforeseen action.

When the original authorisation may not be sufficient, consideration should be given to whether the authorisation needs to be amended and re-authorised (for minor amendments only) or whether it should be cancelled and a new authorisation obtained.

The relevant forms should be used.

Particular care should be taken when using CHIS to ensure that authorisation is sufficient. It is difficult to predict what might occur each time a meeting with CHIS takes place. If unforeseen action takes place, the occurrence should be recorded as soon as possible after the event and the sufficiency of the authorisation must be considered. You must bring to the attention of the Authorising Officer any concerns about the personal circumstances of the CHIS in relation to: the validity of the risk assessment; the conduct of the CHIS; the safety and welfare of the CHIS.

### Renewals

If it is required, a renewal must be authorised prior to the expiry of the original authorisation. Applications for renewal should be made on the appropriate form shortly before the original authorisation period is due to expire. Officers must take account of factors which may delay the renewal process (e.g. intervening weekends or the availability of the relevant authorising officer and a Magistrate to consider the application). The Authorising Officer must consider the matter afresh, including taking into account the benefits of the surveillance to date and any collateral intrusion that has occurred. Renewals of an authorisation may be granted more than once, provided the criteria for granting that authorisation are still met. However, if the reason for requiring the authorisation has changed from the purpose for which it was originally granted, then it should be cancelled, and new authorisation sought. The renewal will begin on the day when the original authorisation would otherwise have expired.

### Cancellations

All authorisations, including renewals, must be cancelled if the reason why Directed Surveillance or use of CHIS was required no longer exists or is no longer proportionate. This will occur in most instances when the purpose for which

surveillance was required has been achieved and officers must be mindful of the need to cancel any authorisation which has been issued.

To cancel an authorisation, you should complete the Cancellation of Authorisation form and submit it to the Authorising Officer for the Authorising Officer to cancel the authorised activity.

### Equipment

Equipment and surveillance logs should be allocated from a central record of equipment, and an audit trail maintained in relation to the equipment and surveillance logs.

Upon cancellation all equipment in use must be removed immediately or else as soon as practicable, since further recordings will amount to unauthorised surveillance.

## **11. Authorising Officer Responsibilities under RIPA**

If the conduct to be authorised may involve the acquisition of confidential or religious material, or require an authorisation for using juveniles or vulnerable persons as CHIS, the Authorising Officer is, by law, the Chief Executive (or in his absence one of the Deputy Chief Executives)

Authorising Officers should not be responsible for authorising investigations or operations in which they are directly involved. If this is the case, the application form for authorisation should be noted to this effect together with an explanation as to why this has taken place.

Authorising Officer Responsibilities – Responsibility for authorising the carrying out of direct surveillance or using a CHIS rests with the Authorising Officer and requires the personal authority of the Authorising Officer.

You must be satisfied that a defensible case can be made for the conduct authorised.

Authorisation is a safeguard against the abuse of power by public authorities. Full consideration of necessity and proportionality will make the action less vulnerable to challenge.

**You should refer to both the relevant Codes of Practice when fulfilling your role, and if required seek the guidance of the Legal Department and Senior Responsible Officer on issues that you are uncertain about.**

You are required to consider the application for authorisation in relation to the following:

### Crime Threshold

Amendments to the Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010 mean that a local authority can now

only grant an authorisation under RIPA for the use of directed surveillance where the local authority is investigating particular types of criminal offences. These are offences which attract a maximum custodial sentence of six months or more or are offences relating to the underage sale of alcohol or tobacco.

### Necessity

Firstly, you must consider whether it is **necessary** to carry out the covert activity. This is an important consideration and must be recorded on the form. The Codes of Practice provide guidance in relation to this consideration.

Secondly, as authorisation may only be granted if it is necessary for the reason permitted by RIPA. You should consider, having regard to the outline of the case provided by the applicant, whether authorisation is necessary for the purposes of **preventing or detecting certain crimes only or of preventing disorder**.

### Proportionality

This involves balancing the intrusiveness of the activity on the target and others who may be affected by it against the need for the activity in operational terms. The Codes of Practice provide guidance in relation to this consideration.

### Collateral Intrusion

You must take into account the risk of interfering with the privacy of persons other than the target (collateral intrusion). Full details of potential collateral intrusion and the steps to be taken to minimise such intrusion must be included in the form. If there are insufficient details, further information should be sought.

Collateral intrusion forms part of the proportionality test and is therefore very important. The application form should detail expected collateral intrusion, what has been done to minimise or control it, why the expected level is unavoidable but acceptable in the circumstances, what other investigative methods have been pursued or considered, and why this activity is the chosen option.

If equipment is to be used you should enquire with the operative as to its capability and the extent to which it is to be used in order to be able to recognise what might be recorded.

### Confidential Material

In cases where through the use of the directed surveillance or the use of a CHIS, it is likely that knowledge of confidential information will be acquired, authorisation may only be granted by the Chief Executive or in his absence his nominated deputy.

Confidential information consists of matters subject to legal privilege, confidential personal information or confidential journalistic material.

Authorisation involving the acquisition of confidential information should only be given in exceptional and compelling circumstances having full regard to the proportionality issues involved.

Further details about the type of information covered under this category are to be found in the relevant Code of Practice. Further advice may be sought from the Council's Legal Department.

### Safety and Welfare arrangements of CHIS

When authorising the conduct or use of a CHIS, you must be satisfied:

- That the conduct and/or use of the CHIS is proportionate to what is sought to be achieved;
- That arrangements exist for the management and oversight of the CHIS, particularly the health and safety of the CHIS, including:
  - Identifying the person who will have day to day responsibility for dealing with the CHIS.
  - Security and welfare arrangements of the CHIS both during and after the investigation/operation
  - Monitoring and recording the information supplied by the CHIS
  - Ensuring records disclosing the identity of the CHIS will not be made available to persons except where there is a need for access to them.
  - Records relating to the CHIS meet the lawful requirements (CHIS Records).

### Local Community Sensitivities

You should consider whether there are any particular sensitivities in the local community where surveillance will be taking place.

### Authorisation

**Having taken all these factors into consideration, you may either approve the application or refuse it. You can authorise some of the activity applied for, but cannot add and authorise other activity you feel is appropriate. If there is further activity that should be conducted that is not contained within the application, a further application will be required, and then considered upon its merits.**

### Authorisation Refused

You must complete the form and give your reasons for refusal. Then follow the procedures below.

### Authorisation Approved

The applicant or operative responsible for the conduct authorised must be informed exactly what activity has been authorised.

Before the Authorisation can take effect, the local authority must obtain an order approving the Authorisation or a renewal from a JP (a District Judge or Lay Magistrate). If the JP is satisfied that the statutory tests have been met and that the use of the technique is necessary and proportionate he/she will issue an order approving the grant or renewal as set out in the Authorisation.

Regular reviews should be set and undertaken to assess the continued need for surveillance or use of a CHIS and whether it is still proportionate.

Where the surveillance or use of CHIS provides access to confidential information or involves collateral intrusion, reviews should be more frequent. You will therefore need to consider a relevant appropriate Review Date(s).

Both types of authorisation require you to specify a date when the authorisation should be reviewed (the Review Date) and the frequency of the review thereafter. This must be stated on the form.

#### Authorisation Duration

An authorisation for Directed Surveillance will last for three months from the date of authorisation unless renewed.

An authorisation of use of CHIS will last for twelve months from the date of authorisation unless renewed. Urgent authorisation for either Directed Surveillance or use of CHIS will last seventy-two hours beginning with the time when the authorisation was confirmed by a JP, unless subsequently endorsed by written authorisation.

#### Authorisation Review

It is important to set a review date which gives the opportunity to review the level of collateral intrusion and the effectiveness of the methods used. Reviews should be more frequent to reflect any particular concerns you might have.

If surveillance is to be continued, set another review date. If the authorisation is to be cancelled, submit the relevant signed cancellation form.

#### Renewals

Once the authorisation expires, surveillance must cease unless a renewal has been applied for and approved. You may apply for a renewal of an authorisation before it expires if it is necessary for the authorisation to continue for the purpose for which it was given (but a further JP confirmation will still be required).

You must consider the application for renewal in relation to the original purpose for which authorisation was granted, taking into account any change in circumstances. You should be satisfied that:

- There is a need to renew the authorisation (applying the test of necessity)
- That such a renewal is likely to contribute to the investigation or operation (it is proportionate to the aim)
- That the information could not be reasonably obtained by other less intrusive means
- The risk of collateral intrusion has not altered – you should consider what collateral intrusion has occurred
- The risks associated with the use of CHIS have not increased beyond an acceptable level.

The outcome of a consideration of renewal may lead to:

- Approval
- A new application

- Refusal

If you decide to approve a renewal you will need to provide details of why in your opinion you believe that the renewal is justified, and state the date and time when the renewed authorisation will commence and expire on the application form, prior to applying to a JP for confirmation.

The maximum time that renewal of authorisation can be approved for, is three months at a time for directed surveillance and twelve months for the use of a CHIS. You should also set appropriate Review Dates.

#### A new application for authorisation

IF the application circumstances resulting in the original authorisation have changed then the outstanding authorisation should be cancelled and new authorisation sought by way of a new application. You will need to note the refusal to renew the application on the renewal form setting out the reasons for your decision. You will also need to follow the procedures for cancellation and advise the applicant to seek new authorisation.

#### Refusal

If in your opinion surveillance is no longer required, or justified, or proportionate, the renewal should be refused and the authorisation cancelled. You will need to note on the renewal form your reasons for refusal.

#### Cancellation

All authorisations, including renewals, must be cancelled if the reason why directed surveillance or use of CHIS was required no longer exists or is no longer proportionate.

This will occur in most instances when the purpose for which surveillance was required has been achieved and officers must be mindful of the need to cancel any authorisation which has been issued. A cancellation should be issued at the expiry date if not before.

The responsibility to ensure that authorisations are cancelled rests with the Authorising Officer. If you think cancellation should have been applied for, then you should make enquiries as part of your monitoring of the authorisation. On receipt of the cancellation form you must consider the reasons for cancellation and if acceptable endorse the form.

As soon as the decision is taken that directed surveillance or use of CHIS should be discontinued, the instruction must be given to those involved to stop all surveillance of the subject. The date and time when such an instruction was given should be recorded on the cancellation form.

Where necessary, the safety and welfare of the CHIS should continue to be taken into account after the authorisation has been cancelled.

All equipment should be retrieved and recording ceased.

The product of the authorised activity is your responsibility, not in so much as you personally take possession of it, but you ensure directions and processes are in place to ensure its appropriate management in accordance with Data Protection and other relevant legislation.

### Review upon Cancellation

There should be a full review of the usefulness of the authorised activity. This should include what has been achieved and what was not. The review should identify why any objectives were not achieved. This information should be recorded and presented upon inspection by the IPCO Inspector. The information should also be used by all involved in the procedures in order to educate future applications and authorisations.

## **12. Working with or through other Agencies**

When some other agency has been instructed on behalf of the Council to undertake some action under RIPA, the procedures must be applied in the normal way and the agency advised as necessary of the various requirements. They must be made aware explicitly what they are authorised to do.

They are acting as agents of the Council and must follow the same procedures as Council personnel.

It is possible for two public authorities to carry out a joint directed surveillance investigation or use of CHIS. It must be decided which of the authorities is to take the lead role. The Authorising Officer from the lead organisation must make the decisions on the necessary and proportionality of the surveillance or use of CHIS. This Authorising Officer authorises the activity he or she feels appropriate.

If resources such as personnel or equipment belonging to the other agency within the investigation are to be used, the authorisation must be seen and then the use of the resources authorised by the relevant line manager.

## **13. Record Keeping**

### **13.1 Records maintained in the Department**

The Authorising Officer shall maintain the following documentation ideally in one secure and central location. Maintaining copies in different locations is to be avoided and can complicate the application of retention, review and destruction processes. a) a copy of the application and provisional authorisation or notice together with a copy of any order of judicial approval or refusal, as well as any supplementary documentation and notification of the approval given by the Authorising Officer; b) a record of the period over which the surveillance has taken place; c) the frequency of reviews prescribed by the Authorising Officer; d) a record of the result of each review of the authorisation or notice; e) a copy of any renewal of an authorisation or notice, together with judicial approval or refusal and the supporting documentation submitted when the renewal was requested; f) the date and time when any instruction was given by the Authorising Officer. g) the unique reference number for

the authorisation (URN). Each form must have a URN provided by the RIPA Monitoring Officer. The Authorising Officers will issue the relevant URN to applicants. The cross referencing of each URN takes place within the form for audit purposes. Rejected forms will also have URN's.

13.2 Other Record of Covert Human Intelligence Sources Proper records must be kept of the authorisation and use of a source. An Authorising Officer must not grant a provisional authorisation for the use or conduct of a source unless they believe that there are arrangements in place for ensuring that there is at all times a person with the responsibility for maintaining a record of the use made of the source. The records shall contain the following information:

- (a) the identity of the source;
- (b) the identity, where known, used by the source;
- (c) any relevant investigating authority other than the Council;
- (d) the means by which the source is referred to within each relevant investigating authority;
- (e) any other significant information connected with the security and welfare of the source;
- (f) any confirmation made by a person granting or renewing an authorisation for the conduct or use of a source that the information in paragraph (d) has been considered and that any identified risks to the security and welfare of the source have where appropriate been properly explained to and understood by the source;
- (g) the date when, and the circumstances in which, the source was recruited;
- (h) the identities of the persons who, in relation to the source;
  - (i) hold day-to-day responsibility for dealing with the source and for the source's security and welfare
    - ii. have a general oversight of the use made of the source (not to be the person identified in (h)(i))
    - iii. have responsibility for maintaining a record of the use made of the source
  - (i) the periods during which those persons have discharged those responsibilities;
  - (j) the tasks given to the source and the demands made of him in relation to his activities as a source;
- (k) all contacts or communications between the source and a person acting on behalf of any relevant investigating authority;
- (l) the information obtained by the conduct or use of the source;



(m) any dissemination of information obtained in that way; and

(n) in the case of a source who is not an undercover operative, every payment, benefit or reward and every offer of a payment, benefit or reward that is made or provided by or on behalf of any relevant investigating authority in respect of the source's activities for the benefit of that or any other relevant investigating authority.

## **SAFEGUARDS FOR RETENTION, REVIEW AND DESTRUCTION OF MATERIAL OBTAINED THROUGH COVERT POWERS**

Material obtained in the course of criminal investigations and which may be relevant to the investigation must be recorded and retained in accordance with the Criminal Procedure and Investigations Act 1996. The Council must have in place arrangements for the handling, storage and destruction of material obtained through the use of covert surveillance and compliance with the appropriate data protection requirements must be ensured. The Council's Information Governance Policy, Strategy and Framework must be adhered to. In addition, before any authorisation is approved, advice on the handling, dissemination, copying, storage, security, retention and destruction of covert surveillance material must be sought from the RIPA Monitoring Officer and the ICT Manager, in order to ensure the Council complies with the additional safeguarding obligations contained in the relevant Home Office Codes of Practice. This Policy document shall be kept under review to ensure it is consistent with the Safeguards chapter of the relevant Home Office Code of Practice, as may be amended. There will be a suitable audit trail for the eventual destruction of product, including the means by which an officer(s) will be designated to check this is being carried out as intended. An additional entry in the Central Record may be used as a suitable means to capture this. The Council's Information Governance Policy and Information Asset Register will on review consider a reference to the Safeguards for RIPA/IPA product with a link to the main Corporate Surveillance Policy section for further advice. The Council will ensure that internal safeguard policies for retaining, reviewing and disposing of any relevant data are accurate and up-to-date.

Authorising Officers will through training have an understanding of any data pathways used for RIPA or IPA data. Authorising Officers will familiarise themselves with retention policies and know who will be personally responsible for retention, review and destruction of data shown on the central record. All data obtained under IPA and RIPA will be clearly labelled and stored on secure shared corporate repositories (e.g. Sharepoint as applicable).

All electronic copies of the signed authorisations, will be retained for three years and then disposed of securely, unless it is believed that the records could be relevant to pending or future criminal proceedings, where they must be retained for a suitable further period, commensurate to any subsequent review. The Council will ensure that all material acquired during covert surveillance is held in secure locations, with clear

handling instructions in place when material exchanges hands, and a clear retention, review, destruction (RRD) schedule will be applied to all copies made.

#### **14. Material obtained from Directed Surveillance and/or use of CHIS operations**

Material, or product, such as: written records (including notebook records); video and audio recordings; photographs and negatives; and electronic files, obtained under authorisation of Directed Surveillance or use of a CHIS investigations or operations should be handled, stored and disseminated according to the following guidance and with regard to the Council's Data Protection Policy.

Where material obtained during the course of an investigation may be relevant to pending or future criminal or civil proceedings, it should be retained in accordance with the established disclosure requirements having regard to the Criminal Procedure and Investigations Act 1996 and Civil Procedure Rules.

Where material is obtained which is not related to a criminal or other investigation, or to any person who is the subject of the investigation, and there is no reason to suspect that it will be relevant to any future civil or criminal proceedings, it should be assessed for retention or destruction under the Council's Data Protection Policy.

Material may be used in investigations other than the one for which authorisation was issued.

Where material is obtained which is not related to a criminal or other investigation, or to any person who is the subject of the investigation, and there is no reason to suspect that it will be relevant to any future civil or criminal proceedings, it should be assessed for retention or destruction under the Council's Data Protection Policy.

Material may be used in investigations other than the one for which authorisation was issued.

#### **Confidential Information**

This is privileged information from, for example, lawyers, doctors, priests etc. Where such persons are involved, and there is a possibility that you may be obtaining confidential material, then further additional precautions must be taken. If this is the case, seek appropriate advice from the Legal Department.

#### **15. Social Networking Sites and Internet Sites**

Social Networking Sites (SNS) which include but are not limited to Facebook, Instagram, Twitter and TikTok can provide information that will aid an investigation. When using these sites to carry out surveillance it is essential to know how they work and officers should not assume that one service provider works in the same way as another.

In all cases it would be unwise to assume that the content came from an open source or was publically available, even where security settings are low, as the

author would have some reasonable expectation of privacy where access controls are applied.

When conducting any surveillance of social media sites use of an officers personal account is prohibited and advice should be sought from the Communications Team with regards to setting up a Council account. It may pose a risk to an officers' personal safety when viewing social media profiles from a personal account, due to the potential for a 'digital footprint' to be left and therefore potentially identifying the officer to the account holder.

Where a site is being covertly accessed for monitoring purposes it may be necessary for an authorisation for directed surveillance to be obtained. As part of an investigation, it is possible to take an initial look at an individual's social media activity, however, should there be a need to return to the site this may constitute surveillance. In such circumstances advice should be obtained from the RIPA Co-ordinating Officer before further surveillance is carried out.

When accessing an individuals' social media site, an officer of the Council must never establish or maintain a relationship with that individual without consulting with the SRO, as an authorisation for a CHIS may need to be obtained. See above for full details of what constitutes a CHIS.

The Central Record will contain a register of any Council profiles utilised and a record of their use, where the Council decides to utilise Social Media for the purpose of investigation. The RIPA Monitoring Officer must be involved prior to any social media being utilised for surveillance, to ensure appropriate records are being kept and stored.

### **Accessing Communications data**

Only authorised officers are able to use the NAFN Single Point of Contact service to access communications data. NAFN provides Council officers with access to a secure online system for processing RIPA telecommunications requests. Authorised applicants and designated persons can submit, approve and track applications through one central secure website. NAFN review all applications for legal compliance prior to approval from Swale's designated person. NAFN is subject to inspection by the officers of the Interception Commission to ensure compliance with RIPA.

## **16. Complaints**

The Regulation of Investigatory Powers Act established the Investigatory Powers Tribunal an independent tribunal made up of senior members of the judiciary and the legal profession and is independent of the Government. The Tribunal has full powers to investigate and decide any cases within its jurisdiction. It also has the power to award compensation.

Details of the relevant complaints procedure can be obtained from the following address:

Investigatory Powers Tribunal  
P O Box 33220  
London  
SW1H 9ZQ

Other actions that could be taken against the Council for failing to meet the requirements of RIPA are civil proceedings under the Human Rights Act 1998 or a complaint to the Ombudsman.

### **Annex**

#### **AUTHORISING OFFICER(S)**

The following Officer(s), shall be designated Authorising Officers on behalf of the Council under the Regulation of Investigatory Powers Act 2000.

Senior Planning Lawyer  
Strategic Planning Manager  
Planning Development Manager  
Senior Environmental Health Manager  
Chief Executive  
Deputy Chief Executive

**SENIOR RESPONSIBLE OFFICER – Group Head of Corporate Governance**

# Corporate Policy & Resources Committee



27/11/2023

<b>Title</b>	<i>Determination of the 2024/25 Council Tax base for tax setting.</i>
<b>Purpose of the report</b>	To make a decision and a recommendation to Council
<b>Report Author</b>	<i>Paul Taylor Chief Accountant</i>
<b>Ward(s) Affected</b>	All Wards
<b>Corporate Priority</b>	Service delivery
<b>Recommendations</b>	<p><b>That in accordance with its delegated powers the Corporate Policy &amp; 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:</b></p> <p>A. the gross Council Tax Base for 2024/25 is determined at 41,305 (2023/24: 40,867) as Band D equivalents after taking account of the Council's agreed Council Tax Support Scheme, and</p> <p>B. the net Council Tax Base for 2024/25 calculated as Band D equivalents, is determined at 39,241 (2023/24: 39,233) after adjustment by 5% to allow for; irrecoverable amounts, appeals and property base changes.</p>
<b>Reason for Recommendation</b>	<i>To meet the legal requirements to set the Council tax base and publish it to between 1 December 2023 and 31 January 2024 to Surrey County Council and the Surrey Police Commissioner.</i>

## 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 2024.

## **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 2024 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 2024/25.
- 2.4 The 2024/25 Council Tax base is set out in Appendix A
- 2.5 Currently collection rates are down slightly compared to the same point a year ago, this appears to be the increasing impact of the Cost of Living Crisis resulting in more households struggling to pay their bills including council tax. The allowance for non-collection for 2023-24 was 3% on a precautionary basis the allowance has been increased to 5%. The Council will continue to seek to maximise the amount of council tax collected.

## **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 5% is proposed.
- 3.4 The Council Tax Base for 2024/25 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 2024/25 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 2024, 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 2024/25 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 2024, 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 2023– Corporate Policy & Resources agree the 2024/25 Council Tax Base

10.2 By 31 January 2024, Spelthorne Borough Council advise Surrey County Council and the Surrey Police Commissioner of the Council Tax Base for 2024/25.

**11. Contact**

11.1 Paul Taylor [p.taylor@speltorne.gov.uk](mailto:p.taylor@speltorne.gov.uk)

**Background papers:** There are none.

**Appendices:** Appendix A – Council Tax Base for 2024/25

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Appendix A - Council Tax Base for 2024/25

03/11/23

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	373.50	1,473.25	8,507.75	13,729.50	9,297.75	4,364.00	2,045.50	109.50		39,901.75
Reduction in taxbase as a result of local council tax support	0.00	54.70	280.70	1191.73	977.27	258.34	53.98	9.81	0.00		2826.53
<hr/>											
Number of dwellings equivalents after applying discounts, premiums and local tax support to calculate taxbase	1.00	318.80	1192.55	7316.02	12752.23	9039.41	4310.02	2035.69	109.50		37075.22
<hr/>											
<b>Ratio to band D</b>	<b>0.56</b>	<b>0.67</b>	<b>0.78</b>	<b>0.89</b>	<b>1.00</b>	<b>1.22</b>	<b>1.44</b>	<b>1.67</b>	<b>2.00</b>	<b>0</b>	
Total number of band D equivalents after allowance for council tax support (to 1 decimal place)	0.60	212.50	927.50	6,503.10	12,752.23	11,048.20	6,225.60	3,392.80	219.00	0.00	41281.53
Number of band D equivalents of contributions in lieu (in respect of Class O exempt dwellings) in 2022-23										24.00	24.00
<hr/>											
Tax base after allowance for council tax support (to 1 decimal place)	0.60	212.50	927.50	6503.10	12752.23	11048.20	6225.60	3392.80	219.00	24.00	41305.53
Less adjustment for losses in collection 5%											-2065.28
<b>Net Tax Base</b>											<b>39240.25</b>
<hr/>											
23/24 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
<b>Net Tax Base</b>											<b>39232.52</b>

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# Corporate Policy and Resources Committee



## November 2023

<b>Title</b>	Treasury Management Half Yearly Report
<b>Purpose of the report</b>	To note
<b>Report Author</b>	Prithiva Janaka, Treasury Management and Capita Accountant
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No
<b>Corporate Priority</b>	Financial Sustainability
<b>Recommendations</b>	<b>Committee is asked to:</b> Note the performance of the Treasury department during the first six months of 2023/24
<b>Reason for Recommendation</b>	Not applicable

### 1. Summary

- 1.1 This report covers Treasury Management activity for the six months to September 2023 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 2023 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 £7.4m mainly due to ongoing capital projects and PWLB repayments, also due to the current economic climate.
- 1.4 The investments held by the Council achieved an average overall (across both short term and medium-term funds) return of 2.09% over the six months to the 30th of September, shown in **Appendix D** 1.41 % for pooled investment funds. At the end of September, the Council, as analysed by Arlingclose, was achieving a Positive total return. The September end positive return was principally driven by higher interest rates, as detailed in **Appendix B1**. For comparison **Appendix B2**, the position as of 30<sup>th</sup> September 2022, 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 2023**

Indicator	PI Level	30/09/2023	RAG Indicator
	£m	£m	
<b>Capital Financing Requirement</b>			
- CFR as at 30/09/2023	1,082.0	1,096.4	G
- as at 31/03/2024 forecast		1,118.9	G
Total outstanding debt	1,003.0	1,060.2	G
Debt below CFR		Yes	G
<b>Liquidity: cash availability</b>	20.0	7.4	A
<b>Affordable borrowing</b>			
Authorised limit	1,450.0		
Operational boundary	1,350.0		
Outstanding borrowing		1,060.2	G
<b>Maturity Structure of Borrowing</b>			
	Upper limit	£m	Of total
Under 12 Months	10%	14.5	1%
1 – 2 Years	15%	14.1	1%
>2 – 5 Years	20%	47.3	4%
>5 – 10 Years	25%	85.5	8%
>10 – 20 Years	50%	201.5	19%
>20 – 30 Years	75%	277.3	26%
>30 – 40 Years	90%	275.6	26%
>40 – 50 Years	100%	156.9	15%
	<b>Total</b>	<b>1,072.7</b>	<b>100%</b>
<b>Other</b>			
Price Risk Indicator	£70.0	£41.0	G
Standalone financial derivatives	Limited	None	G

KEY	
Exceeded 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 £1,072.0m (Table 3), secured to fund historic property acquisitions and to fund completed residential and regeneration schemes.
- 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.

## 2023/24

**Table 2: CFR Summary**

	2022/23 End 31/03/2023 £m	2023/24 End 30/09/2023 £m	2023/24 End 31/03/2024 £m
<b>Opening Capital Financing Requirement</b>	<b>1,117.7</b>	<b>1,124.0</b>	<b>1,124.0</b>
<i>Capital investment</i>			
Property, Plant and Equipment	19.8	17.5	54.7
Intangible Assets	0.2	0.1	0.3
Revenue Spend Funded from Capital under Statute	1.0	0.5	1.0
<b>Total Capital Investment</b>	<b>21.0</b>	<b>18.1</b>	<b>56.1</b>
<i>Sources of Finance</i>			
Capital Receipts	(0.3)	(0.2)	(1.0)
Government Grants and Contributions	(1.3)	(0.6)	(2.6)
Revenue contributions	(1.0)	(0.5)	(1.2)
Repayment of debt	(12.1)	(44.3)	(56.4)
<b>Total Sources of Finance</b>	<b>(14.7)</b>	<b>(45.6)</b>	<b>(60.3)</b>
<b>Closing Capital Financing Requirement</b>	<b>1,124.0</b>	<b>1,096.4</b>	<b>1,118.9</b>

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 2023) of £1,124.0m is forecast to be reduced by £38 m to £1,096m CFR to 30<sup>th</sup> September 2023 and a forecast increase to £1,118.9m CFR at the year end. Forecast increase in funds of £7.5m. This is mainly due to acquisition of Property, Plant and Equipment (PPE). However, Committee has suspended most of the development projects except Spelthorne Leisure centre CFR at the end of 2023/24(31/03/2023) will reduce further and will be reflected at the end of the year outturn report.

