

THE DISTRICT COUNCIL OF TANDRIDGE

STRATEGY & RESOURCES COMMITTEE

Minutes and report to Council of the meeting of the Committee held in the Council Chamber, Council Offices, Station Road East, Oxted on the 3rd February 2020.

PRESENT: Councillors Elias (Chairman), M. Cooper (Vice Chairman), Botten, Bourne, Caulcott, Duck, Jecks, Langton, Lee, Lockwood (sub), Milton, Orrick (sub) and N. White.

ALSO PRESENT: Councillors Allen, Harwood, Parker, Morrow, Sayer, Swann, Vickers and Wren.

APOLOGIES FOR ABSENCE: Councillors Davies and D.Cooper.

204. MINUTES

The minutes of the meeting held on the 23rd January 2020 were confirmed and signed by the Chairman.

205. DECLARATON OF INTEREST

Councillor Jecks declared that (in respect of Minutes 208 and 209 below regarding the Investment Sub-Committee):

- he is a non-executive director of UBS Asset Management UK Limited; and
- chairs two other committees regarding investments for which CCLA is the fund manager.

These did not amount to disclosable pecuniary interests under the Members' code of conduct and Councillor Jecks remained in the meeting.

COMMITTEE DECISIONS *(Under powers delegated to the Committee)*

206. STRATEGY & RESOURCES COMMITTEE'S PERFORMANCE & RISKS – QUARTER 3 PROGRESS REPORT

The Committee considered a progress report regarding delivery against its key performance indicators (KPIs) for the period 1st October to 31st December 2019. An updated analysis of risks for activities falling under the Committee's remit was also presented.

Members were advised of initiatives aimed at reducing levels of longer term staff sickness. It was also hoped that staff turnover levels would soon be within target.

Officers clarified that KPI 1 measured the cumulative percentage of Council Tax collected at the end of each quarter and that the 'period target' was profiled accordingly.

The following views were expressed during the debate:

- regarding Risk 1 “failure to remain financially stable”:
 - the score should be higher as the ‘likelihood’ element must be more than ‘2’ (the Chairman justified the scoring given the intention to replenish reserves from 2021/22)
 - mitigations should include the scope for shared services with other authorities (this would be added to future analysis)
 - the amber rating was inconsistent with some of the commentary within the council budget setting report elsewhere on the agenda
- future risk analysis should include an assessment of whether measures to mitigate risk are being effective (this would be done with effect from 2020/21)
- the various ‘reviews’ referred to throughout the report should have timelines (it was confirmed that the emerging improvement plan would include appropriate timescales and milestones)

RESOLVED – that performance against the Committee’s KPIs for the third quarter of 2019/20, together with the associated risk analysis (attached at Appendix A) be noted.

207. COUNCIL BUDGET MONITORING 2019/20

A council-wide budget monitoring report for the period 1st April to 31st December 2019 was presented. The Council’s General Fund budget of £10,441,970 was forecast to be £1,312,203 overspent at the financial year end. As the approved 2019/20 budget provided for a transfer of £200,000 to General Fund reserves, the net reduction in General Fund reserves in 2019/20 was expected to be £1,112,203. A £75,231,617 underspend was projected for the £152,905,120 capital programme. The General Fund revenue budget variances for each policy committee and capital budget monitoring was presented as per Appendices B and C.

It was explained that, since the Committee’s meeting on 23rd January 2020, the purchase of Castlefield House (in Reigate) had generated additional income of £95,900, hence the Committee’s projected overspend had reduced by that amount.

The report also stated that, following the award of costs against the Council by the Planning Inspectorate in connection with planning applications TA/2016/2319 and TA/2017/1290, the Council had been invoiced by developers, for which budgetary provision had been made. However, the Monitoring Officer advised that those cost claims were being reviewed by external solicitors. She acknowledged that the constitution empowered her to settle court proceedings in consultation with the Chair or Vice Chair of the Committee. Nevertheless, given the potential amounts involved and the Council’s fiduciary relationship to its taxpayers, she sought approval for the power to negotiate and agree a reduced cost settlement to be delegated (in addition to herself) to the Chief Executive and the Section 151 (Chief Finance) Officer. She advised that Members would be updated once a sum has been agreed. During the debate, Members reflected on issues pertaining to the two planning applications concerned.

Other issues arising from the budget monitoring report were discussed as follows:

- the scope for sharing a future refuse collection service with other councils had already been explored by the Community Services Committee;
- the Ellice Road car park development project had been cancelled (not deferred as suggested within the report); and

- the forthcoming governance review would address the merits of officers being required to consult opposition political groups on certain matters in situations when, as at present, no single group hold a majority of council seats

RESOLVED – that

- A. the position of the Council's budgets be noted;
- B. the programme of management action continues to reduce the forecast overspend by the end of the financial year; and
- C. the Monitoring Officer, Chief Executive and the Section 151 (Chief Financ) Officer, following consultation with the Chair or Vice Chair of the Committee, be authorised to negotiate reduced cost settlements in respect of the claims against the Council from Wates Development Ltd and Abbey Development Ltd for their legal costs arising from planning appeals (applications TA/2016/2319 and TA/2017/1290).

COUNCIL DECISION
(subject to ratification by Council)

208. INVESTMENT SUB-COMMITTEE MINUTES - 24TH JANUARY 2020 - ITEM 3

The minutes of the Sub-Committee's meeting on the 24th January 2020, attached at Appendix D, were considered. The Committee endorsed the Sub-Committee's recommendation in respect of item 3 of those minutes and ...