**Table 3: Treasury Management Summary**

	Balance 31/03/2023 £m	Movement £m	Balance 30/09/2023 £m	
Long-term borrowing	(1,068.8)	(3.9)	(1,072.7)	
Short-term borrowing	(30.2)	42.7	12.5	
<b>Total borrowing</b>	<b>(1,099.0)</b>	<b>38.8</b>	<b>(1,060.2)</b>	<b>G</b>
Long-term investments	33.8	(0.9)	32.8	
Short-term investments	15.3	7.1	22.4	
Cash and cash equivalents	43.9	(36.5)	7.4	A
<b>Total investments</b>	<b>93.0</b>	<b>(30.3)</b>	<b>62.6</b>	
<b>Net borrowing</b>	<b>(1,006.0)</b>	<b>8.5</b>	<b>(997.6)</b>	

2.4 For the year to 30th September 2023, the Council had net borrowing outstanding of £997.6m. This represents a reduction since 31st March 2023, of £8.5m in net borrowing because of short-term loan repayment.

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 mainly with the Bank of England raising its rate rapidly in the last 6 months to 5.25%, the Council in October suspended all its housing delivery schemes.

2.6 The Council held £1,060.2m of loans as of 30 September 2023, a decrease of £38.8m from 31 March 2023. Outstanding loans are summarised in Table 4 below.

**Table 4: Borrowing Position**

	Balance 31/03/2023 £m	Movement £m	Balance 30/09/2023 £m	Rate 30/09/2023 %	Maturity (wtd average years)
Public Works Loan Board	1,083.0	(10.3)	1,072.7	2.35%	44
Local authorities - long-term	-				
	14.2	14.2	-	-	
Local authorities - short-term					
	30.2	(42.7)	12.5	0.00%	<1
<b>Total Borrowing</b>	<b>1,099.0</b>	<b>(38.8)</b>	<b>1,060.2</b>		<b>G</b>

2.7 The Council's investment portfolio totalled £63.46m as at 30 September 2023, with £30.63m of this being short-term and cash funds. A breakdown of investments is given in Appendix D.

### Details of Investments Held as at 30 September 2023

Investment Type	Valuation £m	Yield %	Start Date	Maturity Date
<b><u>Pooled Investment Funds</u></b> <i>(See Appendix B for details)</i>				
WS Charteris Premium Income Fund	0.69	1.02%	11-May-12	N/A
Schroders UK Corporate Bond Fund	1.46	1.26%	11-May-12	N/A
Schroders Income Maximiser Fund	5.05	3.99%	01-Jun-21	N/A
M&G Global Dividend Fund	6.19	1.49%	14-Jan-22	N/A
M&G Optimal Income Sterling	1.58	0.00%	14-Jan-22	N/A
M&G UK Income Distribution Sterling	1.75	0.87%	15-Aug-16	N/A
Ninety-One Diversified Income	3.82	1.02%	19-Oct-21	N/A
Threadneedle Inv Services - UK Equity	3.84	1.11%	29-Oct-21	N/A
Threadneedle Global Equity Fund	1.76	0.76%	29-Mar-22	N/A
CCLA - The LAs Property Fund	1.90	1.50%	31-Mar-13	N/A
CCLA - The LAs Property Fund	1.08	1.28%	30-Apr-14	N/A
UBS Multi- Asset Income Fund	1.10	1.63%	22-Feb-19	N/A
Aegon Diversified Monthly Income Fund	2.61	2.35%	21-Feb-19	N/A
<b>Total - Core Inv. Portfolio</b>	<b>32.83</b>	<b>1.41%</b>		
<b><u>Money Market Funds (ICD Portal)</u></b>				
Federated - Class 4 (ICD Portal)	7.34	3.55%	N/A	Instant Access
<b>Total</b>	<b>7.34</b>	<b>3.47%</b>		
<b>Local Authorities</b>	20.0	4.19%	N/A	Short term
<b>Bank Deposits</b>	2.00	4.91%	02-May-23	Short term
<b>Close Brothers</b>	0.00	0.00%	N/A	Short term
<b><u>Funding Circle</u></b>	0.39	0.17%		
Others -Knowle Green	0.90	3.21%	N/A	N/A
<b>Total Investments at 30/09/2021</b>	<b>63.46</b>	<b>2.09%</b>		



2.8 Total short-term investment of £20m and a yield of 4.19% over the 6 months to September 2023. Interest paid on total borrowing was £12.6m for the same period. Both figures were in-line with their respective budgets as per the table below.

**Table 5: Interest**

	2023/24	2023/24	2023/24	2023/24	2023/24
	Budget	Actual 30/09/23	Forecast	Forecast to Budget Variance	Forecast to Budget Variance
£	£	£	£	£	%
Interest Earnings	(1,200,000.0)	(645,945.9)	(1,291,891.9)	(91,891.9)	7.66%
Debt Interest Payable	25,172,800.0	12,626,148.9	25,172,773.0	(27.0)	-0.25%
<b>Total</b>	<b>23,972,800.0</b>	<b>11,980,203.0</b>	<b>23,880,881.1</b>	<b>(91,918.9)</b>	



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 significant rise in Bank of England's base rate, 5.25% 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. 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 Chartered Institute of Public Finance and Accountancy (CIPFA) 2019 Treasury Management and Prudential Codes and in the Government's Guidance on Investments effective from April 2018.

8.2 Nothing in the Council's current strategy is intended to preclude or inhibit capital investment in local.

8.3 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:**

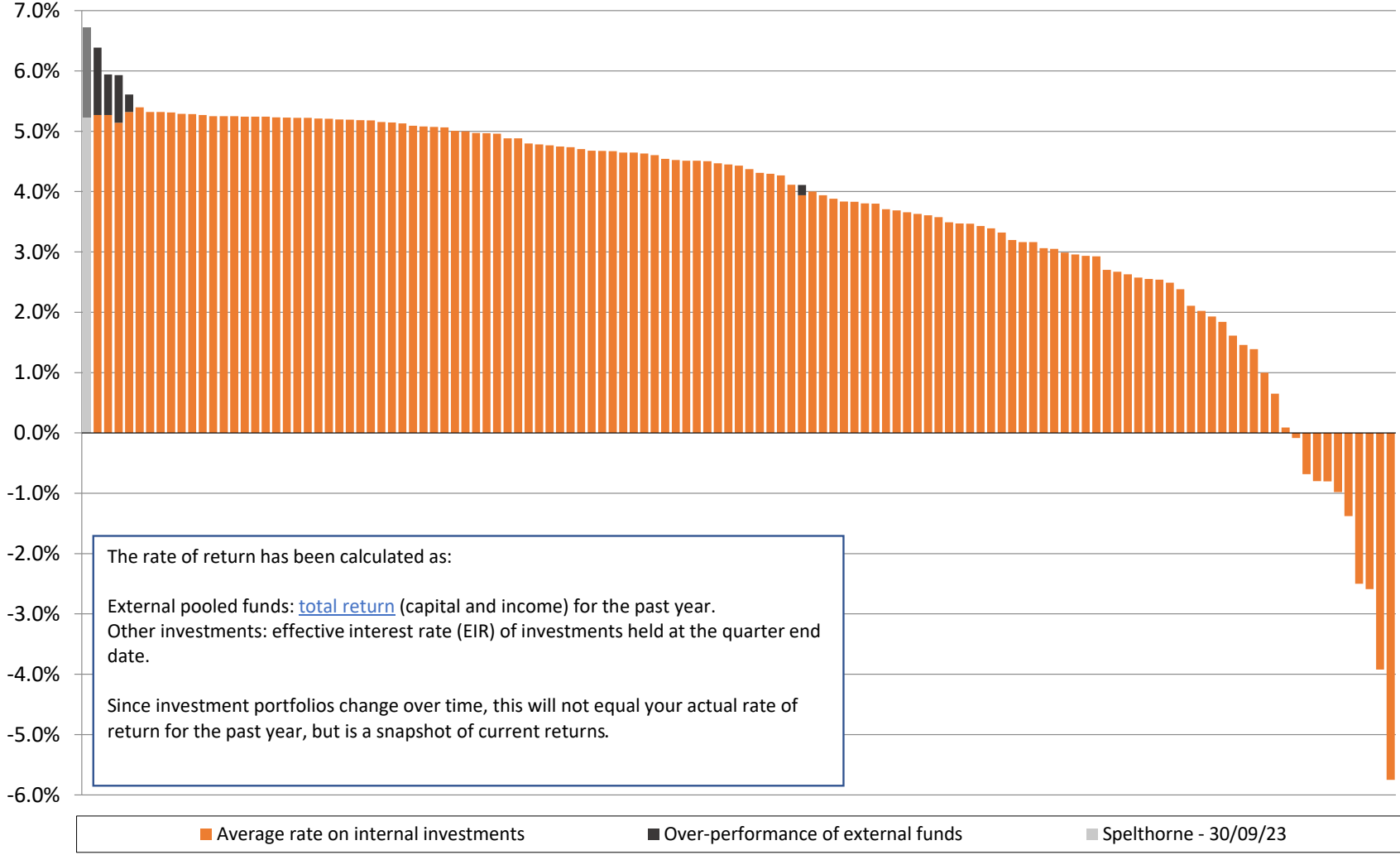
- Appendix A – TM Prudential Indicators
- Appendix B1 – Benchmarking 22-23
- Appendix B2 – Benchmarking 21-22
- Appendix C – Context and Background
- Appendix D – Details of Investments
- Appendix E – Strategic Pooled Funds

## Treasury Management Prudential Indicators as at 30th September 2023

Performance Indicator	PI Level	30/09/23	RAG Indicator	Comment
	£m	£m		
<b>Capital Financing Requirement</b>				
- CFR as at 30/09/2023	1,082.0	1,096.4	G	Less than forecast for year
- CFR as at 31/03/2024 forecast		1,118.9	G	Note that continued delays in planned capital projects are likely to bring the year end CFR to below target.
Total outstanding debt	1,003.0	1,060.2	G	Less than CFR
Debt below CFR	CFR below	Yes	G	'Internal' borrowing
<b>Liquidity risk indicator</b>				
- cash availability	20.0	7.4	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.
<b>Affordable borrowing</b>				
Authorised limit	1,450			
Operational boundary	1,350			
Outstanding borrowing		1,060.2	G	Less than the borrowing limits.
<b>Maturity Structure of Borrowing</b>				
	Upper limit	£m	Proportion	
Under 12 Months	10%	14.5	1%	G
1 – 2 Years	15%	14.1	1%	G
>2 – 5 Years	20%	47.3	4%	G
>5 – 10 Years	25%	85.5	8%	G
>10 – 20 Years	50%	201.5	19%	G
>20 – 30 Years	75%	277.3	26%	G
>30 – 40 Years	90%	275.6	26%	G
>40 – 50 Years	100%	156.9	15%	G
	<b>Total</b>	<b>1,072.7</b>	<b>100%</b>	
<b>Other</b>				
Price Risk Indicator	£70m	£43m	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.
'Net Revenue Stream'	£m	£m		
	14.0	(8.0)		The amount to be met from gov grants and local taxpayers.
Financing costs	35.1	8.1		Debt-related costs
Financing as % of net revenue	251%	-101%	G	
Investment properties - income	(41.7)	(29.8)		
- Net of financing costs	(6.6)	(21.7)		
<b>KEY</b>				
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

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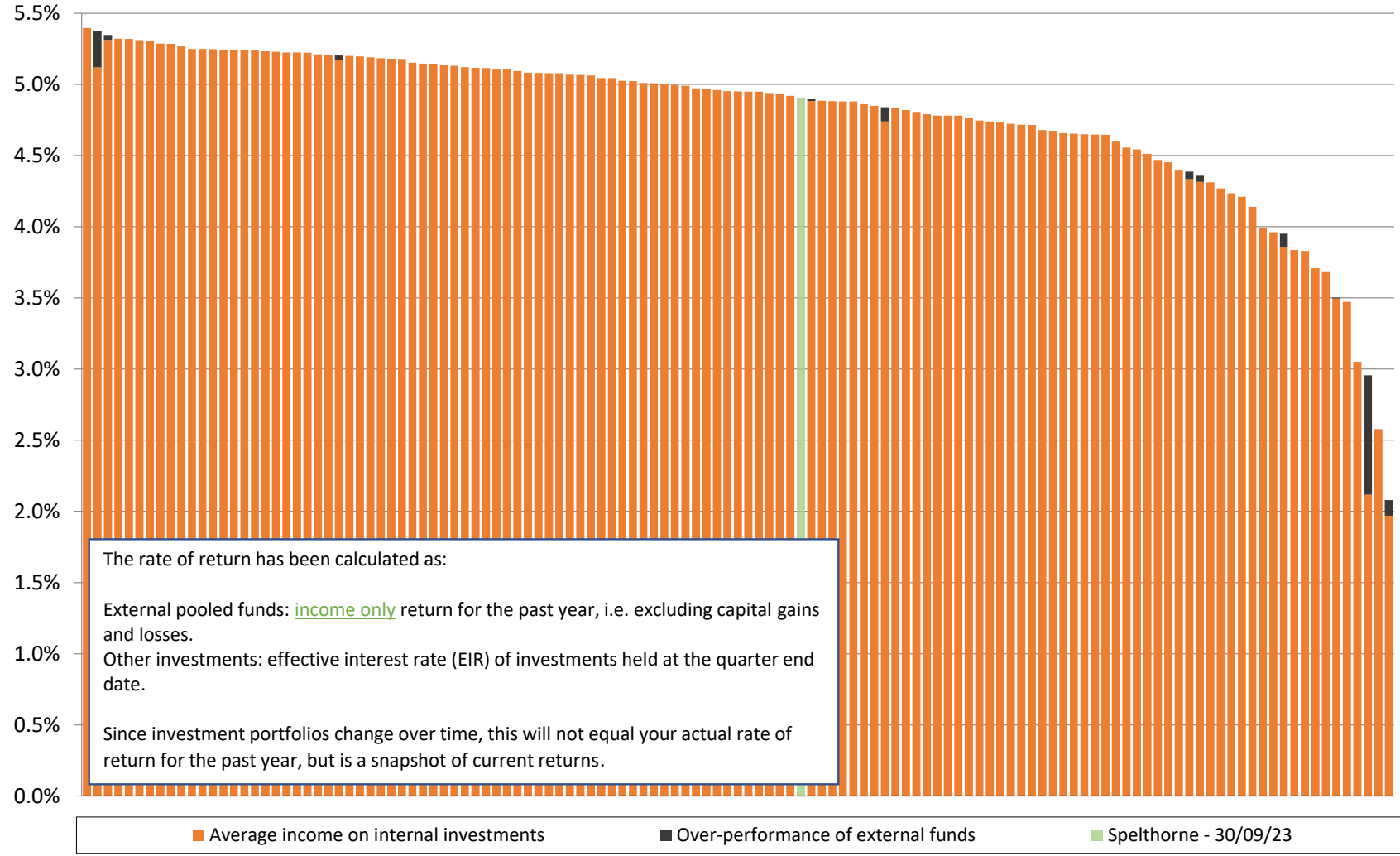
Total Return on Total Investment Portfolio (Internal & External Funds)



**Benchmarking carried out by Arlingclose using data from their clients**

- Spelthorne shown as red bar

Income Only Return on Total Investments (Internal & External Funds)

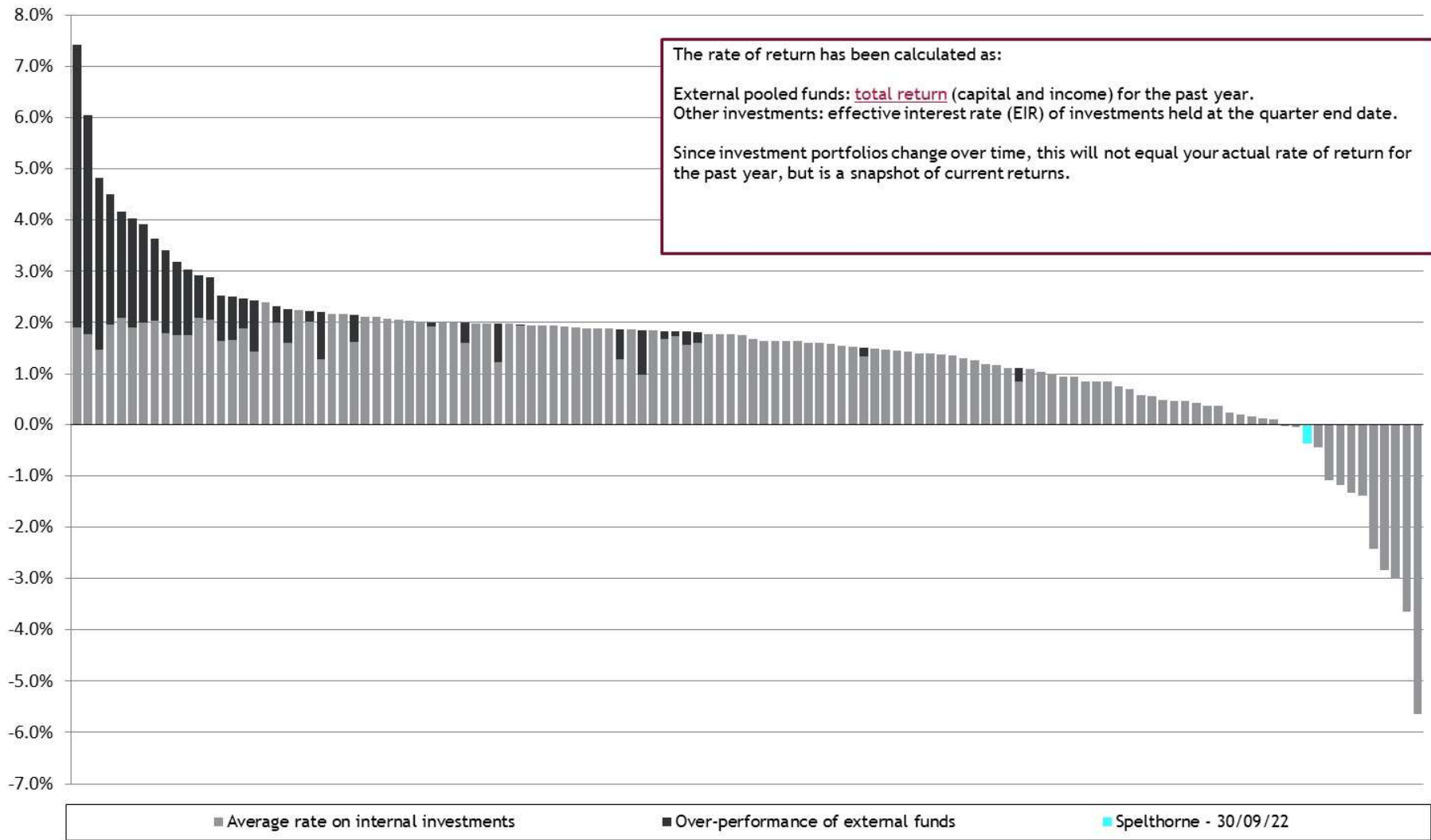




# Benchmarking carried out by Arlingclose using data from their clients

- Spelthorne shown as blue bar

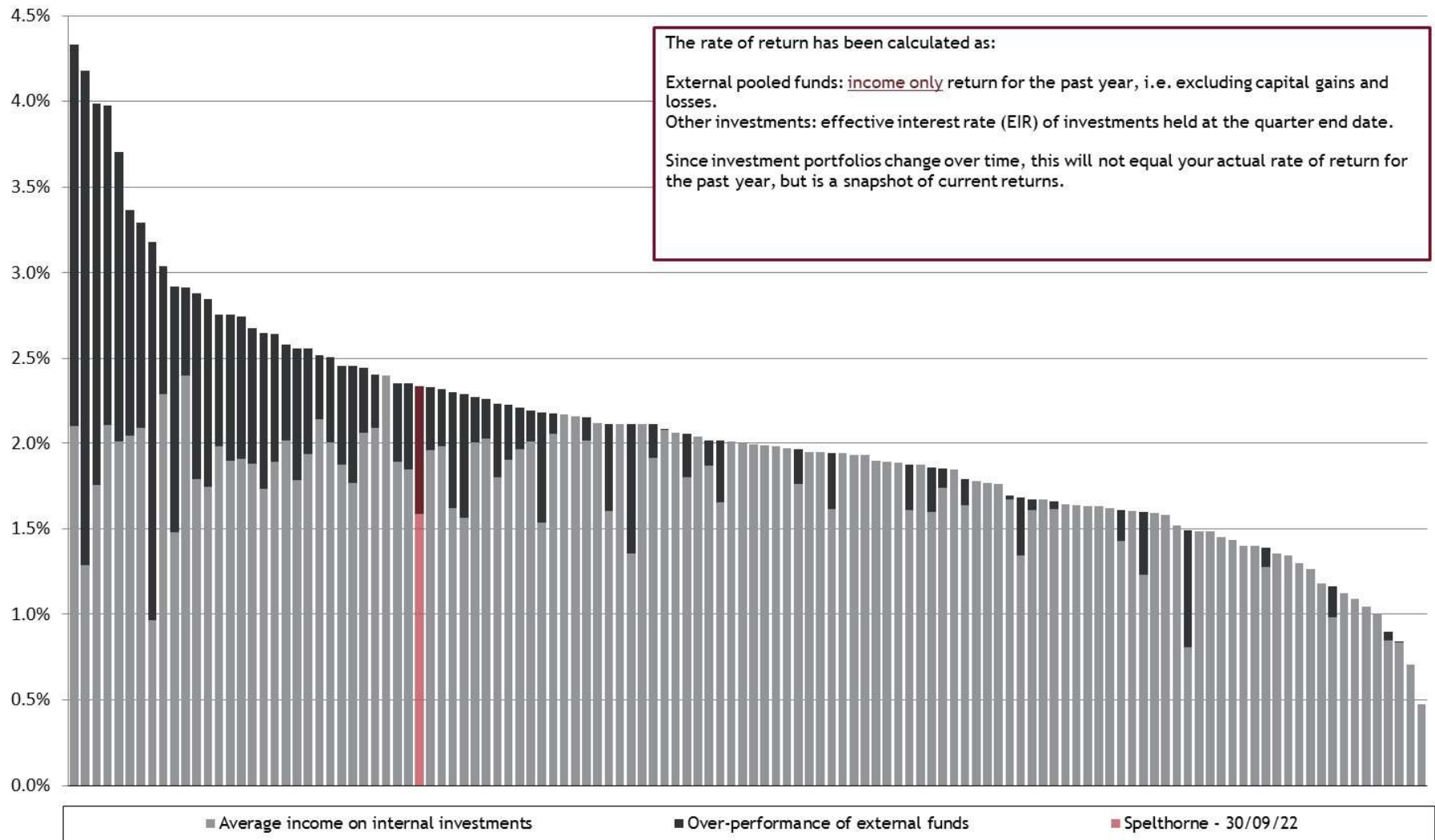
## Total Return on Total Investment Portfolio (Internal & External Funds)



# Benchmarking carried out by Arlingclose using data from their clients

- Spelthorne shown as red bar

## Income Only Return on Total Investments (Internal & External Funds)



## Introduction

### Background for TM report as at 30<sup>th</sup> September 2023

#### 1.0 Spelthorne Borough Council's Context

1.1 Treasury Management is the management of the Council's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

1.2 The Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code), which requires the Council to report on performance of the treasury management function at least twice yearly (mid-year and at year end).

The following sections are based on advice from Spelthorne's treasury adviser Arlingclose.

## External Context

### 2. Economic background:

2.1 The MPC maintained Bank Rate at 5.25% as expected. The vote was 6-3, supporting the view that this represents the peak. The minutes and the Monetary Policy Report were used to send the signal that Bank Rate would remain high for the foreseeable future, in order to bring inflation back to target. The Bank envisages that inflation will take longer to return to target, declining only gradually once the supportive base effects arising from supply/energy issues wane.

Maintaining monetary policy at restrictive levels for a long period due to caution over possible second round inflationary effects will bear down on economic growth to a greater extent, and therefore require more substantial monetary easing in the future.

#### 2.2 The Global Economy & Financial Conditions

Consumer price inflation in advanced economies had been easing but remained high, with potential upward pressure from Middle East events affecting energy prices. Global growth in 2023 largely aligned with expectations, though the United States and China showed stronger growth in Q3, while the euro area saw weaker growth. The United States was believed to be operating above its potential output, though the role of increased supply was uncertain. In contrast, the euro area was expected to experience a period of excess supply, partly due to the impact of global energy price shocks.

Since the last MPC meeting in September, there has been a notable rise in long-term government bond yields in advanced economies, especially in the United States, driven by expectations of prolonged higher policy rates and a potential increase in the equilibrium real interest rate. Models used by the bank's staff suggested that term premia had contributed to this rise, possibly due to increased uncertainty and evolving market dynamics. However, term premia accounted for only a small portion of the overall increase in long-term bond yields in the past two years compared to the rise in expected policy rates.

It is suggested that the recent slowdown in UK GDP growth is attributed to tighter monetary policy, sluggish potential supply growth, and the phasing out of fiscal support. While some

business surveys indicated a potential GDP decline in Q4, other forward-looking indicators were less pessimistic about future growth prospects.

### **2.3 UK Demand & Output**

In Q3 2023, UK GDP remained stagnant, falling short of August Report projections. Some business surveys indicate a potential Q4 output contraction, while others are more optimistic, forecasting a modest 0.1% growth in Q4, lower than previous projections. The Committee discussed the recent slowdown in UK GDP growth due to significant monetary policy tightening since late 2021, ongoing supply weaknesses, and the phasing out of fiscal support. They noted clear signs of tighter monetary policy affecting the real economy, especially in reduced housing investment, driven by higher financing costs. The Bank's Agents reported that elevated financing costs and economic uncertainty were also restraining business investment, though cash-rich companies continued to invest. The impact of the policy tightening on consumer spending was expected to take time, occurring alongside a broader recovery in real incomes. Nevertheless, recent declines were observed in retail sales, consumer services output, and consumer confidence.

### **2.4 Labour Market**

The slowdown in GDP growth has led to a decrease in labour demand. Due to a drop in response rates, the ONS temporarily halted the publication of Labor Force Survey (LFS) estimates regarding employment, unemployment, and inactivity starting from the June data. Nevertheless, a wide range of indicators, which had previously tracked the underlying trends in official labour market estimates, indicated that employment remained relatively stable in the latter part of 2023. Monitoring the division between unemployment and inactivity was limited to a narrower set of indicators. Vacancies continued to decline, and signs of recruitment challenges eased, reflecting a further relaxation in the labour market. Despite these changes, the labour market had maintained a relatively tight condition.

In the context of a sluggish economy, it's anticipated that employment growth in the latter part of 2023 has softened more than previously forecasted in the August Report. The decline in job vacancies and indications of reduced recruitment difficulties also indicate a loosening labour market. Reports from the Bank's Agents echo this trend, with eased hiring constraints, although certain sectors still face persistent skills shortages. While pay growth remains elevated across various indicators, the recent surge in the annual growth rate of private sector regular average weekly earnings isn't reflected in other datasets. There's some uncertainty about the near-term trajectory of wages, but wage growth is expected to decrease in the coming quarters from these elevated levels.

### **2.5 Inflation**

Twelve-month CPI inflation, both in September and 2023 Q3, stood at 6.7%, falling below the expectations outlined in the August Report. This decline is primarily due to lower-than-anticipated core goods price inflation. Services inflation, hovering around 7%, only slightly deviated from the August projections. Despite remaining significantly above the 2% target, CPI inflation is projected to decrease significantly, reaching 4.75% in 2023 Q4, 4.5% in 2024 Q1, and 3.75% in 2024 Q2. This reduction is expected to be driven by lower energy, core goods, and food price inflation, with some decline in services inflation after January. In the MPC's latest most likely projection, based on the market-implied path for the Bank Rate, CPI inflation returns to the 2% target by the end of 2025 and falls below it thereafter, as increasing economic slack diminishes domestic inflationary pressures.

### 3.0 The MPC's Policy Decision

With the significant increase in Bank Rate during this tightening cycle, the current monetary policy stance is seen as restrictive. The decision to maintain or increase the Bank Rate at this meeting is finely balanced between the risks of not tightening enough in the face of potentially persistent inflationary pressures and the risks of over-tightening given the yet-to-be-realised effects of previous policy actions. Six members voted in favour of maintaining the Bank Rate at 5.25% at this meeting. For most in this group, the MPC's latest projections indicated that a restrictive monetary policy stance was likely to be necessary for an extended period to achieve a sustained return to the 2% inflation target. However, the possibility of a further rate increase remained on the table for some.

3.1 Three members favoured a 0.25 percentage point rate increase to 5.5% at this meeting, as they observed ongoing growth in real household incomes and positive forward-looking output indicators. They believed that more persistent inflationary pressures required this action to achieve the medium-term target sustainably.

3.2 The MPC will continue to closely monitor indicators of persistent inflationary pressures and the overall resilience of the economy, including labour market conditions, wage growth, and services price inflation. Monetary policy must remain sufficiently restrictive for a considerable period to bring inflation sustainably back to the 2% target. The MPC's latest projections suggest that a protracted period of restrictive policy may be needed, with the possibility of further tightening if evidence of sustained inflationary pressures emerges.

4.0 On the back of this, Arlingclose reduced its recommended maximum duration limit for unsecured deposits for all UK and Non-UK banks/institutions on its counterparty list to 35 days as a precautionary measure. No changes were made to the names on the list.

4.1 As 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. 4.2 Local authorities remain under financial pressure, but Arlingclose continues to take a positive view of the sector, considering its credit strength to be high. authorities on its counterparty list remains unchanged, a degree of caution is merited with certain authorities.

with more detail and twelve examples of permitted and prohibited use of PWLB loans. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.

4.3 CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code on 20 December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.

4.4 The principles of the Prudential Code took immediate effect although local authorities to comply with the Prudential Code, authorities must not borrow to invest primarily for financial return. This Code also states that it is not prudent for local authorities to make investment or spending decision that will increase the CFR unless directly and primarily related to the functions of the authority. Existing commercial investments are not required to be sold; however, authorities with existing commercial investments who expect to need to borrow should review the options for exiting these investments.

4.5 Borrowing is permitted for cashflow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Borrowing to refinance capital expenditure primarily related to the delivery of a local authority's function but where a financial return is also expected is allowed, provided that financial return is not the primary reason for the expenditure. The changes align the CIPFA Prudential Code with the PWLB lending rules.

4.6 Unlike the Prudential Code, there is no mention of the date of initial application in the Treasury Management Code. The TM Code now includes extensive additional requirements for service and commercial investments, far beyond those in the 2017 version.

## **5.0 Treasury Investment**

CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20 December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

5.1 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimal rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Ultra-low short-dated cash rates, which were a feature since March 2020 when Bank Rate was cut to 0.1%, prevailed for much of the 12-month reporting period resulting in the return on sterling low volatility net asset value (LVNAV) Money Market Funds being close to zero even after some managers had temporarily waived or lowered their fees. However, higher returns on cash instruments followed the increases in Bank Rate in December, February and March. At 31 March, the 1-day return on the Council's MMFs was 0.06% and 0.09%.

5.2 Externally Managed Pooled Funds: In the 6 months to September improved market sentiment was reflected in equity, property and multi-asset fund valuations and, in turn, the capital values of the property, equity and multi-asset income funds in the Council's portfolio. The prospect of higher inflation and rising bond yields did however result in muted bond fund performance. In the January- March quarter, the two dominant themes were tighter UK and US monetary policy and higher interest rates, and the military invasion of Ukraine by Russia in February, the latter triggering significant volatility and uncertainty in financial markets.

5.3 Current Market Condition: As 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. Local authorities remain under financial pressure, but Arlingclose continues to take a positive view of the sector, considering its credit strength to be high.

5.4 Treasury Management Indicators: The Council measures and manages its exposures to treasury management risks using the indicators shown at Appendices A. Appendix B shows benchmarking details that Arlingclose provides shortly after year end. The indicators are

slightly different from the detail in the Council's own results which are produced later after the year end, including for example accruing adjustment.

5.5 The Council's Treasury Management Strategy for 2023/24 was reviewed and approved by CP&RC on the 19th of October 2023, and approved to which reduced the Authorised Limit, Operational Boundary and Capital Finance Requirement by £283m.

5.6 The 2022 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 for 2023/24, complying with CIPFA's requirement, was approved by Council on 23 February 2023.

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## Details of Investments Held as at 30 September 2023

Investment Type	Valuation £m	Yield %	Start Date	Maturity Date
<b><u>Pooled Investment Funds</u></b> <i>(see Appendix B for details)</i>				
WS Charteris Premium Income Fund	0.69	1.02%	11-May-12	N/A
Schroders UK Corporate Bond Fund	1.46	1.26%	11-May-12	N/A
Schroders Income Maximiser Fund	5.05	3.99%	01-Jun-21	N/A
M&G Global Dividend Fund	6.19	1.49%	14-Jan-22	N/A
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Threadneedle Inv Services - UK Equity	3.84	1.11%	29-Oct-21	N/A
Threadneedle Global Equity Fund	1.76	0.76%	29-Mar-22	N/A
CCLA - The LAs Property Fund	1.90	1.50%	31-Mar-13	N/A
CCLA - The LAs Property Fund	1.08	1.28%	30-Apr-14	N/A
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<b>Total - Core Inv. Portfolio</b>	<b>32.83</b>	<b>1.41%</b>		
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Federated - Class 4 (ICD Portal)	7.34	3.55%	N/A	Instant Access
<b>Total</b>	<b>7.34</b>	<b>3.47%</b>		
<b>Local Authorities</b>	20.0	4.19%	N/A	Short term
<b>Bank Deposits</b>	2.00	4.91%	02-May-23	Short term
<b>Close Brothers</b>	0.00	0.00%	N/A	Short term
<b><u>Funding Circle</u></b>	0.39	0.17%		
Others -Knowle Green	0.90	3.21%	N/A	N/A
<b>Total Investments at 30/09/2021</b>	<b>63.46</b>	<b>2.09%</b>		

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## Pooled (Strategic Investment) Funds as at 30 September 2023

0.571416223

Fund	Date of Initial Investment	Total Invested £	No. of Shares	Value as at 30/09/2023	Value as at 31/03/2023 £	Value as at 30/09/2023 £	Price per share 30/09/2023 £	Dividends Accrued 6M to 30/09/2023 £	6M Yield to 30/09/22 %	Capital Gain/ (Loss) 6M to 30/09/23 £	Total Return 6M to 30/09/2023 £	Capital Gain/ (Loss)
												Inception to 30/09/23 £
WS Charteris Premium Income Fund	11/05/12	1,200,000	688,039	685,699	715,560	685,699.47	0.9966	12,222	1.02%	(29,861)	(17,638)	(514,301)
Schroders UK Corporate Bond Fund	11/05/12	1,500,000	1,408,451	1,463,380	1,501,408	1,463,380.29	1.0390	18,924	1.26%	(38,028)	(19,104)	(36,620)
Schroders Income Maximiser Fund	01/06/21	5,093,141	12,732,853	5,053,669	5,188,637	5,053,669.17	0.3969	203,204	3.99%	(134,968)	68,235	(39,472)
M&G Global Dividend Fund	14/01/22	5,881,779	4,783,490	6,188,880	6,132,913	6,188,879.52	1.2938	87,510	1.49%	55,967	143,476	307,100
M&G Optimal Income Sterling	14/01/22	1,767,644	1,722,011	1,580,634	1,578,223	1,580,633.76	0.9179	65	0.00%	2,411	2,476	(187,010)
M&G UK Income Distribution Sterling	15/08/16	2,000,000	158,204.07	1,748,867	1,820,059	1,748,866.87	11.0545	17,402	0.87%	(71,192)	(53,789)	(251,133)
Ninety One Diversified Income	19/10/21	4,226,459	4,304,368	3,818,835	3,950,867	3,818,835.22	0.8872	43,091	1.02%	(132,032)	(88,941)	(407,624)
Threadneedle Inv Services - UK Equity	29/10/21	3,811,333	1,981,457	3,844,027	3,845,323	3,844,026.68	1.9400	42,431	1.11%	(1,296)	41,135	32,694
Threadneedle Global Equity Fund	29/03/22	1,824,632	1,712,947	1,764,336	1,815,724	1,764,335.75	1.0300	13,810	0.76%	(51,388)	(37,579)	(60,296)
CCLA - The LAs Property Fund	31/03/13	1,500,000	671,201	1,895,282	1,925,609	1,895,281.67	2.8237	35,327	1.50%	(30,327)	5,000	395,282
CCLA - The LAs Property Fund	30/04/14	1,000,001	383,245	1,082,175	1,099,492	1,082,175.42	2.8237		1.28%	(17,316)	7,208	82,174
UBS Multi- Asset Income Fund	22/02/19	1,500,000	3,104,305	1,102,649	1,159,147	1,102,649.01	0.3552	24,524	1.63%	(56,498)	13,944	(397,351)
Aegon Diversified Monthly Income Fund	21/02/19	3,000,000	2,771,107	2,605,394	2,649,732	2,605,394.42	0.9402	70,442	2.35%	(44,338)	26,104	(394,606)
<b>Value at 30/09/2023</b>		<b>34,304,989</b>	<b>33,650,570</b>	<b>30,228,433</b>	<b>30,732,962</b>	<b>32,833,827.25</b>		<b>568,952.42</b>	<b>1.41%</b>	<b>(504,529)</b>	<b>64,423</b>	<b>(1,076,556)</b>

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## Corporate Policy & Resources Committee

27 November 2023

<b>Title</b>	<b>Outline Budget Report 2024-25 to 2027-28</b>
<b>Purpose of the report</b>	To make a decision
<b>Report Author</b>	Terry Collier Chief Finance Officer and Paul Taylor Chief Accountant
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No
<b>Corporate Priority</b>	Community Affordable housing Recovery Environment Service delivery
<b>Recommendations</b>	<p><b>Committee is asked to:</b></p> <p><i>To note the current projected draft Budget gaps set out in 1.82-1.83.</i></p> <p><i>To recommend that the Council that explores the range of options over the four year period set out in the report, to close the budget gaps including seeking to maximise transformation savings, including digital transformation, smarter use of physical assets, delivering cashable savings, prioritisation and collaborative savings and in the last instance uses its Reserves to deliver a balanced budget for 2024/25 and noting that there is some headroom to protect front line services and vulnerable residents, either in 2024/25 or future years.</i></p> <p><i>To confirm support for the initiatives suggested in the report which will allow Officers to work on closing the gaps for the years 2024-25 to 2027-28.</i></p>
<b>Reason for Recommendation</b>	<i>Councils have a statutory duty to balance their budgets. It is important that we take a medium-term approach in ensuring that we can take action sufficiently early to ensure the Revenue Budget remains financially sustainable.</i>

### 1. Summary of the report

What is the situation	Why we want to do something
<ul style="list-style-type: none"> <li>• The Council has a legal obligation to have a balanced budget (we not allowed plan to run a deficit have expenditure greater than income)</li> <li>• Price inflation and rising interest rates have increased Council costs substantially</li> <li>• The cost-of-living crisis is increasing demand for housing support and also hitting income (e.g. Council Tax collection rates)</li> <li>• It is not possible to increase income by further borrowing and investment</li> <li>• The budget gaps and the assumptions behind those gaps are set out in 1.82 to 1.84</li> <li>• Council must look to make savings to live within our means</li> <li>• There are limited reserves (reserves are similar to households' rainy day funds built up from setting aside funds over time), but these are can only be use once</li> </ul>	<ul style="list-style-type: none"> <li>• To produce a balanced budget and financial stability going forward</li> <li>• To meet in full all our statutory obligations</li> <li>• To maintain the discretionary reserves and are highly valued by residents</li> <li>• To ensure that Council staff have the resources to deliver the Council's priorities</li> </ul>
This is what we want to do about it	These are the next steps
<ul style="list-style-type: none"> <li>• Take a medium-term view when preparing the budget for 2024/25 by also working towards a balanced budget across the next 4 years</li> <li>• Identify all areas of budget pressure and work with service managers to mitigate costs and impact</li> <li>• Look at options for transformational service change using digital technologies</li> <li>• Look for cash savings taking a both a short-term and longer-term view</li> <li>• Looking closely at all contracts and procurements</li> <li>• Considering options for assets e.g. reduce footprint and costs</li> <li>• Seek to increase income streams</li> <li>• Judicious use of reserves to allow time for savings to be realised</li> </ul>	<p>To recommend that the Council that the four year period set out in the report including seeking to maximise transformation, smarter use of physical assets, prioritisation and collaborative saving Reserves to deliver a balanced budget and some headroom to protect front line services either in 2024/25 or future years.</p> <p>To confirm support for the initiatives and allow Officers to work on closing the gap by 28.</p>

1.1 Following on from coping with the economic impacts of the COVID-19, some of which are still being felt, such as the change to people's working and shopping patterns meaning our parking income levels are still below pre-pandemic levels, we have for the last year and half been dealing with a *cost of living crisis*. This has had a number of major impacts on the Council's Budget position. These impacts include:

- Inflationary pressures pushing up staff remuneration costs, fuel, energy, food and contract costs.
- More residents struggling to make ends meet and presenting themselves in need of housing supporting increasing the need to spend on temporary accommodation,
- Households under pressure finding it hard to pay council tax, resulting in collection rates dropping,
- Interest rates rising pushing up cost of borrowing for the Council contributing towards making financing of direct delivery of affordable housing unaffordable,
- Rising mortgage rates are pushing up housing costs for households as they come off existing fixed rate mortgage deals,

1.2 Given the combination of both the pressures set out above and the expectation that we are unlikely to see an increase in government funding and are more likely to experience a further reduction in funding over the Outline Budget we suggest that a key guiding principle informing our approach to the medium term budget should be to seek to “live within our means” and that we are mindful of current and future costs in our approach to delivering and developing services.

1.3 The vast range of issues to be considered include:

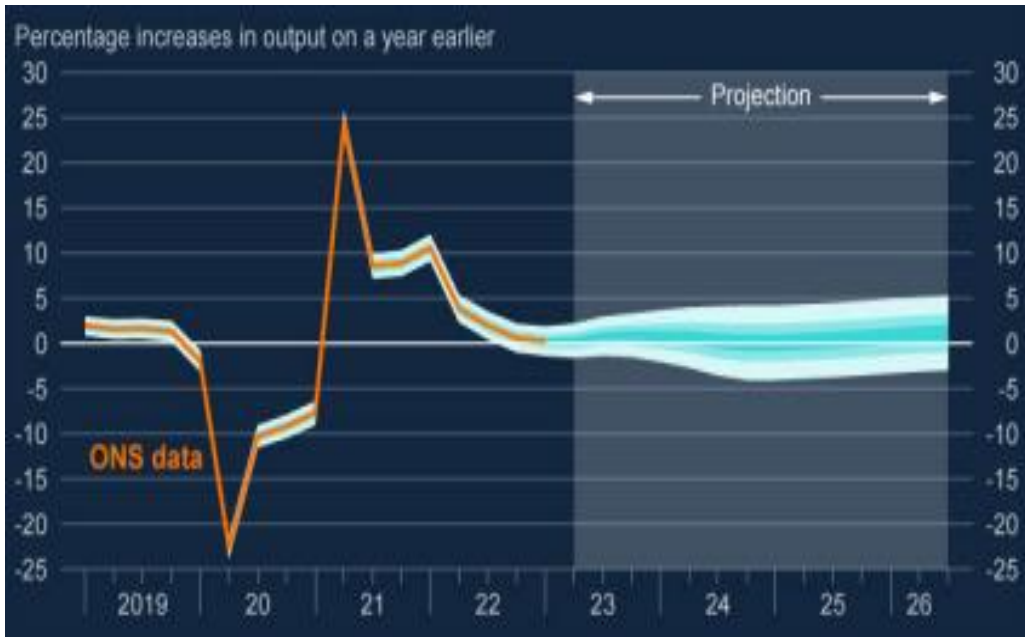
- The extent to which services’ income such as car parking charges return to pre-pandemic levels, considering we are seeing changes to people’s behaviour, for example, increased home working and online shopping. Have they permanently changed and do they impact on the time any recovery may take?
- What will the impact be on our local economy in terms of jobs? Will the green shoots of a post pandemic recovery, as seen with the recent rise in recruitment numbers at Heathrow Airport, be slowed down or will the growth prospects for the Borough be reversed.

#### 1.4 **Economic update**

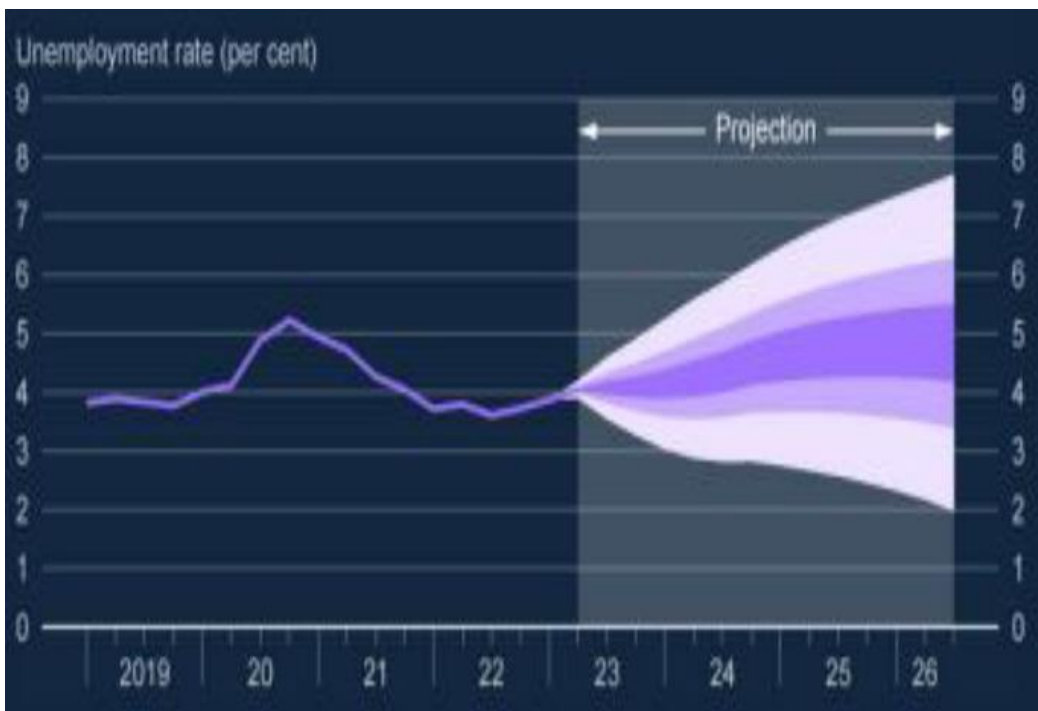
1.5 ArlingClose, the Council’s Treasury Management Advisors provided the Economic summary in September 2023, as shown below.

1.6 Bank of England’s unemployment projections that forecast a sharp rise in unemployment over the next three years, as shown in the table below. This potentially will add to pressures on households and resulting in increased need to provide council tax support for example.

1.7 Past increases in Bank Rate, and the higher path of market interest rates on which the forecast is conditioned, weigh to an increasing degree on the UK economy in coming quarters. Gross Domestic Product (GDP) growth remains below pre-pandemic rates in the medium term, also reflecting relatively weak potential supply and a waning boost from fiscal policy, as shown in the table below.

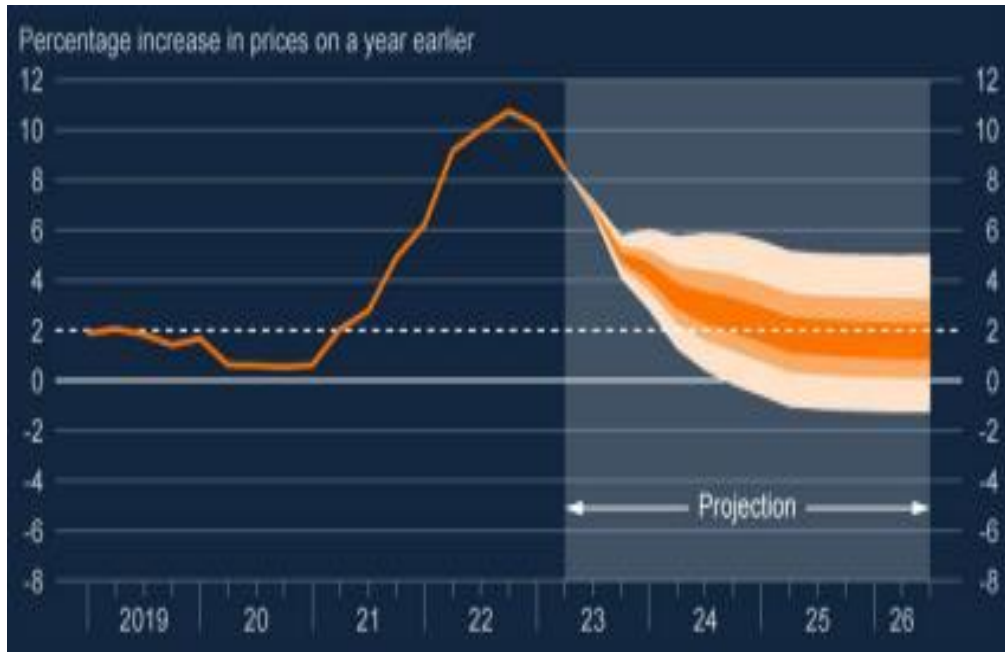


- 1.8 The UK economy has been in excess demand over recent quarters, but an increasing degree of economic slack is expected to emerge after the middle of next year, leading to a rise in unemployment, as shown in the table below:



- 1.9 Second-round effects in domestic prices and wages are likely to take longer to unwind than they did to emerge. In the modal forecast conditioned on market interest rates, an increasing degree of spare capacity in the economy and declining external cost pressures lead Consumer Prices Index (CPI) inflation to return to the 2% target by 2025 Q2 and to fall below target in the medium term, but to a lesser degree than projected in the May Report.
- 1.10 The Bank of England's Monetary Policy Committee (MPC) continues to judge that the risks are skewed to the upside, but by less than in May. Taking account of this skew, mean CPI inflation is projected to be 2.0% and 1.9% at the two and three-year horizons respectively.



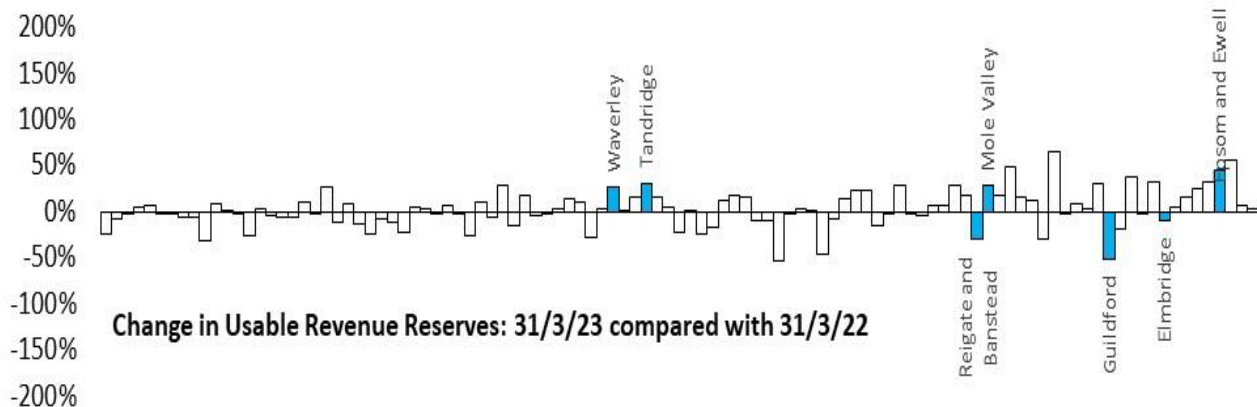


- 1.11 UK inflation and wage growth remain elevated, but the August CPI data suggested that inflation was falling more rapidly. In a narrow 5-4 vote, the MPC took the opportunity to hold rates at 5.25%, a level we see as the peak. Near-term rate cuts are unlikely, although downside risks will increase as the UK economy inevitably slides into recession.
- 1.12 While the MPC vote was close, and the minutes contained the warning about the need for further tightening if inflationary pressures persist, both the decline in closely-watched inflation measures and confidence that wage growth had peaked, clearly allowed policymakers to focus on the weaker activity data. The MPC on 2/11/23 again voted to keep rates unchanged at 5.25%
- 1.13 The UK economy has so far been resilient. However, recent data indicates a further deceleration in business and household activity growth as higher interest rates start to bite. Global demand will be soft, so offer little assistance in offsetting weakening domestic demand. A recession remains a likely outcome.
- 1.14 Employment demand has weakened, and unemployment has increased, although the tight labour market has resulted in higher nominal wage growth. Anecdotal evidence suggests slowing recruitment and wage growth, and we expect unemployment to rise.
- 1.15 Consumer confidence has improved due to signs of real wage growth amid strength in the labour market, but household spending will remain weak as mortgaged households suffer higher interest payments and unemployment rises. Business investment/spending will fall back due to higher borrowing costs and weaker demand.
- 1.16 Inflation is anticipated to continue to fall over the next 12 months, albeit with upside risk. The MPC's attention will remain on underlying inflation measures and wage data. Policy rates will remain at the peak for another 10-12 months, until the MPC is comfortable the risk of further second round effects have diminished.

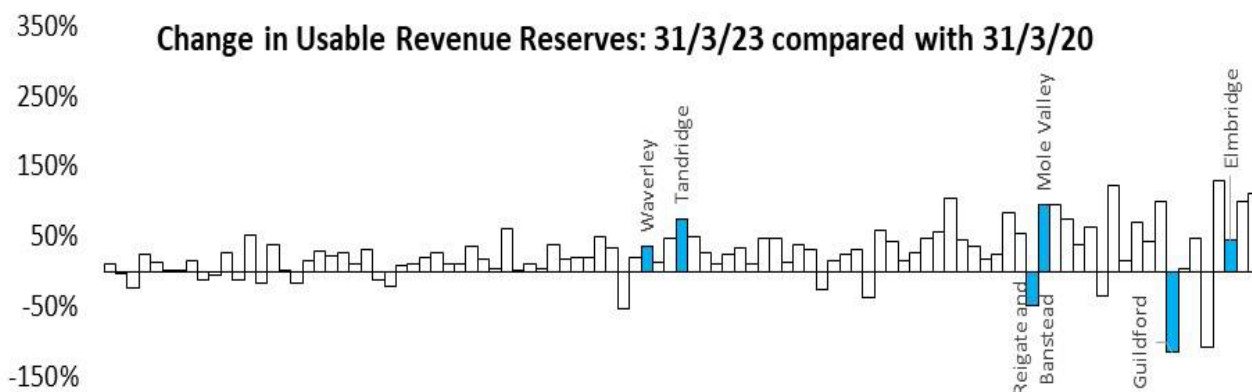
- 1.17 Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling (as the recent PMI data indicate), will require significant policy loosening in the future to boost demand and inflation.
- 1.18 Global bond yields remain volatile. Like the UK, the Federal Reserve and other central banks see persistently higher policy rates through 2023/2024 as key to dampening domestic inflationary pressure. Data points will therefore prompt changes in bond yields as global interest rate expectations shift.
- 1.19 Reports in the media in late October 2023 indicate that there will be a significant rise in the number of business closures over the next few years, which will only exacerbate a difficult economic climate for the residents in the Borough and ultimate the Council, on its services, i.e., homelessness and funding, i.e., the collection of the Council Tax, where the Collection rate is forecast to decline by at least 2% from a robust 97% Collection Rate.
- 1.20 Officers believe that as the number of local residents come to an end of their current fixed interest rate mortgage deal, the financial pressure on these households will increase significantly and this will have a knock on effect for the Council.
- 1.21 Officers are not proposing any amendments to the current level of localised council tax support for our residents struggling to pay council tax.
- 1.22 Along with a substantial number of English district and borough councils, Officers believe that the Council will see a rise in numbers of residents presenting themselves for Housing Options support, which is why officers have submitted a £900k growth bid to deal with this issue.
- 1.23 The suspension of the direct housing development programme in September 2023, will provide Council with the breathing space it needs to access a wide range of options to deliver the affordable housing desperately needed in the Borough.
- 1.24 There are a range of possibilities to consider from joint ventures to sale of a development site. Each site will need to be considered as part of the master plan for each location in the Borough.
- 1.25 Due to the current property market and high interest rates, in the short term, it may not prove beneficial to sell a property, as it could crystallise a capital loss, which would have a significant impact on the General Fund balance, which would require funding from the Council's revenue budget or matching against the disposal of another asset which would generate a capital gain to offset or reduce any capital losses.
- 1.26 The accumulated capitalised costs of £14.7m, as at 30 September 2023 can remain in the balance sheet for now, until Council makes a decision
  - On the basis that Council wish to progress these sites to completion, (excluding direct delivery), i.e., as part a joint venture or selling the sites to a third party, these costs can remain in the balance sheet as capitalised costs.
  - If Council ultimately decide that these sites will not form part of a joint venture or are not to be sold, then these costs must be charged to the Revenue Budget immediately and this will have a major impact on the Revenue Budget, which can be partially offset by the repurposing and use of the Council's Earmarked Reserves.

- 1.27 The capital costs continue to accrue at approximately £180k per month, which is taking much needed operational cashflow from the Council's, as it is tied up in each capital project, until they are completed.
- 1.28 Officers are constantly reviewing the Council's policy of capitalising borrowing costs in the light of these delays and section 4.8 of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in respect of borrowing costs, in the light of future Council's decisions.
- 1.29 With Public Works Loan Board (PWLB) fixed interest rates currently (17/11/23) at 5.07%, the financial viability of the Council's remaining capital projects, as set out in the addendum to the 2023-24 to 2026-27 Capital Programme, which was approved by Council on 19 October 2023, will require careful management.
- 1.30 An option for Council to consider would be cashing in the Council's £33m investments, which yield approximately 4.4% to internal fund the construction of the leisure centre and reduce the need for external PWLB borrowing at say 5.1%, saving the Council 0.7% (5.1% - 4.4%) per annum in net interest payable. Considerable more modelling is required, so this is not being put forward as a decision for this meeting. Since work on this report commenced PWLB rates have started to fall (reducing from 5.6% to 5.1% for 50 year fixed rates) this may mean if the rates continue to fall that the differential between borrowing rates and investments would sufficiently close to render this no longer an option worth exploring.
- 1.31 When PWLB fixed interest rates fall by over 50% to below 2.5% the Council can consider refinancing the leisure centre, to assist with cashflow and protect the revenue budget.
- 1.32 Taking out a short term PWLB fixed interest rate loan for say three years, and then refinance for the forty-seven years at a lower rate, this is a risky strategy as the council would be hoping for a reduction in PWLB fixed interest rates over the next three years.
- 1.33 Over the last few years, officers have been exceeding the Council assumed collection rate of 97% for 2023-24, however, the council has been experiencing a reduction in the amount of Council Tax collected and based on the comments above and erring on the prudent side it is recommended (as set out in the separate report on this Agenda) that the Council should adopt a prudent 95% collection rate for 2024-25.
- 1.34 Local Government finances are under the microscope as never before. According to the BBC on 1 November, as many as one in ten councils is in serious financial difficulties.
- 1.35 At a recent conference, the District Council Network agreed to submit a letter to the Chancellor of the Exchequer to highlight the financial pressures on Councils caused by a 26% increase in demand for temporary accommodation, which is having a significant impact on Council's finances. Spelthorne is contributing towards national lobbying of Government to recognise the impact of these pressures on councils.
- 1.36 As the Council saw in 2023-24, despite extensive lobbying, officers are not anticipating that the Council will receive any significant additional Government financial support in 2024-25 for the challenges faced with income recovery.

- 1.37 Refreshing the Council's annual Reserves Strategy and consideration of some planned short-term use of reserves as part of a longer-term strategy to balance the Council's budget and maintain financial stability for the Council over the next four years.
- 1.38 As part of the Council's long term financial sustainability strategy, the Council has continued to steadily grow its cash back usable reserves, and the table below shows the movement in reserves from 31 March 2022 to 31 March 2023, as compared to some other Surrey Districts



- 1.39 The table highlights that the investment portfolio is continuing to perform and allow the Council to set aside cash for any unforeseen circumstances.
- 1.40 This strategic approach is highlighted by the chart below (which shows the change in useable reserves between 31 March 2020 and 31 March 2023, again, demonstrating the balanced approach adopted by the Council to grow its useable reserves, and provides some comparative information against some other Surrey Districts. It can be seen that over the last three years Spelthorne has seen the biggest increase in useable reserves of any district or borough).



- 1.41 At the end of 2022-23 the Council has £72m in cash backed reserves (including £8.4m set aside to be applied as Community Infrastructure Levy) and whilst a significant proportion of them are earmarked for specific purposes, some could be applied to offset the budget deficits. In January a

Revised Reserves Strategy report will be brought to this Committee to review and reconsider the purposes for which some of these reserves will be held.

- 1.42 The suspension of the Council's direct housing development projects is having a negative medium-term impact on the funds flow from Knowle Green Estates Ltd. (KGE) to the Council.
- 1.43 Over the next few months, Council along with the Board of Directors at KGE, will need to access and finalise a suitable strategy that will turn the £400k annual deficit for KGE into a positive contribution. The Council with the Board of Spelthorne Direct Services (SDS) can also review the future projected Revenue contributions from SDS to the Council.

### **Pay Awards**

#### **2023/24**

- 1.44 The local Unison branch formally requested that the pay award be restricted so that each FTE received the equivalent of £1,925 per annum, which equates to an average aggregate pay award of 3.54%, across the Council. Council agreed this and built this into the 2023-24 Budget.
- 1.45 By structuring the pay award in this manner, the percentage increase is approximately 10% for the lowest grade members of staff and just under 2% for our highest-grade members of staff.

#### **2024/25**

- 1.46 Unison initially requested a 14% increase, following discussions with management, who explained the financial challenges facing the Council and that if this award was granted it was likely to lead to redundancies. The consensus was that it was preferable to protect these posts going forward.
- 1.47 The proposal is for a 3% award as follows:
- 2% (consolidated ie built into the base for future years) for all employees
  - 1% non-consolidated to be divided equally between all FTEs, regardless of grade, which will provide a greater percentage award to employees on lower grades.
- 1.48 Senior officers have discussed the above proposals informally with local Unison who are understanding of the pressures the Council is facing. The above proposal is subject to sufficient progress being made in closing the budget gap and if necessary it could be the case that the uplift which is affordable would be just the 2% consolidated element.
- 1.49 It should be noted that the Council following on from the LGA Peer Review last year recently commissioned an Establishment Review which confirmed that across many roles our council staff are not as well remunerated as other comparable councils.
- 1.50 **Pensions** - Local Government pensions are subject to a triennial valuation every three years. The next one is due to reflect the position as at 31 March 2025 and will impact on employer contributions in 2026-27. We have built in some provision for a further upward increase. The Outline Budget projections has reflected an anticipated £500k increase in employer contributions from 2026-27.

- 1.51 **New Spelthorne Leisure Centre** – Again, this has been subject to increased inflationary build costs and once it is constructed it will not fully cover its costs once it becomes operational in the summer of 2024, full scheme does not complete until phase 2 is completed in late 2024-25. This has been reflected in the Outline Budget projections and is one of the pressures on the Budget gap.
- 1.52 **Additional Statutory Duties** - we also need to be mindful of the potential for additional statutory duties and requirements being imposed on Councils during the Outline Budget period, a potential example could be the proposed waste management changes such as universal green waste collection being proposed by DEFRA in a few years' time which could have a significant cost impact on our refuse collection arrangements. Officers will undertake an analysis in the coming weeks to provide a summary of the split in budgeted spend between mandatory and discretionary areas of activity
- 1.53 **Inflation** – The latest Consumer Prices Index figure for October of 4.6% was a significant reduction from the previous month and a slightly bigger fall than expected. Within the MTFP the Council is modelling the following:
- 5% for third party contracts for 2024-25 and cash freeze thereafter
  - 3% for salaries, for 2024-25 and 2.5% thereafter
  - 5% on Fees & Charges
- 1.54 **Opportunities**  
Not only will there be challenges, but there will also be opportunities including:
- 1.55 **Zero-based budgeting and budget consultation** – undertaking a zero based budgeting exercise requires a significant amount of time and resource but it may be worth considering undertaking in autumn 2024 to feed into the 2025-26 Budget process in order to undertake a fundamental review of budgets. Similarly in 2024 it may be worth considering options for undertaking some targeted budget options engagement/consultation with residents to generate feedback which councillors can take into account when making future prioritisation decisions particularly for the challenging 2026-27 Budget.
- 1.56 **Partnering** – Over the last few years, SBC have been partnering with other councils to ensure that the emphasis is on service delivery, rather than additional administration or supervision. These include:
- Counter Fraud – with Reigate & Banstead Council
  - Spelthorne Personal Alarm Network – with Mole Valley District Council
  - Family Support - with Elmbridge and Epsom and Ewell Borough Councils and Surrey County Council
- These are just a few of the successful partnerships the Council are involved with locally for the benefit of our taxpayers.
- 1.57 Both Mole Valley District Council and this Council are currently progressing the joint venture to combine the Finance Teams of the two Councils, this is to improve resilience, aid recruitment and deliver efficiencies and savings, particularly around the use of Centros, the Council's Enterprise Resource Planning financial system.

- 1.58 The Audit Committee is currently considering the option of potentially joining a shared internal audit partnership.
- 1.59 Should the Council look to outsource some of its services to other Councils, alternatively, should Spelthorne Borough Council establish itself as an outsourcing shared service? In the context of the financial challenges all councils are facing and uncertainties around the future of local government in Surrey, it is particularly timely to look at these opportunities, including procurement (for example looking to aggregate contracts across councils to increase buying power).
- 1.60 Partnering can also be considered in the context of how the Council can effectively work with other partners and communities to achieve its desired outcomes drawing on the resources of those partners and communities to add to the resources the Council itself is able to apply.
- 1.61 **Investment Properties** – following a number of challenges, that have impacted on the Council, requiring the planned use of the Sinking Fund earmarked reserves, which is what they were intended for, to maintain the £10m+ contribution to the revenue budget, things are settling down.
- 1.62 There is still work to do in respect of increasing the occupancy rates at a couple of our buildings which would significantly increase the Council's revenues.
- 1.63 The latest unplanned external challenge to impacted on the United Kingdom and the Council's income streams, namely the unrest in the Middle East and ongoing war in Ukraine will slow down economic growth and activity over the coming months.
- 1.64 Until then, Officers will continue to exercise caution and taking a worst case scenario for reduced rental income and landlord costs. This prudent approach makes it clear that as forecast, there will be a need to use the Sinking Fund to balance the Council's Revenue Budget and maintain the £10m revenue contribution to the Council.
- 1.65 The recent sinking fund review modelled the likely impact on future cashflows and are forecasting that over the next 44 years, the Council will invest an average net £3.5m per annum into the Council's sinking fund to cover unplanned emergencies, such as, warfare, together with providing sufficient fund to ensure that the Council still receives a £10m contribution towards front line service delivery, affordable housing and regeneration programmes.
- 1.66 The modelling indicates that in 45 years time the aggregate sinking fund balance will potentially be in excess of £200m, with the vast majority of loans for investment assets almost paid off, providing Council with sufficient funds to consider a wide range of options.
- 1.67 **Invest to save & cashable savings** – Officers are exploring a number of options, however, given the financial challenges facing the council, there preference is to generate cashable savings and from those savings launch the invest to save strategies, as this would protect the Council's operating cashflow.

There are several other initiatives that fall under the invest to save category that Officers will be looking to deliver cashable savings of £1.5m over the following headings over the next 4 years.

1. Cashable including procurement savings- this will focus on opportunities to aggregate spend with other councils, and review contract renewals as savings opportunities
2. Business Improvement/transformation including digital transformation
3. Green Initiatives.

Progress on delivery of savings will be reported to councillors on a quarterly basis as part of the Budget monitoring process. In order to capture some of the cashable savings arising from transformation it will be necessary to implement some additional vacancy control processes.

With respect to the Business Improvement strand the breakdown is set out below

Item	Total Yr1	Total Yr2	Total Yr3	Total Yr4	Total
Email	£31,074	£82,863	£124,295	£165,726	£403,957
Hybrid	£16,200	£32,400	£48,588	£64,784	£161,972
E-bills	£1,141	£11,900	£17,856	£22,128	£53,025
Paris Licence		£2,858			£2,858
Advantage Digital (Connect)		£21,793			£21,793
GovTech	£34,382	£109,915	£123,915	£125,602	£393,814
Portal Subscriptions					
Webchat		£35,500	£35,500	£35,000	£106,000
IVR					
Missed Bin					
Garden Waste	£2,000	£2,000	£2,000	£2,000	£8,000
	£84,797	£299,229	£352,154	£415,240	£1,151,419

From these savings, the Council will be looking at other various invest to save projects to reduce costs over the next 5 years..

1.68 **Digital Transformation** - The Council's digital transformation programme is now bringing projects to a conclusion and these will deliver cashable savings, and includes:

- A move towards replacing physical document printing and postage to hybrid solutions. The initiative will deliver a stepped reduction in costs through an initial managed transition to hybrid mail which will reduce the average price of outbound communication by 30p per unit on average. Further savings will then be delivered with a further shift to fully electronic delivery methods, eventually reducing the cost to 10 pence per correspondence item. It is noted that not everyone will have emails, so the traditional communication will still be available, savings of over £150k are achievable.



- Application of Artificial intelligence, better use of data, enabling In order to crystallise over time savings from these changes the Council will expect to see reduced staff levels over a period of time in some services areas but will look to achieve this in a managed way through natural wastage etc
- 1.69 **Knowle Green Offices** – As the hybrid era of working continues, officers are continuing to explore how the Council can maximise the opportunities and reduce the overall running costs for the current office. The Council will need to evaluate options for downsizing its office footprint including moving away from the current Council offices.
- 1.70 **New Corporate Plan** – this is being formulated and will be a key priority for the Council to evolve the current Corporate Plan to ensure that all cost of services are aligned to deliver the strategy established by Council. This will help the Council to focus on what are its strategic priorities and equally what it is prepared over time to do less of. One piece of work which may assist with prioritisation will be analysis being undertaken by officers to summarise which service areas are statutorily required and which are discretionary, although it should be noted that in some service areas it is not a black and white and some mandatory services have discretionary levels of resourcing etc.
- 1.71 **Centros (financial system)** – the project is ongoing and has achieved improvements in the budget setting process, enabling officers to produce the first draft of the 2024/25 month twelve weeks ahead of previous years, enabling councillors and officers to have great oversight over the Councils finance.
- 1.72 Other projects include:
- Budget Monitoring and refining the clarity of reports
  - **Business intelligence dashboards** – is an information management tool that analyses information and displays it graphically, which will also assist with data used in Council reports in conveying important messages.
  - **Application Programme Interface** – enabling us to open our data for the development of apps for our services, Officers are already looking to see how we can establish interfaces with the Assets team to model sinking funds.
  - **Mapping** – by introducing ‘maps’ for our standard internal external reports, once established, this will reduce the time taken to collate the report by over 95% in respect of Officer time.
- 1.73 Now that the financial system upgrade has been achieved, officers will now be working with Transformation Team to access and prioritise all projects and agree a delivery schedule for the next three years.
- 1.74 **Empty property premia** – Following last year’s Council decision, Officers will be submitting a claim to Surrey County Council (SCC) to make use of their offer to spend their share of this income of related project in our Borough again for 2024-25 but we will only assume this will generate a further £50k grant support.
- 1.75 **Affordable Housing Delivery**- as stated above the direct delivery of affordable homes has been suspended, however, it remains essential that the

Council maintains momentum of its affordable and keyworker programme otherwise it faces abortive costs which will significantly increase its Revenue Budget gaps and will fail to deliver on one of the main priorities of the Council's Corporate Plan

### **Current initiatives**

- 1.76 Officers have several initiatives that they have been working on to drive efficiency, reduce costs or increase income, some have been mentioned separately in this report, particularly around partnering, and also including:
- 1.77 In mid October the draft budget gap was initially identified at £6m of which £2.3m related to the extent to which service growth proposals exceeded savings. All Group Heads and MAT were tasked to find savings/additional income in excess of £2.3m. To date potential savings of £1.3m have been found, and provisionally £0.564m of growth bids removed. Additionally £0.5m of funding is proposed to be applied from earmarked reserves.
- 1.78 At the same time Group Heads and senior managers were asked to look ahead over the next four years and identify additional savings/income/transformation opportunities.
- 1.79 MAT are considering options for incentivising staff and managers to identify and propose savings (either expenditure reductions or additional income) which are implementable and help close the budget gaps.

### **Medium Term Financial Strategy (MTFS)**

- 1.80 Continuing to refresh our medium-term financial strategy (MTFS) will help bring together all known factors affecting the Council's financial position and its financial sustainability into one place. This should be as wide ranging as possible and include all the assets and liabilities on an organisation's balance sheet. This is particularly important, and challenging, in the context of the significant additional uncertainties generated by the financial impacts of COVID-19, as mentioned above, some of which have yet to be fully felt. The Council also needs to understand the full impact of the cost of living crisis as it unfolds, and take action, as it has done so, with utilising the Cost of Living and supplementary reserves amounting to £564k. It also allows the Finance team to balance the financial implications of objectives and policies against constraints in resources. This should in turn form the basis for Council's decision making.
- 1.81 A good MTFS should provide a clear and concise view of future sustainability and the decisions that need to be made to address any gaps in long-term financing. It forms the pivotal link to translate the organisation's ambitions and constraints into deliverable options for the future.
- 1.82 Considering the above Officers are predicting that the (surplus) or deficit for the four years ended 31 March 2028 will be as follows, as shown in Appendix A. It should be noted that the budget gap represents a central set of assumptions. One key assumption is that any potential business rates reset and "fair funding" review, given the timing of the next General Election, will not happen before 2026-27 at the earliest. We have built in an assumption that in 2026-27 we will see a significant drop in the amount of retained business rates we are allowed to keep.

The following Budget Gap analysis is broken down into four stages

a) to show underlying gaps reflecting projected expenditure and income before savings, and use of reserves

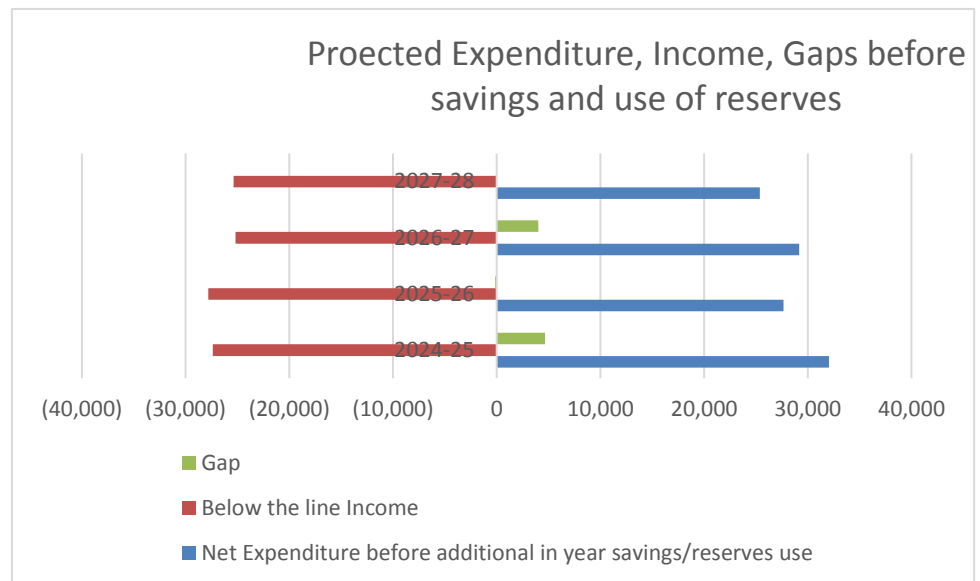
b) to show underlying gaps reflecting projected expenditure and income including identified savings streams (and specific savings items identified for 2024-25 by managers), and use of reserves

c) to show underlying gaps reflecting projected expenditure and income including identified savings streams, and use of specific reserves

d) to show underlying gaps reflecting projected expenditure and income including identified savings streams, and use of specific reserves and residual savings to be found and use of reserves to balance the Budget each year

**A)**

	£000's	£000's	£000's
	2024-25	2025-26	2026-27
Net Expenditure before additional in year savings/reserves use	32,035	27,659	29,000
Below the line Income	(27,367)	(27,816)	(25,000)
Gap	<b>4,669</b>	<b>(157)</b>	<b>4,000</b>

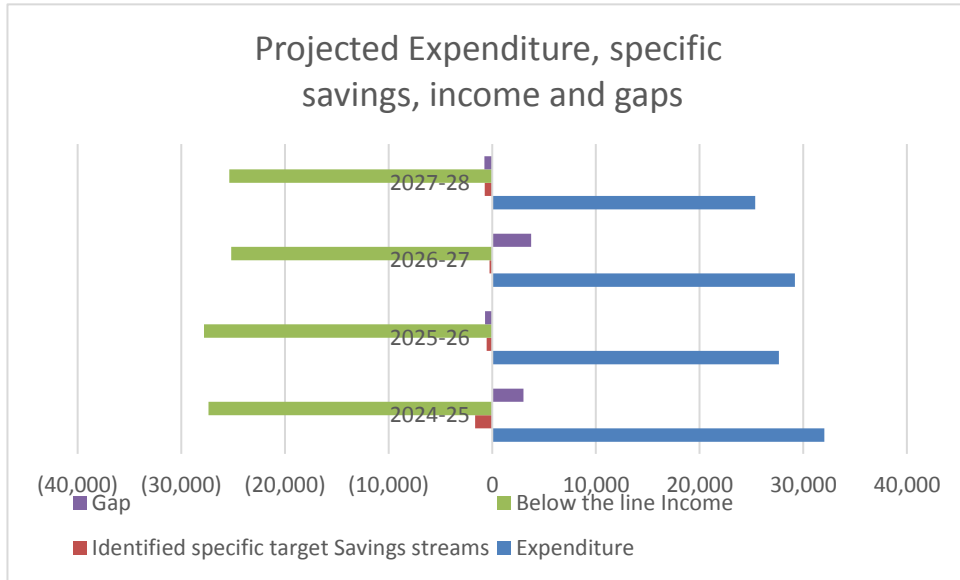


**B)**

Gross Expenditure and Income after savings and before use of reserves

£000's	£000's	£000's	£000's	£000's
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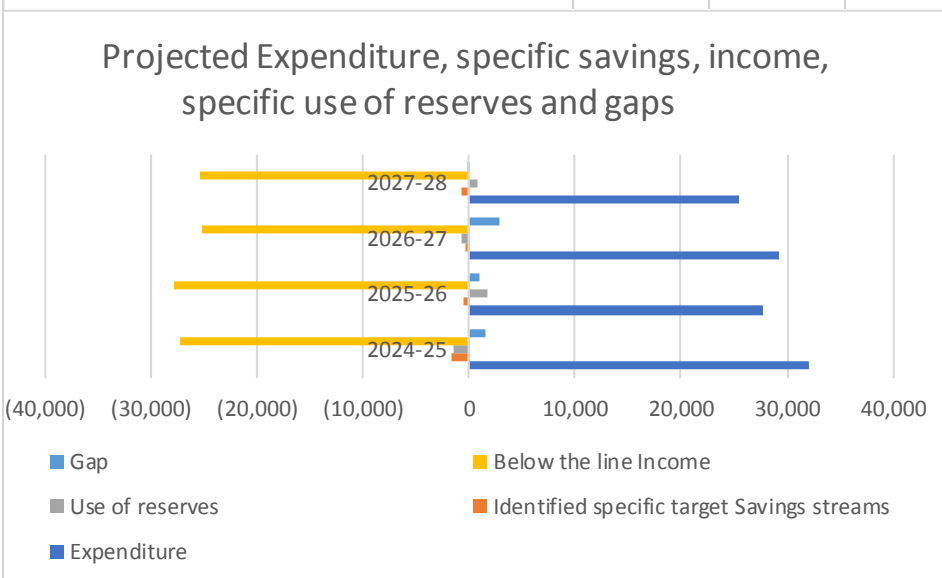
	2024-25	2025-26	2026-27	2027-28
Expenditure	32,035	27,659	29,191	25,377
Identified specific target Savings streams	(1,667)	(535)	(270)	(735)
Below the line Income	(27,367)	(27,816)	(25,175)	(25,385)
Gap	<b>3,002</b>	<b>(692)</b>	<b>3,745</b>	<b>(743)</b>



c)

Gross Expenditure and Income after savings and before use of reserves

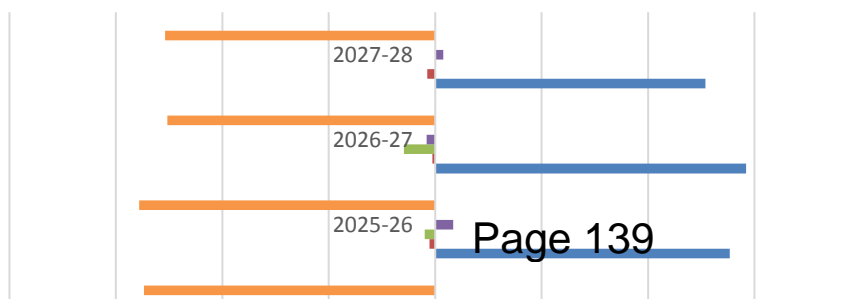
	£000's	£000's	£000's	£000's	£000's
	2024-25	2025-26	2026-27	2027-28	
Expenditure	32,035	27,659	29,191	25,377	
Identified specific target Savings streams	(1,667)	(535)	(270)	(735)	(3,207)
Use of reserves	(1,501)	1,692	(800)	743	
Below the line Income	(27,367)	(27,816)	(25,175)	(25,385)	
Gap	<b>1,500</b>	<b>1,000</b>	<b>2,945</b>	<b>(0)</b>	



D)\_

	£000's	£000's	£000's	£000's	£000's
	2024-25	2025-26	2026-27	2027-28	To
Expenditure	32,035	27,659	29,191	25,377	
Identified specific target Savings streams	(1,667)	(535)	(270)	(735)	(3,207)
Further savings to be found	(1,500)	(1,000)	(2,945)	0	(5,445)
Use of earmarked reserves	(1,501)	1,692	(800)	743	1,134
Income	(27,367)	(27,816)	(25,175)	(25,385)	
Gap	<b>0</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	

Projected income, savings, use of reserves, income and gaps



- 1.83 Under option D above we would indicatively balanced the Budget each year. Pursuing this suggested indicative approach suggests that there are a further £1.5m of savings to find to balance the budget. If that level of savings can not be found then greater user of reserves would need to be made.

The above analysis excludes movements in and out of the sinking funds.

Currently excluding sinking funds reserves and sums in reserves relating to CIL there is a balance of approximately £24m of reserves. Applying the above indicative use of reserves would ensure that over the four year period that the closing balance would be similar to the opening balance. This is important as we are aware that are accumulated capitilised costs some of which could depending on how our regeneration schemes are taken forward could need to be written off to Revenue in the future. Effectively we are identifying use of reserves to support closing the Budget in the two years which have more pressures ie 2024-25 and 2026-27 and replenishing the reserves in the easier two years 2025-26 and 2027-28.

			£000's	£000's	£000's
			2024-25	2025-26	2026-27
<b>Non-committed Reserves</b>					
Total Non-committed (excluding sinking funds, CIL reserves)					
Opening balance			24000	22,499	
Balance after above use of reserves			22,499	24,191	

## Key Assumptions Underpinning the Projections

- Council tax is expected to increase by the referendum limit in each financial year, which currently for 2024/25 is 2.99% and then 2.99% for the following years
- Council base is set at 39,241 Band D equivalent dwellings for 2024-25 (see separate report on the Agenda) and assumes a 5% non-collection rate in the face of growing cost of living pressures (3% for 2023-24)
- The Council Tax base (number of properties) will increase by 1.5% per year
- Business rates income has been estimated at the settlement funding assessment expected as part of the LGFS
- That each year the Council's investment assets will make a £10m contribution towards supporting the cost of the Council's services. This will be regulated by use of the sinking funds reserves as an equalisation mechanism
- Any change to local government funding and a reset of the business rates retention scheme has been assumed to take place in 2026-27, on the assumption that there is not sufficient time for the necessary consultation to be undertaken by Government post the next General Election to implement any business rates reset in 2025-26
- Other grants are based on S151 Officer advice based on best information available
- Investment interest is expected to reduce from current rates to 4% and then 3% over the MTFP
- Employee budget inflation is assumed at 3% for 2024-25 (of which 2% is carried forward) and 2.5% per annum in the following three years
- General Inflation is assumed at 5 based on inflation forecasts from the Bank of England
- That the control on additional posts will continue with no FTE growth bids to be considered unless they are externally funded or are a specific statutory requirement
  - Fees and charges increase has been assumed as at least 5% (subject to the review outlined below)
- That in 2026-27 there will be a further £500k increase in employers pension contributions following the next triennial valuation

1.84 After savings already found and a suggested use of £1.5m use of reserves, the Council is currently facing a budget gap of £1.5m for 2024-25 (scenario B above). The Council is also facing a significant Budget gap in 2026-26 when we are assuming fair funding review/business rates rest and employers pensions contributions will hit. More work will be undertaken between now and February to close the gap for 2024-25.

## 2. Financial announcements and implications

2.1 **Council Tax** – In the 2022 Autumn Statement, the Chancellor announced that for 2023/24 and 2024/25, lower tier councils can increase their council tax bills by 3%. In comparison upper tier councils such as Surrey County Council will be able to increase by 3% plus a further 2% for adult social care. At the time of writing this report, we do not know what will be in this year's Autumn Statement, Councils are waiting to see if there will be any revision to the Council tax limitations for 2024-25.

2.2 Applying an increase of 3% in Council would yield an additional aggregate council tax revenue of £254k and £270k for 2024/25 and 2025/256 respectively.

2.3 **Provisional Local Government Finance Settlement (PLGFS)** – this is expected to be announced in the week before Christmas, which is very close to Christmas, this is possibly the latest we have ever received settlement details. We are expecting a “roll over” settlement i.e. do not expect any significant funding methodology changes. It is anticipated that the Fair Funding Review and Business Rates will slip to at least 2025/26- in the outline Budget projections we have assumed a reduction of a third in the amount of business rates we retain from 2025-26 and the disappearance of New Homes Bonus at the same time. This is a factor as to why the last two years in the outline budget period are particularly challenging.

2.4 **Business Rate** – The business multiplier has been frozen for another year. Whilst it has not yet been formally confirmed it is anticipated that the Business Rates Retention scheme is going to remain unchanged at 50% (this does not mean councils retain 50% of business rates but above a baseline they gain 50%) and that the associated baseline levels will not be reset for councils. There are some indications that the focus on Levelling Up by the Government may cause Government to reflect further on whether it wishes to move to a 75% Business Rates retention scheme. When the business rates baseline is reset, there is a risk for the Surrey councils as when the baseline was set in 2013-14 for the 50% retention system the Surrey Councils did relatively well. Business properties will be revalued every three years from April 2023.

2.5 **From 1<sup>st</sup> April 2023**, across England rateable values have been revalued. The Government will allow reductions to feed through immediately but has a transitional relief scheme to assist those ratepayers whose values and therefore bills are rising. We are working through analysis to understand the impact on the Council's own properties.

2.6 **New Homes Bonus Grant** – The PLGFS will announce figures and confirm whether the scheme is being extended.

## 3. Other considerations

3.1 Based on the current projections as shown in 1.82 above, Officers are projecting a deficit for 2024-25 which needs to be closed by the time the



detailed Revenue Budget is proposed in February significant deficits for the following three years, therefore, Council will have to plan carefully how it manages the 2024/25 Budget, through the budget setting process.

- 3.2 The current net growth bids for 2024/25 amounting to £1.306m ( a reduction compared to the initial bids of £2.3m put forward) will need to be carefully considered and by allowing them in 2024/25, this will impact on 2024/25 and beyond, therefore, between now and the first draft of the budget more refinement of these bids will be required, and this should increase the surplus available for Council.
- 3.3 As mentioned above, Officers have allowed for the maximum increases in Council Tax, based on the Autumn Statement (3% for 2024/25 and 2024/25) should council decide to implement a £5.00 (2.3%) increase, this would reduce the surplus by 58k and £66k for 2024/25 and 2025/26 respectively.
- 3.4 Alternatively, Council could consider putting these funds into an earmarked reserve to assist with the Cost of Living and inflationary pressures to protect key front line services to our elderly and vulnerable residents.
- 3.5 Officers have forecast that the Council will draw down the maximum amount from available earmarked reserves (Cost of Living & Sinking Funds) and they may wish to retain the funds in these reserves to deal with future issues.
- 3.6 The MTFs and assumptions made by Officers, provides Council with some options to consider, taking into account the projected future years deficit beyond 2024/25.

#### **4. Financial implications**

- 4.1 No material implications, other than those discussed above, noting that it is not an exhaustive list.

#### **5. Procurement**

- 5.1 Procurement will play a significant role in helping to identify saving opportunities.

#### **6. Risk considerations**

- 6.1 As set out in the report, focusing on opportunities to procure goods and services smarter should generate some opportunities to deliver financial savings. Whilst the Council is mitigating risks with respect to dips in investment assets income streams there remain risks if there were higher than expected lease breaks/non renewals over the outline budget period which might result in the need to reduce the £10m annual contribution towards the Revenue Budget.
- 6.2 There remains an ongoing risk that if the Council is unable to achieve positive outcomes on its regeneration site it will have to write back to Revenue Budget accumulated capitalised costs and potentially charge capital losses on the sites to the Budget.

#### **7. Legal considerations**

- 7.1 Councils have a statutory duty to set a balanced Budget. It is essential that the Council has plans in place to ensure the Council remains financially viable over the next few years.

## **8. Equality and Diversity**

- 8.1 Any savings proposals impacting on service users will require an Equality Impact Assessment to be undertaken.

## **9. Sustainability**

- 9.1 There is the potential to align climate change objectives with budget sustainability reductions as reductions in energy consumption assist in easing pressures on the Revenue Budget.

## **10. Timetable for implementation**

- 10.1 November 2023 - Committees review and input into the Service Plans and agree the 2024-25 Fees & Charges proposals for their Cost Centres.
- 10.2 December 2023 - draft 2024-25 budget made available to Committees to consider ahead of reviewing in January for approval.
- 10.3 January 2024 – all Committees review and consider their growth and savings bids and submit list of bids to the Corporate Policy & Resources Committee for final short listing to feed into the final Detailed Budget for 2024-25.
- 10.4 January 2024 – Corporate Policy & Resources Committee meet to finalise the Net Service Budgets for each Committee, along with the budgets for investment and regeneration properties, movement on reserves.
- 10.5 22 February 2024 – Council approves growth and savings bids as part of the 2023/24 annual budget debate.

## **11. Contact**

- 11.1 [P.taylor@spelthorne.gov.uk](mailto:P.taylor@spelthorne.gov.uk)

**Background papers:** *Budget Briefing Presentation 10 October 2023.*

### **Appendices:**

Appendix A – MTFS 2024-25 to 2027-28

Medium Term Financial Plan Revenue for 2024-25 to 2027-28

Appendix 1

17/11/23

	2023-24	2024-25	2025-26	2026-27	2027-28
	£000's	£000's	£000's	£000's	£000's
<b>Net Service Expenditure</b>	25,171	25,938	26,465	23,978	20,603
Growth bids	0	2,287	180	180	0
Additional savings to be found					
Savings Bids	0	-1,312			
Further Savings to be found		-1,500	-1,000	-2,945	
Inflation					
Fees and Charges	0	-668	-561	-365	-374
Pay	0	734	618	633	649
Suppliers	0	723	0	0	0
Food	0				
Heat & Light	0				
Triennial pensions impact	0	61	45	500	500
Leisure Centre funding	0	750	0	0	0
Short fall in income - COVID	0	-200	-300	0	0
Cashable savings					
Cashable savings	0	-120	-120	-120	-120
Business Improvements	0	-85	-215	-50	-65
Green Initiatives	0	-50	-100	-50	-500
Collaboration		-100	-100	-50	-50
PPA Income - statutory increase.					
Lapsed growth bid		-178	-6	0	0
One off 2024-25 growth bids reversed		0	-262	0	0
Uplift in leisure centre management fee		295	-665	-1,109	-1,440
Development Properties		134			
<b>Revised Net Service Expenditure</b>	<b>25,171</b>	<b>26,709</b>	<b>23,978</b>	<b>20,603</b>	<b>19,203</b>
Declassification of capitalised costs					
Net Property investment income including MRP & Int	-5,986	-8,512	-10,003	-12,242	-8,653
Net Property regeneration income including MRP & Int	0	-1,539	-937	2,229	-1,347
Other MRP	0	328	337	916	937
Other Interest	0	1,831	1,809	4,457	4,502
Capitalised Interest	-1,400	-1,217	-1,217	-1,217	-1,217
Short Term loan interest rec	-500	-250	-200	-160	-128
Interest Cash Equivalent	-700	0	0	0	0
Interest rec'd pooled funds	-1,200	-1,224	-1,248	-1,273	-1,299
Net interest KGE	-819	-762	-754	-747	-739
Net interest SDS	-20	-16	-12	-8	-4
<b>Net expenditure after interest earnings</b>	<b>14,546</b>	<b>15,348</b>	<b>11,753</b>	<b>12,558</b>	<b>11,255</b>
<b>Apportionment to/(from) revenue reserves</b>					
Revenue contribution to Capital Outlay	750	0	0	0	0
Movement to/(from) revenue grants	-1,123	-965	1,692	-800	743
Movement to/(from) sinking fund	0				
<b>Budget requirement</b>	<b>14,173</b>	<b>14,383</b>	<b>13,445</b>	<b>11,758</b>	<b>11,998</b>
Allocation from NNDR Pool	-450	-500	0	0	0
Retained Business Rates	-1,929	-1,929	-1,929	-1,200	-1,000
RSG	-91	-91	-91	-91	-91
S31 Grants	-875	-875	-875	-875	-875
Empty Property Premia	-500	0	0	0	0
Lower Tier Service Grants	-80	-80	-80	-80	-80
Core Spending Power Guarantee Grants	-1,483	-1,483	-1,200	0	0
New Homes Bonus	-101	-121	-100	0	0
Funding From Earmarked Reserves		-58			
Building Control Reserve		-29			
Environmental Impact Reserve		0			
Planning Performance Agreement		-40			
Green Initiative Fund		-46			
Local Plan Reserve		0			
Inflation Reserve		0			
BRR Retention - EcDev		-84			
IFRS16 Reserve		0			
Green Belt Fighting Fund		-280			
Movement to Revenue Reserves			0	0	0
Movement from Revenue Reserves		0	0	0	0
<b>Net Budget Requirement</b>	<b>8,665</b>	<b>8,767</b>	<b>9,170</b>	<b>9,512</b>	<b>9,952</b>
Collection fund	100	100	100	180	180
Council Tax	-8,765	-8,867	-9,270	-9,691	-10,132
<b>Closing Deficit/(Surplus)</b>	<b>-0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-0</b>

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## Corporate Policy &amp; Resources Committee



27 November 2023

<b>Title</b>	<i>Adoption of the Asset Management Strategy and Asset Management Plan, replacing the Asset Management Plan dated September 2020.</i>
<b>Purpose of the report</b>	To make a Key Decision
<b>Report Author</b>	<i>Sian Bowen - Principal Asset Manager &amp; Coralie Holman – Group Head Assets</i>
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No
<b>Corporate Priority</b>	Community Environment Service delivery
<b>Recommendations</b>	<p><b>The Committee is asked to:</b></p> <ol style="list-style-type: none"> <li>1) Approve and recommend to Council the adoption of the Asset Management Strategy and Asset Management Plan</li> <li>2) Recommend to the Committee System Working Group to review the introduction of a new Sub Committee Group Structure which reports into this Committee, with a 4/5 members including an independent external advisor.</li> </ol>
<b>Reason for Recommendation</b>	<i>Following Development Subcommittee on 6 November 2023 this report sets out the recommendations which this Committee are asked in case of Recommendation 1 approve and present to Full Council on 14 December 2023 and in the case of Recommendation 2 refer to the Committee System Working Group.</i>

## 1. Summary of the report

- 1.1 On 6th November 2023, the Development Sub Committee approved a proposal to recommend to CPRC the adoption of the Asset Management Strategy and Plan. This Strategy and Plan is to replace the Asset Management Plan adopted in September 2020 for the period 2020 to 2025 which reflects the changes in Administration and the new strategy and priorities to be adopted.

The Asset Management Strategy (AMS) has been designed with Member input from two workshops and is intended to be the overriding document above the Asset Management Plan (AMP) which summarises the key

objectives for each portfolio: investment, municipal and development/regeneration.

The AMP reflects the operational delivery methodology for all each of the portfolios and covers the entirety of the Council's property estate.

The AMS has been through a delivery management process via two Development Subcommittees (2 October 2023 and 6 November 2023) and two workshops held by nominated Members and officers.

It is intended that both the new AMS and AMP will be put in place for a five-year period, with both having the flexibility to be adapted and amended as strategies and policies evolve.

Both documents will be publicly available.

Sitting under the AMS and AMP are the annual business plans, annual asset investment strategy, bi-annual Investment report, quarterly sinking fund monitoring, annual and bi-annual development delivery strategy and quarterly budget monitoring. These documents will remain confidential for Member and Officer use only. This hierarchical structure is shown in Appendix 1.

Three property portfolios have been identified and each portfolio has a specific identity and objective. These portfolios are 1) Investment, 2) Development and Regeneration and 3) Municipal.

Both the AMS & AMP have been designed to ensure that it will also possible that property assets may be transferred between portfolios, for example if the alternative use is more beneficial to the Councils need than as an income producing asset.

- 1.2 Members of the Councillor workshops consider the future governance of the investment portfolio needs to be agreed. This report recommends the Asset Portfolio Working Group (APWG) be replaced with a new Sub Committee Group Structure consisting of 4/5 members, to include an independent external advisor. It is suggested this subcommittee report into CPRC.

## **2. Key issues**

- 2.1 The AMS key identified different objectives for all three portfolios (investment, municipal and development/regeneration), but with a single common theme:  
*"The Council will own an optimum estate which enables the effective delivery of its services and objectives. This will be managed efficiently, effectively and sustainably on a basis that represents value for money, minimises risk and has the interests of the local community at its heart"*
- 2.2 Each portfolio of assets has identified specific objectives and strategic priorities as contained in Appendix 2.

### **2.2.1 Investment Portfolio Objectives**

*"To deliver positive net returns to support the Council's ability to provide services, particularly discretionary, for its residents"*

- ▶ Deliver a secure and sustainable income net of all attributable costs.
- ▶ Maintain capital value in real terms over the ownership period.

- ▶ Generate a net profit over medium and long term after deduction of attributable costs and with appropriate sinking fund contributions.
- ▶ Ensure that income returns meet or exceed budget targets and wider industry-standard benchmarks on a medium- and long-term basis, with an expectation of long-term income growth.
- ▶ Diversify risk through leasing assets to a broad range of tenants operating across different business sectors and with a mixture of income lengths (i.e., between 5 and 15 years)
- ▶ Make a positive contribution to the Council's commitment to reach Net Zero for Scope 1 & 2 emissions by 2030.
- ▶ The Council to retain these assets if they perform to required criteria but will continually assess alternative options in the event of under-performance or reasonable expectation of adverse future circumstances.

### **2.2.2 Development and Regeneration Portfolio**

*“To ensure the borough remains an attractive place to live, work and undertake leisure activities through the delivery of high-quality affordable housing, social infrastructure and commercial property that meets the needs and requirements of residents and local businesses.”*

- ▶ Ensure all development / schemes / partnerships meet the Council's corporate objectives (“CARES”) and aim to deliver high quality housing and other economic and community places in a timely and financially efficient manner.
- ▶ Prioritise delivery of affordable housing and mixed-use projects to meet the needs of Spelthorne residents.
- ▶ All significant proposed developments will be subject to meaningful public consultation.
- ▶ Delivery mechanisms and longer term buy/hold/sell decisions will be decided by Members on a basis that meets the needs of our residents, businesses, and wider communities.
- ▶ All developments will contribute to the Council's commitment to reach Net Zero for Scope 1 & 2 emissions by 2030.

### **2.2.3 Municipal Portfolio Objectives**

*“To manage all property assets within the borough professionally and effectively to support service delivery, the voluntary, charitable and community sectors and provide amenity and community benefit to residents and support our CARES corporate priorities.”*

- ▶ To provide well maintained and accessible assets that benefit all who live in the borough, and support local community groups and vulnerable residents.
- ▶ To promote the use by residents of our attractive parks, open spaces and public places, with a focus on biodiversity.

- ▶ To consult with our residents, where appropriate, on the best use for municipal assets in the borough.
- ▶ The granting of occupational agreements to third parties by the Council will be dealt with in a fair and open manner, and where required in accordance with the Community Letting Policy.
- ▶ Good relationships will be maintained with our tenants to ensure compliance with lease obligations.
- ▶ The portfolio will contribute to the Council's commitment to reach Net Zero for Scope 1 & 2 emissions by 2030.

2.3 The AMP identifies in detail the operational demands and requirements across all three portfolios, team structure, reporting structures, KPI's and risk register. A copy is within Appendix 2.

It will be the intention once the new Member sub committee is established to further develop the risk register and KPIs in conjunction with the Development Sub Committee members.

Both the AMS and AMP will have the ability to be updated to reflect the new Administrations review of the Boroughs Corporate priorities in 2024.

2.4 Following the proposed streamlining of committees, It was originally intended that reporting for the investment portfolio would be by way of a new Commercial Assets Sub Committee. However following member workshops an alternative smaller group has been proposed with an independent external advisor.

It is considered that this smaller group will ensure greater governance on the investment portfolio, with the group obtaining a greater understanding, specialism and knowledge base on the portfolio.

It is advised that this smaller sub committee will have similar Terms of Reference to the proposed Commercial Assets Sub Committee recommended by Development Sub Committee on 31 July 2023 (Appendix 4).

### **3. Financial implications**

3.1 Pulling together the Asset Management Strategy and Asset Management Plan has been undertaken using existing internal resources so there has not been an additional expenditure/budget impact, beyond the opportunity cost of the staff and councillor time focused on the exercise. Having said that both the Asset Management Strategy and Asset Management Plan link well to and feed into the Council's Capital Strategy, Capital Programme and Revenue Budget, all of which will be updated and approved by Council next February for 2024-25 and beyond. It is important that in order to manage financial risks and to obtain the best returns on use of assets that there are clear strategy frameworks and parameters for the different categories of asset. As part of the framework, it is useful to be clear on the approach to business plans, usage of sinking funds, budget monitoring etc. Assets and Finance will very much work in partnership in moving these arrangements forward.

### **4. Risk considerations**



- 4.1 Risk: Where governance arrangements are not adequately robust, this could adversely impact strategic direction, quality of decision making and outcomes (financial and other) relating to the Council's asset portfolio.

Controls and mitigation: This report refers to how the Council are seeking to strengthen governance arrangements through proposal of a new Sub Committee Group Structure (reporting to CPRC) with representation of an independent external advisor to provide specialist knowledge and support. This group will also build upon current KPI'S and the risk register for the investment portfolio.

- 4.2 Risk: If there is a lack of ongoing coordination between the different strands of the overarching Asset Management strategy, this could lead to the Council applying a fragmented rather than holistic approach in seeking optimal value in the management of its assets

Controls and mitigation: Please add proposed controls and mitigations planned to address this risk identified.

## **5. Procurement considerations**

This report references throughout the support of an independent external advisor, which, dependent on value, will need to be procured in accordance with Contract Standing Orders, and will require a scope of services to be developed.

## **6. Legal considerations**

Any new subcommittee needs to be considered by the Committee System Working Group and then referred to Standards Committee. In the event this is approved, a recommendation is to be made to Council to adopt.

## **7. Other considerations**

- 7.1 Future reporting and Governance of the investment portfolio will need to be agreed in conjunction with the Head of Governance to bring about changes in conjunction with the wider committee structures.
- 7.2 A new Sub Committee Group Structure (similar to the APWG) is proposed, with a smaller number of members (4/5) to include an independent external advisor, it is anticipated this committee will report into CPRC.
- 7.3 The proposed new working group will also review and build upon the current KPIs and Risk Register for the Investment Portfolio.

## **8. Equality and Diversity**

- 8.1 There are no specific considerations.

## **9. Sustainability/Climate Change Implications**

- 9.1 Climate change policy within the AMS and AMP have been aligned with the Corporate plan targets and specifically identified within both documents.

## **10. Timetable for implementation**

- 10.1 Based on the recommendation above, approval will be sought at full council on 14 December.

## **Contact**

10.2 Coralie Holman c.holman@spelthorne.gov.uk

**Appendices:** Appendix 1 – Hierarchy of documents for reporting  
Appendix 2 - AMS  
Appendix 3 – AMP

## Appendix 1

# Asset Management Strategy

## Asset Management Plan (5 year portfolio level plan)

Business Plans  
(Annual)

Asset  
Investment  
Strategy  
(Annual)

Investment  
Report  
(Annual & Six  
Month review)

Sinking Fund  
Monitoring  
(Quarterly)

Development  
Delivery  
Strategy  
(Annual & Six  
Month review)

Budget  
Monitoring  
(Quarterly)

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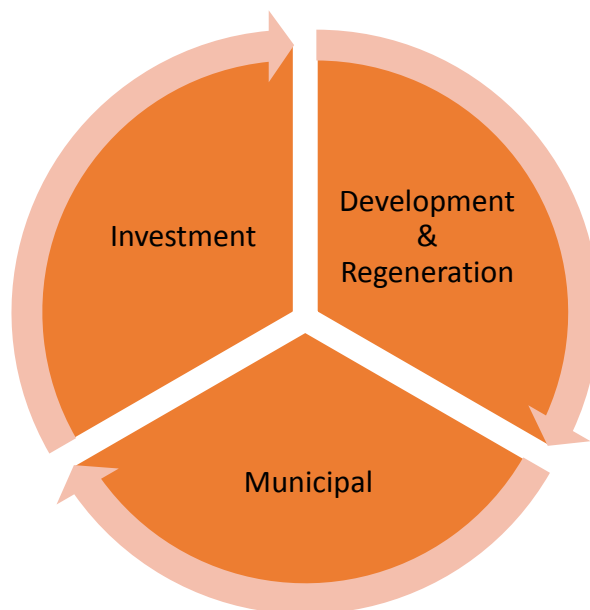
## Asset Management Strategy 2023/24 – 2027/28

### 1. Overriding Objective

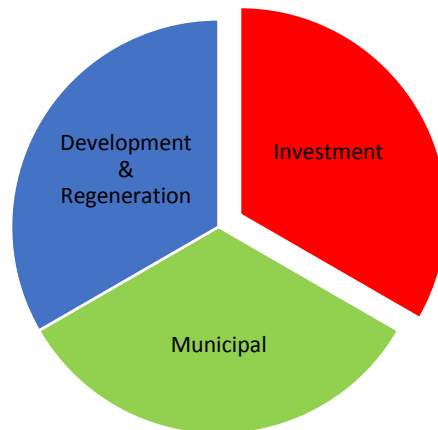
*The Council will own an optimum estate which enables the effective delivery of its services and objectives. This will be managed efficiently, effectively and sustainably on a basis that represents value for money, minimises risk and has the interests of the local community at heart.*

### 2. Strategy Overview

This Asset Management Strategy covers all of the Council's property holdings. These are held in three distinct portfolios as shown below, but it is intended that individual assets may be transferred from one portfolio to another if required (for example if alternative use is more beneficial to the Council's need than as an income producing asset).



### 3. Investment Portfolio – Strategic Purpose

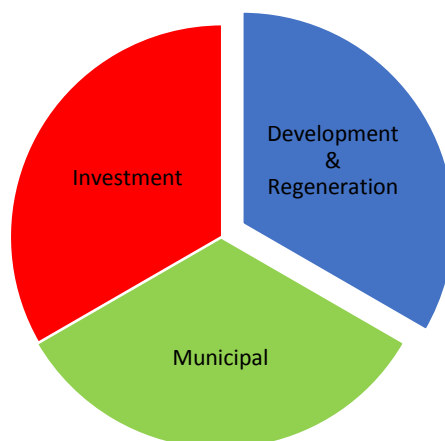


***To deliver positive net returns to support the Council's Revenue Budget and support the Council's ability to provide services, particularly discretionary, for its residents.***

The Investment Portfolio will seek to:-

- a. Deliver a secure and sustainable income net of all attributable costs
- b. Maintain capital value in real terms over the ownership period
- c. Generate a net profit over medium and long term after deduction of attributable costs and with appropriate sinking fund contributions
- d. Ensure that income returns meet or exceed budget targets and wider industry-standard benchmarks on a medium and long term basis, with an expectation of long term income growth
- e. Diversify risk through leasing assets to a broad range of tenants operating across different business sectors and with a mixture of income lengths (i.e. between 5 and 15 years)
- f. Make a positive contribution to the Council's commitment to reach Net Zero for Scope 1 & 2 emissions by 2030
- g. The Council to retain these assets if they perform to required criteria, but will continually assess alternative options in the event of under-performance or reasonable expectation of adverse future circumstances.

#### 4. Development & Regeneration Portfolio – Strategic Purpose



*To ensure the borough remains an attractive place to live, work and undertake leisure activities through the delivery of high quality affordable housing, social infrastructure and commercial property that meets the needs and requirements of residents and local businesses.*

The Development & Regeneration Portfolio’s strategic priorities will be:-

- a) To ensure all development / schemes / partnerships meet the Council’s corporate objectives (see below) and aim to deliver high quality housing and other economic and community places in a timely and financially efficient manner.
- b) To prioritise delivery of affordable housing and mixed use projects to meet the needs of Spelthorne residents.
- c) All significant proposed developments will be subject to meaningful public consultation
- d) All delivery mechanisms and longer term buy/hold/sell decisions will be decided by Councillors on a basis that meets the needs of our residents, businesses and wider communities
- e) All developments will contribute to the Council’s commitment to reach Net Zero for Scope 1 & 2 emissions by 2030.



To put our communities at the heart of everything we do, building strong relationships with our residents and businesses, and helping to forge links within those communities, so that they feel empowered, included, supported, safe and healthy.



To deliver housing which meets the needs of all sections of our communities, building new homes, helping people to stay in their existing accommodation and ensuring that none of our residents are homeless.



To provide support and guidance to our residential and business communities to enable them to recover from the significant effects of the COVID-19 pandemic.

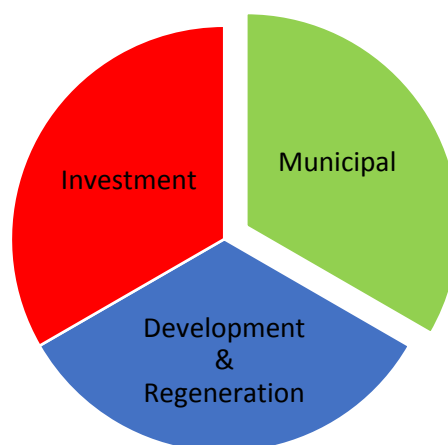


To work with our communities and partners to minimise our effects on the environment, play our part in tackling the threat of climate change and to maintain a clean, green and attractive Borough, which recognises and protects biodiversity.



To deliver efficient and effective services which meet the changing needs of our communities, adapting to meet new challenges, new ways of working and different ways of interacting with our communities.

## 5. Municipal Portfolio – Strategic Purpose



***To manage all property assets within the borough professionally and effectively to support service delivery, the voluntary, charitable and community sectors and provide amenity and community benefit to residents and support our CARES corporate priorities.***

The strategic priorities of the Municipal Portfolio are:-

- a) To provide well maintained and accessible assets that benefit all who live in the borough, and support local community groups and vulnerable residents.
- b) To promote the use by residents of our attractive parks, open spaces and public places, with a focus on bio-diversity.
- c) To consult with our residents, where appropriate, on the best use for municipal assets in the borough.
- d) The granting of occupational agreements to third parties by the Council will be dealt with in a fair and open manner, and where required in accordance with the Community Letting Policy.
- e) Good relationships will be maintained with our tenants to ensure compliance with lease obligations.
- f) The portfolio will contribute to the Council's commitment to reach Net Zero for Scope 1 & 2 emissions by 2030.



**6. How will performance against strategic objectives be measured?**

The Asset Management Strategy is the overarching report that informs a number of tools by which performance will be measured and reported to Councillors. These are summarised below:-



Key

*Yellow – whole portfolio*

*Red – Investment portfolio*

*Blue – Development & Regeneration portfolios*

**7. Contacts & Further Information**

This Asset Management Strategy has been developed by Councillors. Any queries should be directed to the Chair or Vice Chair of the Development Sub-Committee.

Further information on the Council’s property portfolio can be found using the link <https://www.spelthorne.gov.uk/article/16779/Property-and-investments>

## 8. Next Steps

Take reports to CPRC on 27<sup>th</sup> November and Full Council in xx December with following recommendations:

- Asset Management Strategy (AMS) and Asset Management Plan (AMP) to be publicly available documents
- Business Plans; Asset Investment Strategy; Investment, Sinking Fund and Budget reporting, Development delivery programme to remain confidential Councillor and Officer documents (links to all documents will be included within section 6 of the AMS)
- Agree future Reporting and Governance of investment portfolio via either:
  - New Sub Committee (previously requested CASC) who report into CPRC, potential to include an external advisor
  - New Working Group Structure (similar to APWG) with a smaller number of members (4 or 5) to include an independent external advisor who also report into CPRC
- Current/New Working group to review and build on current KPIs and Risk Register for Investment Portfolio

October 2023

# **Spelthorne Borough Council's Asset Management Strategy 2023/24 – 2027/28**

***“The Council will own an optimum estate which enables the effective delivery of its services and objectives. This will be managed efficiently, effectively and sustainably on basis that represents value for money, minimises risk and has the interests of the local community at its heart”***

## Contents

EXECUTIVE SUMMARY .....	3
1.0 INTRODUCTION.....	4
1.1 Spelthorne Geographic Area.....	4
1.2 Why the Council owns and uses property. ....	4
1.3 Purpose of the Asset Management Strategy.....	5
1.4 Capital Strategy .....	6
.....	7
2.0 CONTEXT AND DRIVERS INFORMING THE STRATEGY.....	7
2.1 Corporate Plan Priorities .....	7
2.2 External Guidance on Managing Property Portfolio Risk.....	8
2.2.1 Public Interest Report and KPMG Audit for FY 2017/2018 .....	8
3.0 OVERVIEW OF THE PORTFOLIO MANAGEMENT .....	9
3.1 The Golden Thread.....	9
4.0 THE COUNCIL'S PORTFOLIO .....	11
4.1 The Assets.....	11
5.0 THE INVESTMENT PORTFOLIO.....	12
5.1 Strategy, Policy and Risk Management.....	13
5.2 Risk management, performance measurement and monitoring .....	14
5.3 Governance and Reporting .....	15
5.4 Risk .....	16
5.4.1 Industry risk .....	16
5.4.2 Asset stress test.....	16
5.4.3 Portfolio Stress test.....	16
5.4.4 Financial prudence.....	17
How the income is used – worked example 2023/24 .....	17
5.4.6 The Local property market .....	18
6.0 THE MUNICIPAL PORTFOLIO .....	19
6.1 Repairs, maintenance, and compliance .....	20
6.2 Value for Money Maintenance Policy .....	21
6.3 Conservation and Bio-Diversity .....	22
6.4 Community Lettings Policy.....	22
6.5 Partnerships.....	22
7.0 REGENERATION, DEVELOPMENT & ALTERNATIVE USE .....	22
7.1 Surplus Property.....	22
7.2 Housing Development and Delivery.....	23
7.4 Strategic intervention and regeneration.....	24
7.5 Sustainability and Carbon Reduction .....	25
8.0 KNOWLE GREEN ESTATES .....	27
8.0 PROPERTY INFORMATION MANAGEMENT.....	28
8.1 Utilities .....	28
9.0 FACILITIES MANAGEMENT .....	29

## EXECUTIVE SUMMARY

Local authorities have been impacted by significant reduction in government funding (in many cases near 100% removal) in recent years, which has led to councils identifying alternative ways to generate income, including property acquisition, to ensure service levels are maintained for their residents, communities and businesses.

Between 2016 and 2018, Spelthorne Borough Council acquired a small portfolio of investment properties with the main aim of generating sustainable long term income streams to contribute towards the cost of discretionary council services for residents. In addition, the acquisition of the BP site, allowed the council to control the future of a key strategic site within the Borough and retain a key employer. The Council also purchased 3 regeneration assets to facilitate longer term 'place making' priorities within the Borough and support the long term economic prosperity. These properties together with the Council's municipal assets form the Council's land and property portfolio. The Council is no longer looking to acquire income producing assets.

This Asset Management Strategy (AMS) sets out the direction for the entire portfolio supporting the Council's Corporate priorities and the proactive approach the Council will adopt to manage its assets over the five-year period April 2023-March 2028. Key focuses include value for money and future sustainability. This AMS builds upon the previous Asset Management Plan (2019-2024) and reflects several changes to governance, economic context and the impact of COVID-19 together with a new Council Administration, following the May 2023 elections.

The overriding objective of the Strategy is to ensure that each of the Council's property assets supports the provision of the Council's Corporate priorities, by generating sufficient income to meet the cost of discretionary council services, provide land and property holdings that allow our community to live and work in an environment that is sustainable and evolving to meet the ever changing needs of the community whilst meeting all statutory compliance targets and minimizing risk for the Council.

Asset Management processes are highlighted to demonstrate how the Council analyses and assesses opportunities to ensure that the portfolio provides the best returns for the community, whilst factoring in 'risk' within decision making to mitigate and manage factors that could negatively impact the Council's income. This includes annual reviews of all assets to identify surplus or non-performing property.

The AMS is supported by suite of operational plans and procedures that comprehensively set out the approach, governance, reporting and decision-making activities connected to the entire portfolio. As set out above the portfolio is split into 3 main areas, being:

- Investment assets
- Regeneration assets
- Municipal assets

The same basic proactive management style is adopted for the entire portfolio, however bespoke reporting and governance applies to the assets within the portfolio that carry the highest value, risk and impact on the council's day to day activities i.e. the investment assets. These assets are subject to greater monitoring and scrutiny via a bespoke set of Key Performance Indicators, Risk Register, medium term 3-5 year business plans and an annual plan for each investment, known as the Asset Investment Strategy (AIS). Each AIS is a forward-looking document setting out the key management aims and activities for the forthcoming year.

The performance and objectives of the portfolio will be reported to Full Council on 3 occasions each year; at the commencement of each financial year based on the main focuses from April to March. This is support by a half yearly review in October and then a full report at the end of each financial year. All property based activities are reported on a monthly basis to, two specific property sub-committees. The Commercial Assets Sub Committee(CASC) will focus on the income generating properties and the Development Sub Committee takes the lead on decision making for all other areas of the portfolio.

## 1.0 INTRODUCTION

### 1.1 Spelthorne Geographic Area

Spelthorne Borough Council covers an area of 51.15 km<sup>2</sup>. It has an estimated population of around 102,956 (Census 2021) and a significant employment base and strong local economy. It is 15 miles from central London and shares its northern border with Heathrow Airport, a major local employer and a significant positive influence on the local economy. Its southern boundary is defined by the River Thames. The main town in Spelthorne is Staines-upon-Thames. Other urban areas include Ashford, Shepperton, Sunbury-on-Thames, and Stanwell.

Staines-upon-Thames serves an area well beyond the borough, for retail and as a large office and commercial focus. It has direct rail links to Waterloo, Reading, Windsor and Weybridge and is within 10 minutes' drive to the M25 and Terminal 5. It is the nearest significant town to Heathrow Airport. Sunbury-on-Thames is the second major office location within the borough, adjacent to Junction 1 of the M3.

### 1.2 Why the Council owns and uses property.

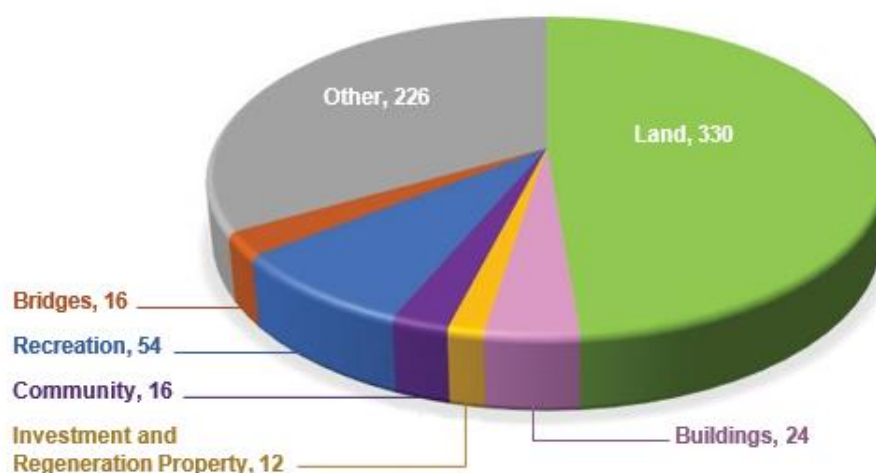
Spelthorne Council is the administrative body for the area, providing a wide and varied range of local services to residents and businesses, from community buildings, planning and housing support through licensing, permits and food safety to parks and car parking.

Properties are held for a variety of reasons both financial and non-financial including:

- To provide a base and back office support to deliver front line services
- Provide facilities for the community to bring them together and provide space for a wide variety of community activities.
- To stimulate and influence the wider environment and economy to enhance economic developments and wellbeing in the Borough.
- Provide opportunities for start up businesses which may not be available through the private sector.
- Improve the quality of the public realm
- Generate income to be re-invested in delivering the Council's wider priorities.
- For place making and regeneration purposes

In addition to the Operational portfolio, a number of commercial Investment assets sit alongside the traditional asset base and are detailed in section 5.

In total, the Council's estate comprises of 678 property assets, broadly made up as follows by number of assets:



### 1.3 Purpose of the Asset Management Strategy

Each of the Council's asset should support the Council delivering at least one of its corporate priorities via the following objective ***“The Council will own an optimum estate which enables the effective delivery of its services and objectives. This will be managed efficiently, effectively, and sustainably on a basis that represents value for money and minimizes risk.”*** There is a clear need to ensure that the property Spelthorne owns, uses, and has invested in is fit for purpose, managed proactively and represents value for money. The aim of the AMS is to minimise long-term risk to the Council and its local population and help sustain the local economy, the Council and aide the delivery of its services. The AMS is derived from the Corporate Plan and vision 2021-23.

An up to date strategy, setting out the way in which the Council uses, controls and reports on its assets, is key to implementing robust processes and minimising risk and unnecessary cost. When risks are properly understood, managed, and mitigated with appropriate procedures they are significantly less likely to have a detrimental impact on the council's activities and services.

This strategy aims to balance the competing needs for investment in order to:

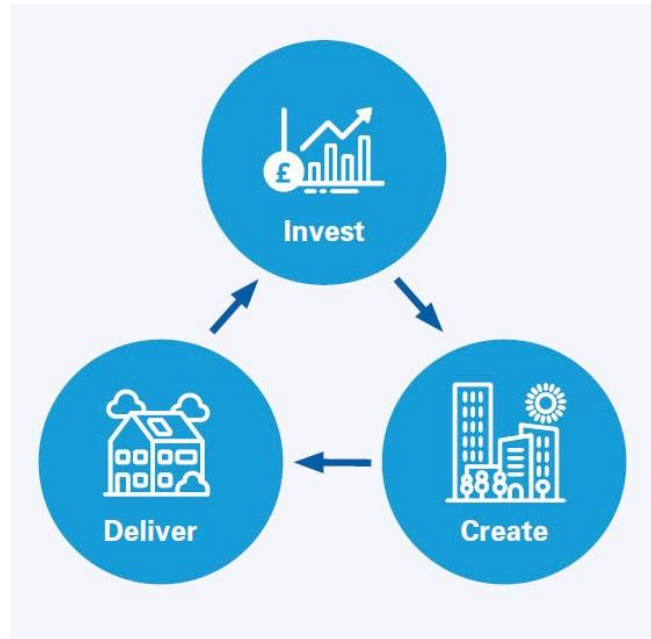
- Support economic prosperity
- Facilitate place shaping and regeneration opportunities
- Keep properties fit for purpose be it operational, community or investment property.
- Bring obsolete properties up to date or redevelop to comply with current regulations.
- Balance expenditure on responsive cyclical and planned works
- Reduce carbon emissions from buildings through improved energy efficiency.
- Maintain the value of the assets, including maximization of utilization and income of the operational, administrative, and commercial portfolio.

The asset Lifestyle Delivery Model follows the key cycle during a property's life. Proper lifestyle management ensures how optimum value is driven across the portfolio.

## 1.4 Capital Strategy

- The Plan recognises the need to manage costs, and to generate income to protect and maintain the delivery of core services.
- In total, the investment and regeneration portfolio is currently valued at £773.60m (net balance sheet value as at 31.3.23) which generates a net income of over £10million per annum which contributes to direct services to residents in the borough.
- The Council's Capital Strategy ([www.spelthorne.gov.uk/capitalstrategy](http://www.spelthorne.gov.uk/capitalstrategy)) sets out how the Council will prioritise its capital expenditure, and how the expenditure will enable delivery of corporate priorities. There are 3 key priorities, which align the property portfolio to the Corporate Plan:





## ***2.0 CONTEXT AND DRIVERS INFORMING THE STRATEGY***

### **2.1 Corporate Plan Priorities**

The Corporate Plan priorities inform the objectives of Asset Management Strategy. Spelthorne's five overarching priorities 'CARES' focus on specific themes, values and plans to achieve a sustainable future. In summary these are:



## 2.2 External Guidance on Managing Property Portfolio Risk

The Council has within the last year received guidance from external experts around key focuses to ensure the Council is able to properly understand, capture and manage the risk associated with its investment portfolio. This Asset Management Strategy recognises and embraces input by the following organisations:

### 2.2.1 Public Interest Report and KPMG Audit for FY 2017/2018

KPMG, were the Council auditors up to the financial year 2017/18. In November 2022, they provided guidance in the form of a Public Interest Report (“PIR”). The PIR contained five recommendations, as the Council has completed its investment acquisition programme and there are no plans to invest in further commercial property assets for yield and recommendations 1 to 3 are addressed on an ongoing basis, this strategy focuses on recommendations 4 & 5 only, in terms of new processes to monitor sinking fund activity and balances, together with a risk register and revised Key Performance Indicators (KPIs). See Appendix 3

Further information relating to the Public Interest Report can be found here:

<https://www.spelthorne.gov.uk/publicinterestreport>

### 2.2.2 CIPFA Capital Review

In light of the of the current economic climate, there are challenges that impact on Spelthorne’s borrowing requirements to directly deliver its housing priorities. In view of this and changes to public borrowing guidelines, this Council has taken proactive steps to review its development delivery approach. Our emerging approach to delivering new housing and other regeneration schemes within the borough, will consider options including joint venture schemes and partners providing the funding required to bring schemes forward.

It is important to differentiate between our housing development programme and our investment assets, as these portfolios have vastly different risk profiles. Following the covid pandemic we remain confident that the assets within our investment portfolio will continue to remain resilient to changing market demands and deliver the rental income needed to continue to contribute to our revenue budget and sinking fund reserves.

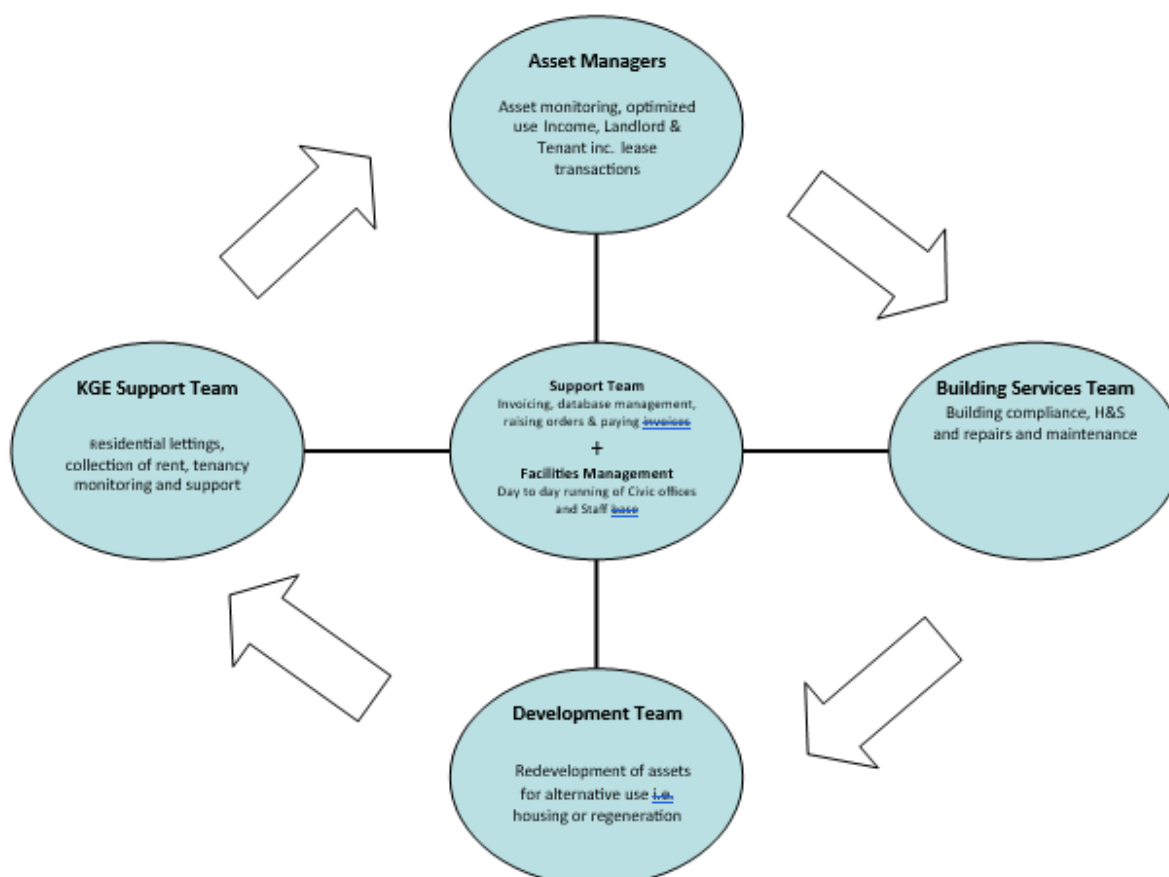
The value of our portfolio may be substantially higher than similar sized authorities, but our well-considered investment acquisition strategy (our last property acquisition was in 2018), coupled with our highly skilled Asset Management Team is reflected in the ongoing high levels of performance our portfolio achieves.

### 3.0 OVERVIEW OF THE PORTFOLIO MANAGEMENT

#### 3.1 The Golden Thread

The Assets team currently comprises 25 people and is led by the Group Head for Assets and effectively represents the Council’s “Corporate Landlord”. The team works closely together to deliver a ‘golden thread’ comprehensive approach to managing the portfolio. The team also work closely with other officers and partners of the Council to ensure that the views and needs of those who use and occupy the buildings, and who deliver services from them are understood, and considered in any review and decision-making processes. Our stakeholders form the client base that the Assets team manage the property on behalf of.

To ensure our management of the assets delivers optimal performance, we will as a core part of our management approach, meet with report to and consult with all relevant stakeholders internally and externally.

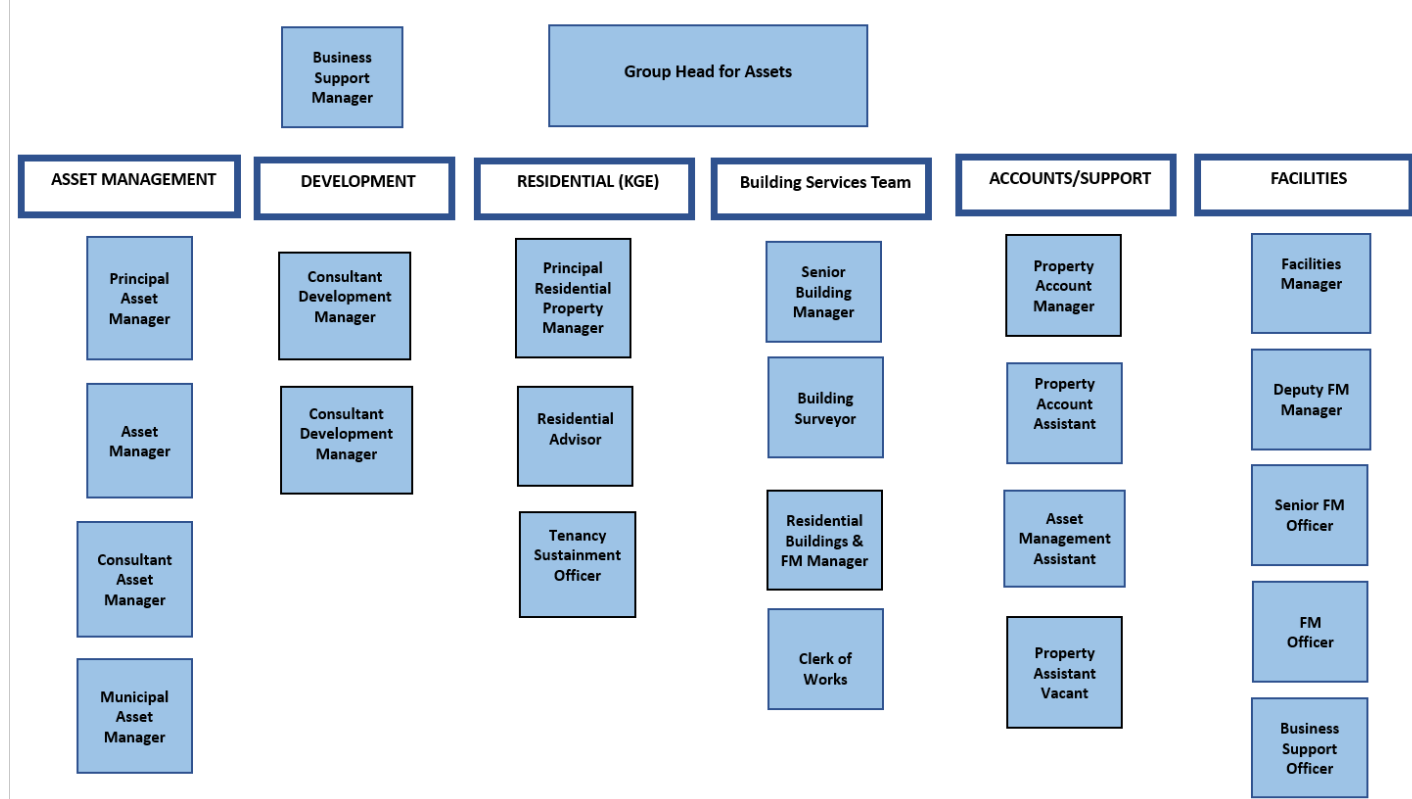


In summary, the Assets Team has overall responsibility for the following:

- Investment Strategy and portfolio review to ensure certainty of income generation
- Landlord and Tenant matters inc Lettings; Rent Reviews; Lease renewals
- Disposals and Alternative use inc. Development Strategy and housing delivery
- Compliance with legal and regulatory requirements, e.g. Asbestos Register, fire compliance, insurance, risk assessment, electrical compliance, cladding requirements etc.

- Health and Safety; Condition surveys; planned and reactive maintenance
- Facilities Management related directly to the buildings (Cleaning etc.)
- Valuation – Annual asset valuations, insurance valuations, ad-hoc valuation
- Maintaining the asset register and appropriate property records
- Addressing day to day queries and issues relating to Council owned assets
- Meeting future risks and associated with climate change and working towards carbon neutrality in its assets.

### 3.2 The Assets Team



#### Asset Management

The Assets Team is responsible for the management of the investment portfolio, the regeneration portfolio (comprising assets acquired with the aspiration to develop and/or regenerate) and management of the municipal portfolio.

#### Development

The Development Team works with a diverse range of stakeholders to deliver economic, social and regeneration benefits to the borough and its residents. It works closely with Spelthorne’s Housing, Sustainability, Assets, Councillors, regulatory bodies as well as the public in shaping viable high-quality schemes. This includes delivering affordable homes for local and vulnerable people that are often outpriced from accessing decent housing within the Borough

#### Residential (KGE Support)

The team manage the residential portfolio of affordable homes, keyworker and PRS (private rental sector property) owned by Knowle Green Estates. The team deal with lettings, rent and tenancy management; and work closely with the Building Services team to ensure the portfolio is maintained to a high standard.

#### Building Services

Building Services Team maintains Spelthorne’s municipal and residential properties in an appropriate condition in accordance with regulations, standards and best practices to ensure that property remains safe, secure and conducive for staff, residents, occupants and members of the public who use the buildings.

#### Facilities Management (FM)

Building Services Team maintains SBC municipal and residential properties in an appropriate condition in accordance with regulations, standards and best practices to ensure that property remains safe, secure and conducive for staff, residents, occupants and members of the public who use the building.

### **Property Accounts/Support**

The property accounts team, working in partnership with Finance, ensure effective collection and management of invoices, accurate reporting and maintenance of the Bluebox property management system.

## **4.0 THE COUNCIL'S PORTFOLIO**

### **4.1 The Assets**

The property assets can be broken down into the following components:-

- **The Investment Portfolio:** the land and buildings owned by the Council to generate an income that will provide funding towards the delivery of Councils Corporate Plan. This is considered in detail in Section 5.0
- **The Municipal Portfolio:** the land and buildings owned and/or occupied by the Council and/or its direct agents or service delivery partners for the purposes of providing services to the residents and businesses of Spelthorne. This is considered in detail in Section 6.0
- **Regeneration (Strategic) Portfolio inc. sites for housing development:** the land and buildings owned by the Council to enable housing and economic development, and involvement in/control over strategic uses in Spelthorne (such as the Elmsleigh Centre, Staines), to enable regeneration and to provide opportunities for development to meet the Council's Corporate Plan. This is considered in detail in Section 7.0
- **Knowle Green Estates Limited support:** This is a portfolio of residential property owned by Knowle Green Estates, being the Council's wholly owned property company. The Residential team manage this portfolio of affordable homes, keyworker and PRS (private rental sector property) on behalf of Knowle Green Estates. This is set at section 8.0 and Governance is covered in Section 9.0.

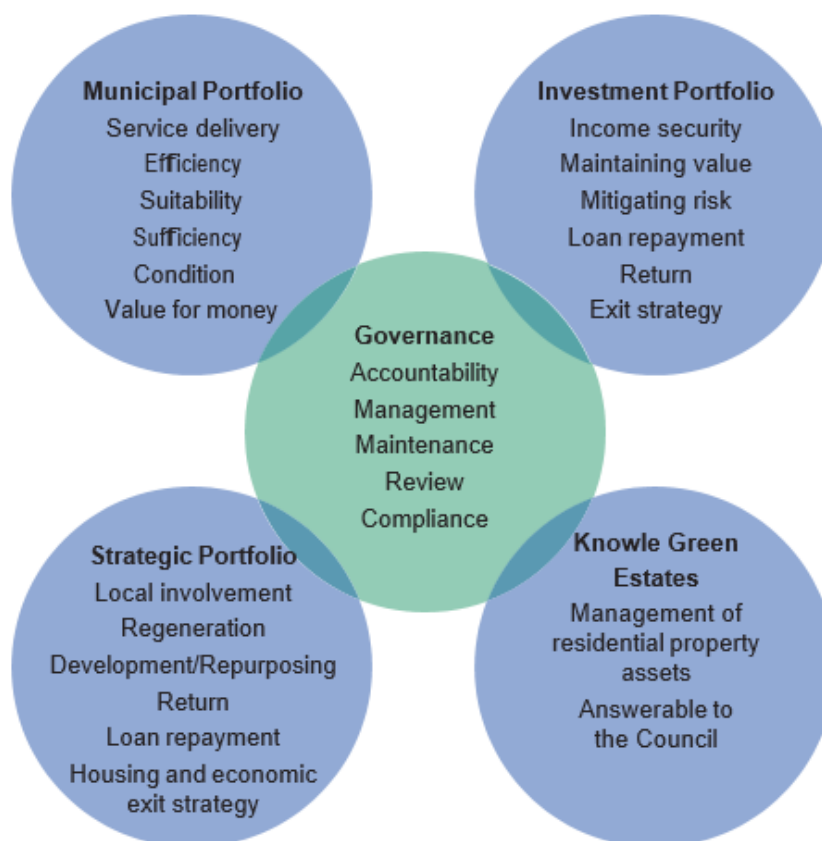


Fig 8: Portfolios, structure and governance

## 5.0 THE INVESTMENT PORTFOLIO

One of the Council’s key corporate objectives is to secure long-term financial sustainability of the Council protecting its ability to deliver services for residents. A key aspect of this aspiration is the generation of a sustainable revenue stream to underpin the delivery of the Council’s services and offset the upfront costs of the housing delivery programme.

This is reflected in the key priority set out in the Capital Strategy for investing in commercial property to derive revenue.

The Council has acquired a range of commercial properties for primarily income. The portfolio represents a very significant investment of over £770 million which generates a gross income of over £46 million per annum.

## Spelthorne Borough Council - Commercial Property Portfolio



Fig 1 Location of commercial assets

Collectively, these properties comprise the Council’s investment portfolio.

Annually these contribute approximately £10m net to the Council’s Revenue Budget and cumulatively c. £38m to the sinking fund earmarked reserves, enabling the Council to continue to deliver discretionary services that would otherwise have to be cut, including for example such valued services as Meals on Wheels or community centres.

“The strategic objectives for the investment portfolio are that it:”

- Provides a net revenue return to the Council after all costs and risks are accounted for
- Maintains its long-term value
- Contributes to the Council’s wider objectives and the economic and social wellbeing of Spelthorne residents
- Does not put the Council in a position of unquantified risk”

Asset Management Core Principle 3

### 5.1 Strategy, Policy and Risk Management

The Council recognizes the significance of the amount of money it has been invested in its commercial portfolio. This has generated almost £92m of surplus income to date and has enabled the council to continue meet its ‘Service Delivery’ corporate plan priority.

In holding these assets, the Council is acutely aware of the need to proactively manage the portfolio to minimise the risks inherent to property investment during the ongoing ownership of the asset. The Council’s strategy moving forward is hold those assets to generate an ongoing net income. As outlined earlier in the strategy the Council’s approach to reducing the risk is to manage the portfolio utilizing a bespoke set of Key Performance Indicators (KPIs – see Appendix 3)), Risk Register (see Appendix 2), medium term 3-5 year business plans and an annual plan for each investment (AIS). Each AIS is a forward-looking document setting out the key management aims and activities for the forthcoming year.

Going forward we continue to objectively review our portfolio, with 5 yearly external audits of the each asset within the portfolio and the portfolio as a whole, to ensure it remains ‘fit for purpose’. This review will include an updated ‘exit’ strategy for each investment property in the event any are no longer performing to required levels. Benchmarks will include minimum occupation levels, minimum contributions to the sinking fund, Council’s revenue budgets and levels of non-recoverable expenditure.

As part of our commitment to ensure our policy is focussed on up to date information that allows us to understand the risk profile of the portfolio we ensure a comprehensive approach to asset value performance is understood. This will influence decisions around sinking fund levels, debt profiles against each asset. We will appoint a different external valuer every 3 –5 years and will explore options to appoint 2 external unconnected valuers over the same 3-5 year period, of which each would value 50% of the portfolio on a bi-annual basis during the contract period.



## 5.2 Risk management, performance measurement and monitoring

Risk assessment is an intrinsic part of the ongoing management of the portfolio. In accordance with Treasury Management Guidance, the Council considers the balance of all its investments on the basis of security, liquidity and yield. It is recognized by central government that the priority for property investments differs from other investments, in that it is inherently lacking in liquidity, as property sales take longer than the disposal of stocks and shares, so are harder to cash in. To mitigate this, the Council has modelled future potential liabilities and built up sinking funds.

The security of income is continuously monitored with regular assessments of the financial standing of each tenant. The yield is a product of the income as a return on investment over time. This is considered by assessing the property market for the asset type and location and considering the condition and quality of the accommodation.

Performance of the Investment portfolio will be measured against KPIs, identified in Appendix 3 and the portfolio benchmarked against recognized industry standard by sector, lease type, geographical location and classification.

The property market also informs the liquidity of the asset, albeit incomparable to other forms of asset, as the sale of an investment property will be easier and quicker to secure in a stronger market for that asset type and will similarly be more straightforward for a high-quality asset with tenants of good covenant ie those seen to be of lower than average risk profile. One of the reasons the Council maintains sinking funds is out of recognition of the relative illiquidity of fixed assets

In managing the risk to the Council, it is important to assess both the individual performance of each asset, and that of the portfolio as a whole. This enables risk to be quantified, which is key to ensuring that the Council is aware of its liabilities over time. The elements that should be considered from a quantitative point of view are as follows:

- Income generation against benchmark level of vacant floor space
- Rental growth against a benchmark level of total portfolio rental income
- Income certainty against a benchmark lease length/remaining term
- Alternative use options and values compared to existing use asset values



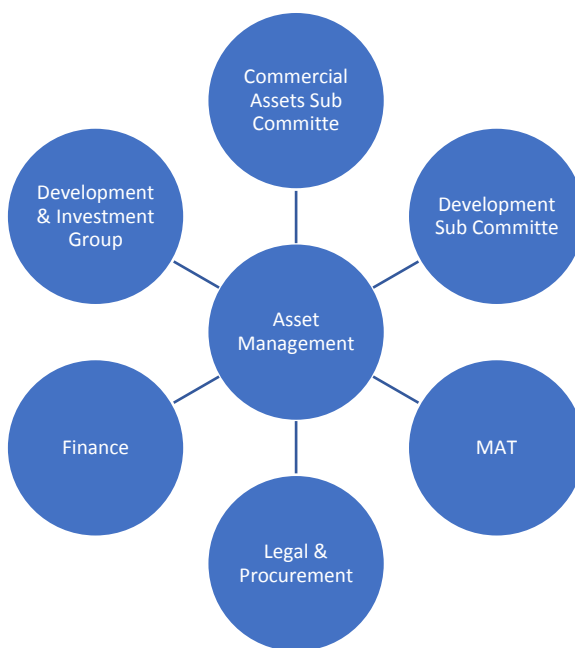
- Asset Value compared to outstanding debt – a risk that is likely to diminish over time
- Revenue liability for loan repayment, management costs and sinking fund as a percentage of total income – for the portfolio as a whole, or for each asset
- Percentage of income that is at risk of becoming void within the next 5 years
- The percentage by which income would have to fall to reach a break-even revenue position (stress test)

This also enables targets to be set which can then inform decisions relating to the management of the portfolio. KPIs will be used pro-actively to identify emerging trends to enable timely action to be undertaken.

### 5.3 Governance and Reporting

The management of the Investment Portfolio is carried out by the Council’s Asset Management Team with specialist input and support as required from external investment advisers and outsourced where their expertise is necessary, the level of external input will be kept under regular review. This team reports fortnightly to the Council’s Management team, monthly to property specific sub committees and 3 times per year to the Council as a whole.

The reporting structure within the teams and Members is detailed below.



Reports on the investment portfolio will be produced as follows during this strategy period:-

Date of Full Council Meeting	Type of Update	Period update covers
October 2023	Review first half of Financial Year Look forward to remainder of Financial Year	April 2023 – September 2023 October 2023 – March 2024
Each February	Look forward to next Financial Year with Asset Investment Strategy	Next financial year
Each July	Review previous Financial Year	April– March
October	Review first half of Financial Year Look forward to remainder of Financial Year	April September October – March

## 5.4 Risk

To ensure the Council fully understands all risks associated with its investment portfolio and can fully understand, manage and mitigate against the risks on an individual property by property basis, external guidance will be brought in at least every 5 years to assess the performance and alternative options for the portfolio as a whole, as well as on an asset-by-asset basis. This review will consider the following areas:

### 5.4.1 Industry risk

The analysis of industry risk looks at the industry categories that the occupiers fall into, to see whether this is balanced or skewed towards any area. A skew means that the industry which represents a disproportionate percentage of the value of the portfolio will need to be more carefully monitored, and any significant economic issues that might affect that industry explored with the Council's professional advisers.

### 5.4.2 Asset stress test

The asset stress test considers the amount the rental income in a property could fall before the break-even position is reached both at face value and taking account of sinking fund balances available to offset any potential loss. This can then be compared to the income risk related to the timing of rent reviews, break clauses, ending of rental guarantees etc. If the stress test for a particular asset falls below the assessed income risk for a specific investment or the portfolio, then this would trigger a review.

### 5.4.3 Portfolio Stress test

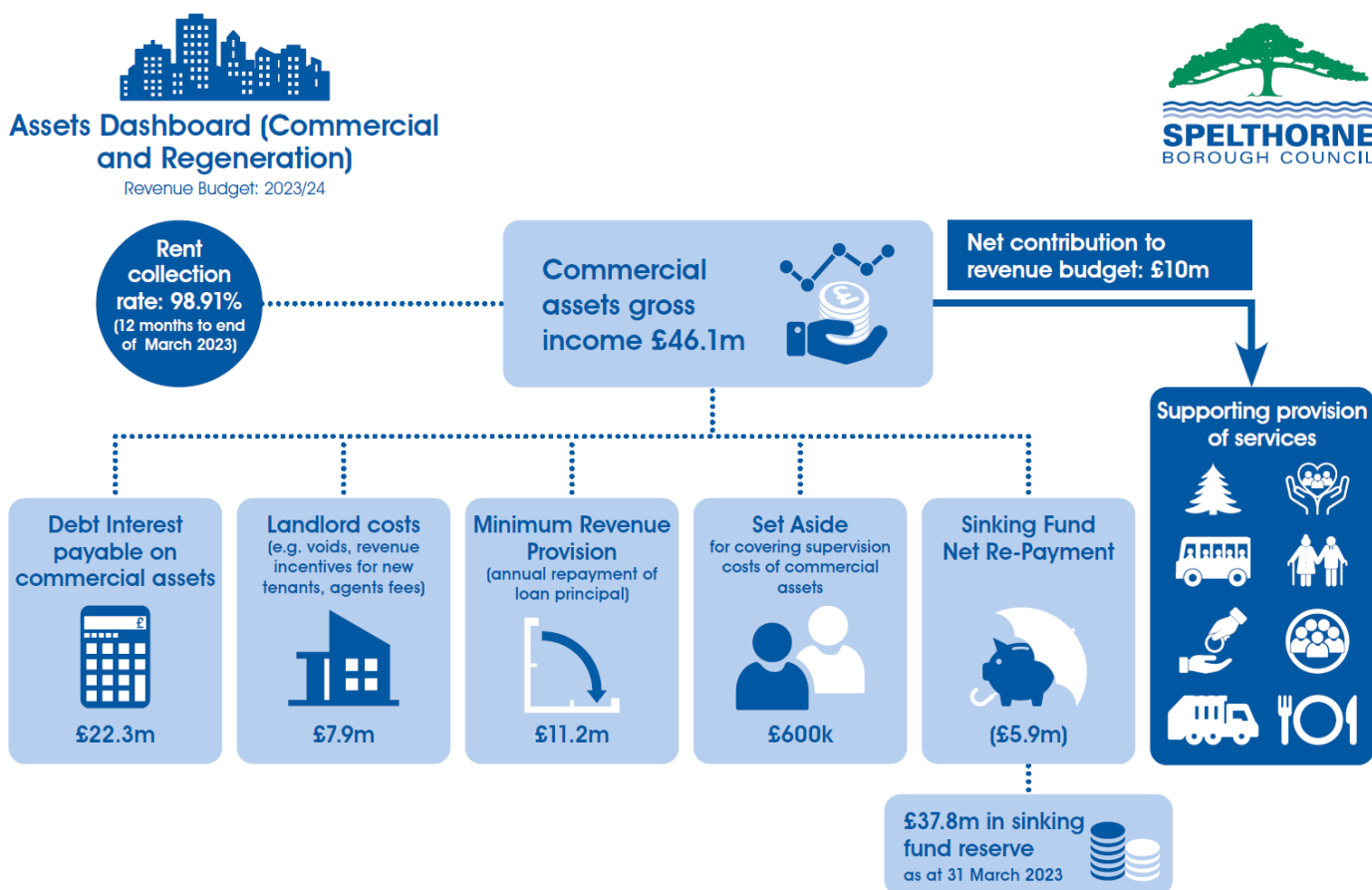
A target can also be set for the portfolio stress test to remain at or above a specified percentage of income. It is recommended that this should be in the order of 15%, as a fall in rental income of over 10% will usually indicate some form of structural change either in the sector that the building represents (offices, warehousing, retail etc – as currently being experienced in the retail sector) or an issue with the building, such as a change affecting its location, or a need for investment from the Sinking Fund to maintain its market position.

### 5.4.4 Financial prudence

Part of the management of risk is to ensure that the income received from the properties is managed in a financially prudent manner. Whilst the overall investment portfolio aims to support the local economy of Spelthorne and provide the Council with a sustainable income to underpin its Revenue Budget, this does not mean that all the income received from the investment portfolio can be spent on services and developments.

- The first call on income is the repayment of borrowing used to finance the purchase. Borrowing is paid down on an annual basis.
- The second call is the costs of managing the portfolio, including securing the right internal resources and external expertise as required. This will include the risk mitigation measures set out above. If the portfolio is poorly managed, or inadequately analysed, this will increase risk to the Council. The approach needs to anticipate over time the management time of maintaining the assets may increase.
- The third call is the sinking fund. This is a proportion of the income to put aside to maintain the long-term value of the asset and to avoid impact on the Council’s revenue budget in the event of future voids and rent-free periods. If the property is allowed to become obsolete in its function, or if there are works of updating required to secure the best quality lettings, then unless the appropriate ongoing investment is made the income will not be sustainable for the long-term.

### How the income is used – worked example 2023/24



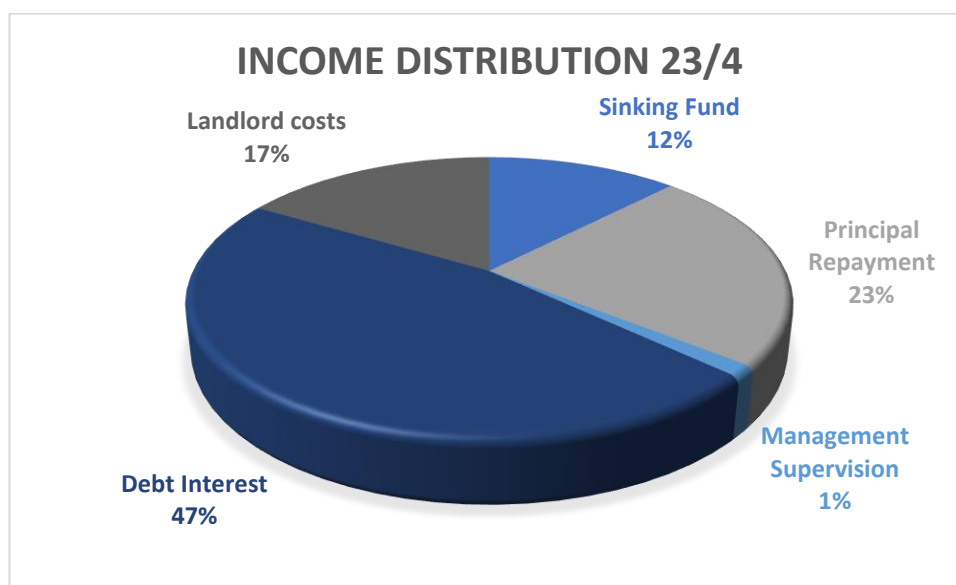
Published June 2023

### 5.4.5 Sinking Fund

To ensure sustainability, a set of sinking fund earmarked reserves have been established into which a percentage of the annual income from each investment asset is saved. This money is ringfenced for use to maintain or enhance the value of the investment portfolio through future capital

investment/refurbishment, and to reduce long-term risk (including covering potential future voids/rent free periods). The sinking fund is invested in accordance with the Council's Treasury Management requirements, which require a minimum average contribution of £3.5m pa or £17m over a 5 year period.

Only after the above costs have been met will surplus income be available for use as part of the Council's annual revenue budget. The ability to generate such a surplus will have been considered as part of the assessment prior to purchase. Currently, the net return available for such use represents in the order of 20% of the total income generated. The percentage of total income contributing to the Council's revenue account is measured by assets and by portfolio and reported as part of the annual performance report.



#### 5.4.6 The Local property market

The commercial property market in Spelthorne is dominated by the influence of Heathrow Airport, within a 10-minute drive time of Staines-on-Thames. Heathrow Airport and related industries represent the largest employers in Spelthorne. Notably, the film industry continues to expand within the Borough, with Shepperton Studios now the second largest film studio in the world.

Of particular importance to Spelthorne's investments is the performance of the local and regional office market. The regional office market, like the rest of the UK has been negatively affected by the Covid pandemic, the structural shift to hybrid working practices, and the downturn in the UK economy. Consequently, those buildings which can offer high quality accommodation will see superior growth in rental and capital value. Spelthorne's Investment assets are 'best in class', both in terms of location and specification and going forward should perform well compared to average office returns.

If a third runway were still to happen, it is also anticipated to result in a doubling of the cargo transport passing through Heathrow, which will have a direct impact on the demand for warehouse and logistics related development in the surrounding area. There is already a shortage of warehousing compared to demand, and a restricted supply of land suitable for additional warehouse development.

#### 5.4.7 Void and Empty Property Costs

Part of the risk for the Council in holding the investment portfolio are the void or empty property costs and costs associated with the day to day running of each building. In order to minimize these costs the following actions are taken as part of our proactive management approach and to achieve value for money.

*Service charges*

Service charges are a mechanism within a commercial lease that enables the Landlord to recover the costs of servicing and operating a property from the tenants who occupy the development. The majority of leases within the Investment Portfolio enable the Landlord to recover these costs and any associated costs incurred with managing of the property with the sums invoiced being calculated proportionately on how much space the commercial tenant occupies within the development. These costs can be recovered can include:-

- The cost of maintaining the structure of a building.
- The costs of maintenance, repair and replacement (usually where beyond economic repair) of the fabric
- The cost of maintaining the plant and machinery required for properties operation
- Health and safety compliance
- Maintenance and upkeep of the common areas

The service charges within the Investment portfolio are run by Spelthorne's appointed Professional Consultants who operate in line with the occupational leases, the RICS and accountancy regulations. Good practice ensures that Planned Property Maintenance Programmes are put in place across the portfolio to help preserve the properties condition and help prevent problems from occurring. The life expectancy and budgeting of big expenditure items for example lifts are also regularly assessed to ensure Tenants understand the financial liabilities during the lifespan of a lease. Where voids are present, the Landlord will be responsible for these void service charge costs and for seeking to mitigate these where possible.

#### *Void Costs*

Where the Landlord has an impending void (vacant unit) in the portfolio, the Asset management team will actively engage with the management team at the property, tenants already present in the building and local agents to ensure that there is an immediate awareness of the impending availability, provided there is no commercial sensitivity to the outgoing tenant and their staff. This enables marketing to commence prior to a tenants vacation and ensure immediate engagement with the existing occupiers who may also require additional space. We will seek advice from property agents who are expert in letting vacant space to market the void and take advice with regard to refitting space, re-sizing and other market demands to ensure our buildings remain best in class in a competitive market.

Void costs, primarily business rates and service charge costs are kept to the minimum where possible, through pro-active marketing and good asset management. This will include regular engagement with property agents and existing occupiers, effective marketing of the void and understanding market driven requirements to ensure we are as flexible as possible to conclude a swift transaction from the issuing of Heads of Terms through to completing the lease.

## **6.0 THE MUNICIPAL PORTFOLIO**

The vast majority of the Council's buildings and structures (97%) are owned outright by the Council as freehold interests. Some of these are leased out by the Council to third parties, often for the delivery of Council related services. The remainder of the Council's portfolio is occupied on a leasehold basis, some of which is then sublet to third parties. A summary of the municipal assets by category is found in Appendix 1.

Some of these properties are income producing, and others are owned or held to enable a service to be effectively delivered for wider community benefit. The Council has a community lettings policy, which is outlined in more detail in section 6.4 below.

It is important to ensure that the municipal buildings fulfil their purpose and represent value for money. The Building Services team manages repairs, maintenance and compliance and an ongoing 5-year condition report to proactively manage the municipal portfolio. The Council has in place a Value for Money Maintenance Policy as in 6.3. The Asset Manager will have regular meetings the tenants or with other colleagues from the wider team to assess whether the buildings are suitable for the use, whether they are performing, sufficient in terms of size, in appropriate condition to ensure they are compliant with all regulatory requirements and properly maintained and represent value for money.

“The Council’s Strategic Objectives for its Municipal Estate are that it:

- Positively Contributes to the delivery of the Council’s Priorities and services
- Is suitable, sufficient and of appropriate quality and condition
- Represents Value for Money
- Enhances the Council’s reputation
- Meets future carbon neutral targets”

Unless the Council’s municipal property is managed consistently, and through procedures that ensure the technical property matters are fully taken into account, then situations can arise that represent a physical or financial disadvantage to the Council. For this reason, the following principle will be applied to all Council owned property:

***The Council’s Asset Management Team has overriding responsibility for all municipal property, and the acquisition, disposal, leasing and licensing of any space required by the Council or third parties for service delivery***

### 6.1 Repairs, maintenance, and compliance

The Building Services Team develops and articulates the standards to which Spelthorne property assets are maintained in order to meet corporate standards consistent throughout asset portfolio in regard to physical condition, functional quality, and efficient operational performance.

It is vital that that the assets are properly maintained to ensure that they continue to function as efficiently and effectively as possible in supporting the delivery of a wide range of Spelthorne’s services. The Building Services Team adopt guiding principles (table below) to deliver a consistent approach to the planning, management and reporting of building maintenance integrated with Council policy objective, providing a good environment for tenants, staff and other users of SBC assets whilst complying with legislative requirements, best practice and British Standards Codes of Practice.

Category	Sub category	Definition
<b>Physical Condition Survey</b>	5-Yearly Building Physical Condition Survey	Property physical condition surveys are undertaken to identify the life cycle, repairs required of the elements in each property, estimate the cost of the works identified and generate a 5-year maintenance resource plan for Council assets.
<b>Statutory Maintenance</b>	Inspections, Tests and Maintenance	Inspections, tests, repairs and improvement works carried out to ensure that Council assets adhere to all statutory and regulatory compliance laws
<b>Planned Maintenance</b>	Term Maintenance	These actions are performed to prevent failure by providing systematic inspection and monitoring to detect and prevent avoidable deterioration or failure and includes testing to confirm correct Operation

	Planned Maintenance	Schedule maintenance work carried out to restore asset to its required condition by enhancing health and safety, increasing efficiency and extending lifespan of assets.
	Backlog Maintenance	Maintenance that has been deferred on a planned or unplanned basis
Reactive Maintenance	Routine and Breakdown Maintenance	This is a planned and unplanned reactive maintenance strategy deployed to restore an asset to operational condition after unforeseen failure.
	Incident Maintenance	Unplanned maintenance that is carried out to restore an asset to an operational or safe condition as a result of damage resulting from natural causes (storms, etc.), fire, forced entry and vandal damage.

## 6.2 Value for Money Maintenance Policy

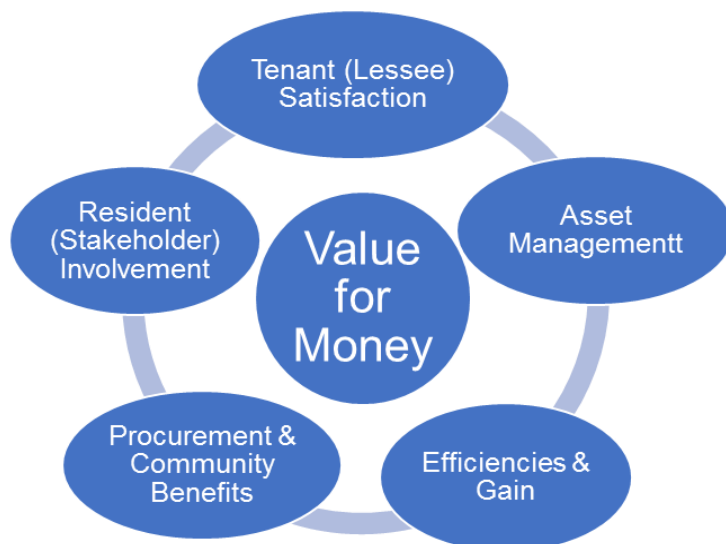
Spelthorne is under ever increasing pressure to drive efficiencies and reduce expenditure on asset maintenance. Asset Management Team through Building Services Team operationally strive for high performance and high satisfaction, whilst considering costs by making the right choices in how it uses its money and resources. Staff are encouraged to think not just about saving money, but also about Value for Money in its wider sense, such as the cost to the customer, service quality, performance and social value.

The Building Services Team nurture and develop relationships with stakeholders who play a vital role in driving improvement and helping to maximise positive impact.

The team works with Corporate Procurement and Legal Services throughout procurement processes for Procured Works and Services Contracts which are carried out in accordance with Spelthorne's contract standing orders and / or in accordance with the Public Contracts Regulations 2015 (where appropriate financial thresholds are reached).

The contracts for property maintenance service are placed on average for a period of 5 years to provide stability and certainty of procurement to ensure an efficient, effective and value for money service aimed at prolonging the useful life of SBC properties and delivering customer satisfaction through high standards of service.

Asset management will continue to measure the wider impact on the borough of Spelthorne using range of tools e.g. tenants survey, etc. to monitor our Value for Money effectiveness as a corporate & social landlord through the provision of consistently high standards in procurement, repairs and maintenance works which are delivered in compliance with statutory, regulatory and contractual obligations and in ways that ensure services meet the expectations of SBC stakeholders.



### 6.3 Conservation and Bio-Diversity

Spelthorne own several open spaces, grazing land and recreation grounds and consideration is made in conjunction with our Corporate Programme Management and Climate Change colleagues to ensure these areas are protected and their diversity nurtured and enhanced.

<https://www.spelthorne.gov.uk/article/18087/Biodiversity-and-conservation>

### 6.4 Community Lettings Policy

The term Community Letting refers to the allocation of a lease of a Community Asset to a community organisation for 5 years or more.

The purpose of the Community Lettings policy is to establish a transparent and positive framework that sets out the Council's desired objectives for long-term community asset usage. This policy will be used to robustly evaluate current and proposed community usage arrangements through the establishment of a cross service evaluation criteria and procedure.

The full policy is outlined in the link below.

<https://www.spelthorne.gov.uk/article/20268/Community-Lettings-Policy>

### 6.5 Partnerships

Spelthorne has established a positive partnership working relationships through the One Public Estate programme. This is a public sector partnership where the Council acts as lead partner, working collaboratively with other public sector organisations to explore opportunities for more efficient use of the collective public sector estate. The aim of the programme is to challenge how the public sector uses its property and identify opportunities to improve service delivery, achieve revenue savings, generate capital receipts and release land for housing and economic growth. This collaborative approach is also mirrored with neighbouring Councils, including Surrey County Council.

The Council is building its strategy with partners for the joint use of assets, joint working, frontline integration and back-office shared services, as part of an agreed joint public sector asset management plan

## 7.0 REGENERATION, DEVELOPMENT & ALTERNATIVE USE

### 7.1 Surplus Property

When property from either the investment or municipal property become surplus to operational



requirements or are not meeting the benchmark performance outlined in section 5.2, the Council will consider the on-going purpose of these assets to its portfolio. The three options available are typically identifying an alternative use, re-development, or disposal. An options appraisal will be undertaken to identify the best option for the council and a report will be taken to the relevant committee detailing the available options, supported by financial viability appraisals and other key data. The reports will also include an officer recommendation as to which option it considers should be progressed. On many occasions a straight forward disposal will not offer the best outcome for the Council in terms of achieving its statutory obligations of best value.

## 7.2 Housing Development and Delivery

One of the Council's key corporate objectives is the delivery of housing for its residents.

***“The strategic objectives for the Housing Development, Economic Regeneration and Strategic Portfolio are that it:***

- ***Enables the delivery of housing or regeneration in accordance with the Council's key corporate objectives***
- ***Represents value for money***
- ***Does not put the Council in a position of reputational or unquantifiable financial risk.”***

*Asset Management Core Principle 2*

Spelthorne's stated priority to meet local housing needs is driven by:

- The number of households in emergency or temporary accommodation
- The size of the Housing Register
- Lack of housing stock within the Borough
- Limited private rental accommodation
- Very limited affordable accommodation
- Pressure of people relocating from central London
- The need for supporting social infrastructure
- 

The private property market is failing to address these needs.

Historically the Council has embarked on a programme of direct involvement in the development of accommodation to meet demand and support local people. This has been possible by the Council where the council has acquired sites specifically for development, which is then retains ownership of and transfers to its wholly owned housing company Knowle Green Estates (see section 8) and regeneration.

## 7.3 'Place Making'

Whereas the Council has previously been well placed to deliver schemes itself rather than rely on market activity, in the context of a changing and challenging economic context, the approach to delivering new development within the borough is shifting towards joint ventures and forms of commercial transactions that will enable the Council to direct the type and use of development, via the input of its land and buildings but obtain partner finance to deliver the schemes, whilst limiting the need for the Council to borrow.

Completed housing led schemes which have been completed or have planning approval to progress -

<b>SPELTHORNE HOUSING DEVELOPMENT PROJECTS AND PROPOSALS</b>		
<b>Location</b>	<b>Type of dwellings</b>	<b>No. of dwellings</b>
Land at Churchill Way (delivered)	Houses	3
Bugle House, Shepperton (delivered)	Flats	8
Benwell House (phase I completed )	Flats - phase 1	55

Phase 2 – planning submitted	Flats - phase 2	35
Harper House (completed)	Flats	20
White House site (completed)	Hostel	31
Phase 2 Residential – planning submitted	Flats	17
Knowle Green Offices West Wing (completed)	Flats	25
Ashford Victory Place (planning granted)	Flats	127
<b>Total</b>		<b>321</b>

Fig 11: Spelthorne Housing development projects and proposals as at March 2020

This type of opportunity is stereotypical of the analysis the Council will undertake when appraising options for property no longer meeting its original purpose. The Council holds a number of assets specifically for redevelopment and it is anticipated this portfolio will grow in size over the strategy period where sites originally ear marked for direct residential development are being re-appraised for the purposes of ‘place making’ opportunities.

Place making opportunities will be appraised working closely with a wide range of stakeholders in order to progress and appraise opportunities. Internally, this includes reporting to the Development Sub Committee, Full Council, the officers Development & Investment Group, Finance, other teams within Spelthorne and also the public. These groups will inform the shape and quantum of the opportunities meeting both stringent financial and viability parameters.

The Council has also set itself a high bar in delivering schemes that exceed current Building Regulation requirements in terms of energy efficiency and hence reducing our own carbon footprint. For example, the delivery the world’s first Passivhaus multi-functional leisure centre.



## 7.4 Strategic intervention and regeneration

The strategic/regeneration assets currently held include the following:

- Communications House (on lease expiry) – office building due for redevelopment to provide further residential accommodation – up to 120 units contemplated in early high level feasibility

- Hanover House and Bridge Street Car Park – forming part of the proposed Waterfront Regeneration Area to provide an hotel led mixed use development (which may be delivered for the Council via a third party)
- Elmsleigh Shopping Centre (part of Elmsleigh regeneration) – site has residential led mixed use development potential as identified in the emerging Staines Development Framework
- Elmsleigh Centre Multi-Storey Car Park
- Spelthorne Museum (part of Elmsleigh Regeneration Potential)
- Staines Library (part of Elmsleigh regeneration potential, in partnership with Surrey County Council as occupier)
- Nos 1 – 6 Friends Walk (forming part of a proposed regeneration area associated with the Elmsleigh Centre) – note existing museum, library and Tothill MSCP has potential for circa 170-200 units + ground floor uses (DSC approved budget)
- 105, 119 – 121, and 121a High Street – held for strategic purposes and future involvement in town centre regeneration
- Thameside House – a vacant office building in South Street, Staines which could provide 105 residential units plus offices. A planning application was submitted in December 2022
- Oast House – the former Oast House site on Kingston Road which could provide up to 185 residential units plus valuable, healthcare, amenity and community based accommodation
- Summit Centre – a 4.5 acre industrial estate close to Sunbury Cross

The Council's involvement in and control of these properties ensures an active role in the regeneration of Staines-upon-Thames Town Centre, and importantly the Elmsleigh Centre, which remains critical to the retail offer in the town. It also enables us to support local programmes such as the employment and skills hub within Borough by providing retail accommodation to increase awareness and visibility.

Having a significant and direct stake in the town centre provides the Council with a seat at the decision-making table where regeneration proposals are concerned, rather than a purely reactive role as local planning authority. With structural changes arising in town centres across the UK in response to the modal shift from bricks and mortar retailing to online shopping, it is increasingly recognised that local authorities will need to play a leading role in determining how long-term sustainability (economic, social and environmental) can be maintained. This is anticipated to remain a key focus for regeneration for Spelthorne for the life of this plan and is closely aligned to the Staines Development Framework, linked below.

<https://www.spelthorne.gov.uk/sdf>


Whilst the Asset Management Plan details the development potential for the various wholly owned assets, the aspirations for these sites, uses and densities must be considered in conjunction with the new Local Plan, other Spelthorne adopted policies and the policies of external stakeholders, for example the Environment Agency.


The Council is building its strategy with partners for the joint use of assets, joint working, frontline integration and back-office shared services, as part of an agreed joint public sector asset management plan.


## 7.5 Sustainability and Carbon Reduction

- The Asset Management Plan sets out how the Council will meet key carbon emissions and energy efficiency commitments for its assets, including the target of aiming to achieve net zero for Scope 1 and emissions by 2030. This is in line with Surrey County Council's Greener Futures Delivery Plan.
- These Policies are to be read in conjunction with the Councils Climate Change Strategy 2020-30. This Strategy shares a vision for the Borough to aim to achieve net zero by 2030, subject to Government, industry and regulators implementing the necessary changes to enable the Borough and rest of the UK achieve this.

- All properties that are subjected to a lease are subject to Minimum Energy Efficiency Standards (MEES) which were introduced as part of the Energy Act 2021. This Act established minimum standards that must be achieved and are assessed under an EPC grading system. The current standard to be met is an EPC of at least a B rating by 2030.

Key Action	Key Task	Desired Outcome	Target	Owner	Funding (if required)	Linked strategy	Progress
Reduce the Council's emissions from buildings and operations  	1. Delivering the Climate Change Strategy and training staff to 'think green'	Deliver Carbon Literacy to staff to increase awareness of climate change/emergency. Staff will become certificated and create 2 pledges to reduce carbon emissions in the workplace	25% of staff trained by end of 2023	Climate Change Team (CCT)/ Officer	£10 per staff member to come from training budget	Greener Futures Plan action point (52), Corporate Priority Environment Plan	First training session booked for 28th Sept for 24 members of staff
	2. Ensure a robust reporting and monitoring progress for all SBC emissions	To be able to better monitor and understand SBC emissions including Scope 3 and reduce these	Q4 2023	CCO/SO/ ICT			Working with Project Manager of Carbon Economics and Data at SCC on reporting process
	3. Carry out energy audits on main Council operations buildings and assets to identify and reduce energy use	Utilise the energy audits carried out on Council buildings to inform future projects to increase energy efficiency measures across Council buildings including removing oil heating from nursery site	By 2025	CCT	PSLCSF, however, there is the potential to mitigate or slow down the rate of increase in the Council's energy spend	Corporate Priority Recovery Plan,	Audits carried out by APSE – projects to be planned to carry out suggested work
	4. Incorporate energy efficiency measures and renewables into conversions, refurbishments, and maintenance of Council buildings and housing developments	Identify projects that are in line for maintenance and explore opportunities to include carbon intervention measures and adaptation retrofits simultaneously eg cooling, rainwater harvesting, and water efficiency with consideration of associated air quality impacts	Ongoing	Assets/ Facilities / CCT			

Key Action	Key Task	Desired Outcome	Target	Owner	Funding (if required)	Linked strategy	Progress
	5. Carry out an energy and carbon audit of all Corporate IT functions	Understand the hidden emissions of ICT and develop a plan to reduce these	2023	ICT/CCT	Green Initiatives Fund (GIF) for possible consultant work if required		
	6. Deliver lighting upgrades and improvements to heating, ventilation and air conditioning, all remaining lighting in Council buildings to be replaced with LEDs where appropriate	Reduce energy use in Council buildings, could also reduce the Council's energy expenditure	Ongoing	SO/ Facilities			Loft insulation recently upgraded in KG
	7. Meter water usage across Council buildings and install water saving devices and consider behaviour change methods	Reduction of water usage across SBC operations will the possibility of reducing water bills also	2025	Facilities		Water Efficiency Policy	
	8. Complete remaining EPC surveys for all Council sites in the commercial portfolio and assess against the requirements of the Minimum Energy Efficiency Standards	Allow assessment of sites and determine if any insulation work is required to reduce energy use	2026	Assets/ Facilities		Corporate Priority Environment Plan and Recovery Plan	
	9. Produce as much energy locally through renewable resources	All opportunities for renewables in Spelthorne explored and developed where feasible including solar and geothermal	2028	Initially CCT	Public Sector Decarbonisation Fund	Greener Futures Delivery Plan action point (41)	Solar PV now on all 3 main operational buildings

Key Action	Key Task	Desired Outcome	Target	Owner	Funding (if required)	Linked strategy	Progress
	10. Consider approaches to decarbonising buildings owned by Spelthorne but leased to others	Reduce Scope 3 emissions	2026	Assets/CCT	Public Sector Low Carbon Skills Fund		
	11. Although Spelthorne does not own any council housing, the Council will work with Knowle Green Estate and suppliers to promote retrofit, insulation, energy efficiency and adaptation measures	Work with Knowle Green Estates and social housing providers to reduce emissions from social housing through energy efficiency measures and reduce residents' bills, whilst recognising the need for appropriate mechanical ventilation to maintain indoor air quality in some circumstances	2027	Housing/CCO/Knowle Green Estates	Social Housing Decarbonisation Fund		
	12. Council decision-making report template to contain Sustainability/Climate Change Impact section to ensure that every new proposal is aligned with our Climate Emergency commitment	All reports/projects across the Council consider the climate change implications of a future report/project and work to reduce impact, this may require training to understand the full impacts	2022			Corporate Priority Environment Plan	Completed
	13. Create new climate change officer role		2021	Group Head Transformation	First-year salary from Green Initiatives Fund	Corporate Priority Environment Plan	Completed
14. Deliver climate change communications to residents	Work with Hubbub to create communications regarding climate change, to raise awareness and help educate residents about the issues		By end of 2022	CCO	GIF	Corporate Priority Environment Plan	Design being finalised with Hubbub

## 7.6 Alternative use

There are many factors that influence the viability of redeveloping sites on their own or as part of a larger place making strategy. Such projects can take several years from inception to the point of the 'first spade in the ground'. During this period it is essential that the council mitigates any 'holding costs' of empty sites where viable by creating alternative short term uses or by reducing security, business rates or financing costs.

## 7.7 Disposal

As part of the options analysis of surplus sites the council will always consider the benefits of a straightforward disposal in order to obtain a capital receipt that can be used for other purposes. It should be noted as mentioned earlier in the strategy the disposal option does not always generate 'best value' for the council.

# 8.0 KNOWLE GREEN ESTATES

## 8.1 Residential Portfolio

The Residential management team provide a full management service for the residential properties in the Knowle Green Estates portfolio. The service is recharged to KGE and includes assessing suitability of residents, tenancy sign up and ensuring tenants are adhering to tenancy conditions, invoicing, management of rent accounts, and managing voids. We also have a tenancy sustainment officer to provide additional support to residents if needed. This support includes assistance with applying for and monitoring of benefit payments, contacting utilities, advice and guidance on how to manage a tenancy, and signposting to other agencies for additional support. Knowle Green Estates Ltd is a limited company wholly owned by Spelthorne Borough Council. It currently has 104 properties.

## How does it work?



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

## 8.0 PROPERTY INFORMATION MANAGEMENT

Key to the management of all the Council's assets is the collection and management of accurate and reliable data. This enables efficient property management, providing the opportunity for appropriate key performance indicators to be set and to form the basis for regular reporting.

Bluebox is a Property Management and Accounting System has now been integrated for both Spelthorne Borough Council and KGE and provides a full breakdown of the assets including the property and unit details.

Lease information has been inputted on all investment, retail and residential assets and the inputting of the municipal leases has commenced. Data can also be collected for:

- antisocial behavioral issues
- rent collection
- void management
- statutory compliance
- contract management
- building maintenance and repairs
- lettings management
- health and safety allocations

KGE residential is fully supported enabling the running of the asset list, purchase ledger, credit control and banking functions, including setting up suppliers, supplier maintenance, processing and electronic approval of supplier invoices, payment runs, remittance advices, manual payments, lease information, tenant information, rent invoicing, rent receipting, collection stats for KGE board meetings, budget control, budget monitoring, trial balance, tenant notes of various types, additional tenant information, rent statements, tenant recharges, Spelthorne recharges, heat network receipts, etc.

### 8.1 Utilities

We currently use LASER to procure, validate, bill and monitor the Council's gas and electricity for the

majority of our assets. We benefit from a flexible framework contract which enables the purchase of energy in blocks to minimise risk and limit exposure to volatile fluctuations.

## **9.0 FACILITIES MANAGEMENT**

The Facilities Management (FM) team is based at the Council Offices, Knowle Green. The team's function is to ensure the Council Offices operate smoothly and provide a safe and efficient workspace for staff and Councillors to deliver Council services. FM work closely with the Building Services Team to ensure that all necessary repairs to the Council Offices are instructed and carried out efficiently with as minimum disruption as possible. The team oversee contractors at the offices to ensure they are working in a safe and controlled manner as per their risk assessment and method statement. FM take in all deliveries to the building and manage the cleaning contractors. They set up the meeting rooms and the Chamber including the IT and sound system.

Office Services (OS) is primarily a support service to the Council Offices. OS set up and manage the process for security/ID passes for Knowle Green offices, manages the Imperago system through which staff record working hours and book annual leave etc, set up new starters and oversee all office equipment.

## Appendix 1 – Portfolio Breakdown

Asset Type	Number
Advertising Hoarding	9
Allotment	16
Arts Centre	1
Back Garden	9
Bandstand	2
Basketball Area	1
Bathing Station	1
Boathouse	4
Borehole	1
Bowling Green	5
Bridge	16
Building-Commercial	12
Building-Office	2
Building-Vacant	1
Bus Shelter	1
Bus Station	1
Café	3
Campsite	1
Car Park	54
Car Parking Spaces	9
Car Wash	1
Cemetery	4
Changing Rooms	4
Chapel	3
Clock Tower	4
Closed Church Yard	5
Clubhouse	4
Common Land	3
Community	1
Community Centre	5
Community Hall	6
Demolished	1
Depot	1
Development	3
Football Grassed Area	5
Games Area	5
Garage	5
Golf Course	1
Greenhouse	1
Highway Subsoil	2
Ice House	1
Investment Property	4
Investments	8
Kiosk	3
Land	8
Land-Access	6
Land-Access to River	1
Land-Amenity	124
Land-Garden	1
Land-Grazing	6
Land-Highway	44
Land-Highway Subsoil	21
Landing Stage	3
Land-part of park	1
Land-Vacant	2

Leisure Centre	2
Linear Park	1
Memorial Bench	1
Museum	1
Nursery	2
Office	2
Offices	2
Open Space	18
Outside Gym	1
Pavilion	11
Plant Nursery	1
Plant Room	1
Playground	31
Playgroup	1
Portacabin	1
Private Road	1
Public Art	15
Public Conveniences	14
Public Gardens	7
Public Park	33
Public Park-part of	3
Public Shelter	2
Pump Room	1
Pumping Station	1
Railway	1
Redevelopment	1
Residential Flat	3
Residential House	2
Resource Centre	1
Service Yard	6
Skate Park	6
Sports Ground	2
Storage Building	4
Storeroom	1
Structures	2
Sub Station	12
Telecommunications Mast	1
Tennis Courts	8
Towpath	6
Underground Structure	1
Vacant	1
Voluntary Organisation	8
Walled Garden	1
War Memorial	6
Water Feature	4
Workshop	2

Asset Type	Number
Land	330
Buildings	24
Investment Property	12
Community	16
Recreation	54
Bridges	16
Other	226
	<b>678</b>



# Appendix 2 - Investment Risk Register

August 2023

Version 1 Jun-23

Investment Portfolio Risk Register			Risk scoring before mitigation			Risk scoring with mitigation			
Risk Owner	Risk	Impact	Likelihood	Impact	Total	Mitigation/ Current Control	Likelihood	Impact	Total
Asset Management	Lack of Rental income growth in a buoyant market	Will not match or exceed budget income and maintain rental levels in line with market rates	4	3	12	Letting agents with knowledge and expertise in the local geographic area are used to secure new tenants on Market terms	2	2	4
Asset Management	Lease events are not planned for or progressed in a timely manner	Opportunities for growth in rental income may be missed and increased rent not achieved in a timely manner, statutory rights may be obtained, resulting in SBC losing control of decision making	3	3	9	Reports are run 12-18 months in advance of lease event dates to ensure work can be programmed and external advice sought where necessary	2	2	4
Asset Management	Poor/Failing Tenant financial strength	Tenant failure, tenant arrears and bad debt	4	3	12	Dun & Bradstreet & Experien credit reports are reviewed prior to enter into a new letting and bi-annually thereafter	2	2	4
Asset Management	Significant expenditure on buildings that is not recoverable	Reduction in net income and contribution towards sinking fund and cost of council services	3	3	9	A suite of documents including the Asset Management Plan, Annual Investment Strategy and individual Asset Business plans set out proposed investment needed to ensure it is recoverable via the service charge or met from capital budgets	2	2	4
Asset Management	New lettings not achieving average market lease lengths	Impact on security of income and asset value	3	3	9	Letting agents are used to secure new tenants on Market terms	2	2	4
Asset Management	Delay in rent collection and/ or Tenant default	Loss of income, impacting the Council's income, revenue budget, financial position and service delivery.	3	3	9	Bluebox (BP), External Managing Agents (Investment) and Customer Services via Integra (Municipal) undertake the rent demand Monitoring in place and reported to both Member and Office forums. Rent Arrears report issued	2	2	4
Asset Management	Non compliance with H&S Legislation (investment)	Serious injury / Loss of Life Fines Reputational damage	4	4	16	External managing agents employed to manage risk, they have a dedicated team dealing with H&S	2	3	6
Asset Management	Non compliance with H&S Legislation (Municipal)	Serious injury / Loss of Life Fines Reputational damage	4	4	16	Spelthorne Building Services team instruct contractors to carry necessary tasks out, supporting the H&S compliance	2	3	6
Asset Management	Not meeting new legislation deadline for EPC's (Municipal)	Unable to grant new leases Loss of income	4	3	12	Building Consultancy team instructed to carry out EPC's where needed and action any works required.	2	2	4
Asset Management	Vacant properties	Loss of income. Exposure to void rates	4	3	12	Monitor lease events. Maintain close professional relationships with tenants. Appoint agents to actively promote and market to secure new tenant.	2	2	4

<b>PERFORMANCE INDICATORS</b>					
	<b>Responsibility</b>	<b>Reason</b>	<b>Data Source</b>	<b>Benchmark</b>	<b>Comments</b>
<b>FINANCIAL (INCOME)</b>					
Portfolio Income Growth	Asset Management	To assess how SBC portfolio compares to budget in terms of net receivable income	Monitoring reports/financial outturn (May each year?)	Target is to match or exceed Budget income outturn	Letting agents are used to secure new tenants on Market terms.
<b>FINANCIAL (EXPENDITURE)</b>					
Recoverable Revenue Expenditure	Asset Management	To monitor expenditure on refurbishments and holding costs against Budget	Monitoring reports/financial outturn	Target = Budget	MSCI would provide a benchmark. A suite of documents including the Asset Management Plan, Annual Investment Strategy and individual Asset Business plans set out proposed investment needed to ensure it is recoverable via the service charge or met from capital budgets
<b>LEASE EVENT MANAGEMENT</b>					
Rent Reviews	Asset Management	To avoid delays in recording rental uplifts and for good estate management reasons		All reversionary rent reviews to be instigated prior to rent review date unless by exception	Reports are run 12-18 months in advance of lease event dates to ensure work can be programmed and external advice sought where necessary
Lease Expiries	Asset Management	To avoid delays in recording rental uplifts and for good estate management		All contracted out expiries to be instigated prior to expiry date unless by exception	Reports are run 12-18 months in advance of lease event dates to ensure work can be programmed and external advice sought where necessary

		reasons			
	<b>Responsibility</b>	<b>Reason</b>	<b>Data Source</b>	<b>Benchmark</b>	<b>Comments</b>
<b>TENANT RISK</b>					
Regular review of occupier credit ratings	Asset Management	To ensure that current and future occupier risk is identified and mitigated against	Dun & Bradstreet & Experian	Target = bi-annual reporting	Suggest bi-annual 'RAG' update from credit monitoring source on high risk / high value occupiers with annual review of whole portfolio.
Rent collection (lease rent only, exc turnover)	Asset Management	Regular monitoring of rent collection to assist with Finance budgeting and to identify problem tenants	Cushman JLL	80% within 14 days 90% by Qtr end	Bluebox (BP), External Managing Agents (Investment) and Customer Services via Integra (Municipal) undertake the rent demand Monitoring in place Rent Arrears report issued D&B reports and alerts Regular communication with tenants
<b>PORTFOLIO RISK</b>					
Portfolio Weighted Average Unexpired Lease Term to exceed market average lease length on new letting <i>[Current SE Office index is 7.9 years]</i>	Income	To ensure strategies are in place to preserve longevity of income	Annual Valuation	Carter Jonas	Letting agents are used to secure new tenants on Market terms





## Spelthorne Borough Council Services Committees Forward Plan

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**.

Please direct any enquiries about this Plan to [CommitteeServices@spelthorne.gov.uk](mailto:CommitteeServices@spelthorne.gov.uk).

## Spelthorne Borough Council

### Service Committees Forward Plan for 01 April 2023 to 31 March 2024

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 27 11 2023	Asset Management Strategy Update	Non-Key Decision	Public	Coralie Holman, Group Head Assets
Corporate Policy and Resources Committee 27 11 2023	Treasury Management Mid-Year Report	Non-Key Decision	Public	Paul Taylor, Chief Accountant
Corporate Policy and Resources Committee 27 11 2023	Management of Staines Market	Non-Key Decision	Private	Jackie Taylor, Group Head - Neighbourhood Services
Corporate Policy and Resources Committee 27 11 2023	Determination of 2024/25 Council Tax Base for Tax Setting	Key Decision It is significant in terms of its effect on communities living or working in an area comprising two or more wards	Public	Prithiva Janaka, Treasury Management and Capital Accountant
Corporate Policy and Resources Committee 27 11 2023	Regulation of Investigatory Powers Act Policy	Non-Key Decision	Public	Farida Hussain, Group Head- Corporate Governance
Corporate Policy and Resources Committee 27 11 2023	Knowle Green Estates - Board Member Presentation	Non-Key Decision	Public	Terry Collier, Deputy Chief Executive

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 27 11 2023	Procurement of Cleaning services for the municipal portfolio and the residential properties	Non-Key Decision	Public	John Hesbrook, Facilities Manager
Corporate Policy and Resources Committee 27 11 2023	Waterfront Development Report	Non-Key Decision	Private	
Corporate Policy and Resources Committee 27 11 2023	2024-25 to 2027-28 Outline Budget Report	Non-Key Decision	Public	Paul Taylor, Chief Accountant, Terry Collier, Deputy Chief Executive
Corporate Policy and Resources Committee 27 11 2023	Corporate Plan	Key Decision It is significant in terms of its effect on communities living or working in an area comprising two or more wards	Public	Lee O'Neil, Deputy Chief Executive
Corporate Policy and Resources Committee 22 01 2024	Update on County Deal	Non-Key Decision	Public	Daniel Mouawad, Chief Executive
Corporate Policy and Resources Committee 22 01 2024	Reserves Strategy	Non-Key Decision	Public	Paul Taylor, Chief Accountant
Corporate Policy and Resources Committee 22 01 2024	Annual Commercial Property Report 2022/23	Key Decision It is significant in terms of its effect on communities living or working in an area comprising two or more wards	Public	Katherine McIlroy, Asset Manager

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 22 01 2024	Assets Investment & Regeneration Portfolio Strategy 2024/25 to 2028/29	Key Decision It is significant in terms of its effect on communities living or working in an area comprising two or more wards	Public	Coralie Holman, Group Head Assets
Corporate Policy and Resources Committee 22 01 2024	Calendar of Meetings 2024/25	Non-Key Decision	Public	Karen Wyeth, Principal Committee Manager
Corporate Policy and Resources Committee 22 01 2024	Detailed Budget 2024/25	Key Decision It is significant in terms of its effect on communities living or working in an area comprising two or more wards	Public	Paul Taylor, Chief Accountant
Corporate Policy and Resources Committee 22 01 2024	Fees & Charges 2024/25	Key Decision It is significant in terms of its effect on communities living or working in an area comprising two or more wards	Public	Paul Taylor, Chief Accountant
Corporate Policy and Resources Committee 22 01 2024	Capital Programme 2024/25 to 2027/28	Key Decision It is significant in terms of its effect on communities living or working in an area comprising two or more wards	Public	Paul Taylor, Chief Accountant
Corporate Policy and Resources Committee 22 01 2024	Capital Strategy 2024 to 2025	Key Decision It is significant in terms of its effect on communities living or working in an area comprising two or more wards	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 22 01 2024	Treasury Management Strategy 2024/25	Key Decision It is significant in terms of its effect on communities living or working in an area comprising two or more wards	Public	Paul Taylor, Chief Accountant
Corporate Policy and Resources Committee 22 01 2024	Pay Policy Statement 2024/25	Key Decision It is significant in terms of its effect on communities living or working in an area comprising two or more wards	Public	Debbie O'Sullivan, HR Manager
Corporate Policy and Resources Committee 22 01 2024	Pay Award 2024/25	Key Decision It is significant in terms of its effect on communities living or working in an area comprising two or more wards	Public	Angela Tooth, Human Resources Officer
Corporate Policy and Resources Committee 22 01 2024	Hoarding Protocol	Non-Key Decision	Public	Stephen Mortimer-Cleevely, Strategic Lead, Independent Living
Corporate Policy and Resources Committee 22 01 2024	Discretionary Rate Relief Policy	Key Decision It is significant in terms of its effect on communities living or working in an area comprising two or more wards	Public	John Rogers, CS Principle NNDR Officer

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of the Local Government Act 1972.

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