RECOMMENDED – that the following strategies be adopted:

- (i) the capital and investment strategy for 2020/21 to 2022/23
- (ii) the treasury management strategy for 2020/21
- (iii) the commercial property investment strategy for 2020/21.

In accordance with Standing Order 24(3), Councillors Bourne, Langton, Lockwood and N.White wished it recorded that they voted against the adoption of the commercial property investment strategy referred to in (iii) above.

COMMITTEE DECISION
(Under powers delegated to the Committee)

209. INVESTMENT SUB-COMMITTEE MINUTES - 24TH JANUARY 2020 - ITEMS 4 AND 6

RESOLVED – that the Sub-Committee's decisions at items 4 and 6 of the minutes attached at Appendix D be noted.

COUNCIL DECISION
(subject to ratification by Council)

210. COUNCIL TAX 2020/21 AND REVENUE BUDGET SETTING

A report was submitted with proposals for the General Fund revenue budget and Council Tax levels for 2020/21. These had been prepared in light of:

- (i) the budget strategy agreed by the Committee at its meeting on 26th September 2019;
- (ii) consideration by this and the other three policy committees of their respective elements of the budget during the week of the 20th January 2020 – arising from amendments made either at or following those meetings, the proposed net budgets were as follows:

Committee	net budget presented to Policy Committees (£)	amendments (£)	proposed net budget (£)
Strategy & Resources	2,920,076	464,033	3,384,109
Community Services	6,339,692	11,400	6,351,092
Housing (General Fund)	461,260	(2,197)	459,063
Planning Policy	1,338,038	0	1,338,038
Gross Forecast Cost of Services	11,059,066	473,236	11,532,302
Use of General Fund Reserves			(267,570)
Revised Forecast Cost of Services			11,264,732

- (iii) anticipated business rates income for 2020/21;
- (iv) the latest position regarding the Local Government Finance Settlement i.e. a retained business rates baseline of £1.459 million and the withdrawal of the previously forecast negative tariff adjustment of £729,000 for 2020/21.

The report advised that New Homes Bonus (NHB) would increase to £989,000 in 2020/21, of which £737,000 would be used to fund the revenue budget with £252,000 being allocated to the capital programme. However, NHB was likely to reduce by approximately £681,000 in 2021/22. The government would also be consulting in the spring of 2020 on proposals for a more targeted NHB regime, possibly linked to specific performance indicators.

The £11,264,732 net cost of service had to be funded externally, i.e. from business rates and Council Tax. The 2020/21 Council Tax requirement was £8,587,365 after allowing for income relating to business rates.

The report recommended a Council Tax increase of £5 or 1.99% per Band D property, whichever is the greater. This would provide sufficient yield to meet the General Fund budget requirement and ensure that the Medium Term Financial Strategy (MTFS) can be balanced for 2020/21 after allowing for the use of reserves, savings and efficiency reductions.

The effects of other Council Tax level options were illustrated, namely a freeze and a 1% increase.

Later in the week, Surrey County Council and Surrey Police would be considering potential Band D Council Tax increases of 3.99% and 3.83% respectively.

Finally, the report proposed that TDC's Local Tax Support Scheme should remain unchanged for 2020/21.

In response to Members' questions / concerns about the presentation of business rates income, the schedule of reserves and the MTFs position statement, the Acting Chief Finance Officer (CFO) explained:

- the rationale for the presentation of business rate income at 3.8 of the report;
- why the presentation of business rates grant (Section 31) income was presented differently in the latest MTFs statement compared to previous statements and why it was no longer identified separately beyond 2021/22 (i.e. it was factored into the 'net Council budget brought forward' figure);
- the reserves previously allocated for Customer First had been fully spent – there was nothing to carry forward; and
- why the closing balances in the statement of reserves presented to the Committee at the corresponding meeting last year (5th February 2019) did not reconcile with the opening balances in the new statement presented to this meeting, i.e. the 2019/20 balances had been extracted from the Council's audited accounts for the year ending 31st March 2019 and reflected the correct position going forward (the Acting CFO offered to explain the variations between the reserve statements to Members after the meeting).

The following views were also expressed during the debate:

- paragraph 15.3 of the report:

“the CIPFA indicators highlight that the reserves are being depleted faster than at other Councils and that there is a very low level of unallocated reserves (one of the lowest of 16 neighbouring borough and district Councils), and that earmarked reserves are being used more rapidly.”

... was misleading because the CIPFA financial resilience index analysis showed that Tandridge was ranked bottom of the group of 16 neighbouring councils for various indicators, hence the report should have said “the lowest” – residents were concerned that the level of borrowing by TDC was excessive;

- Members need to know how the intended replenishment of reserves from 2021/22 is to be funded;
- the explanation of the £11,400 increase in the Community Services Committee budget (section 7.8 of the report on page 8) is misleading as the proposed charges for parking permits in Oxted (which that Committee rejected on 21st January 2020) would only have generated £4,300;
- there should be a reconciliation statement to explain the discrepancies between the current and previous financial reserve tables.

RECOMMENDED – that, subject to the Government's final announcement on the Local Government Finance Settlement:

- A. a General Fund revenue budget for 2020/21 of £11,264,732 be approved which includes all income and expenditure plans for policy committees;
- B. the Band 'D' Council Tax for 2020/21 be £220.98;
- C. the estimated minimum General Fund working balance of £2,058,000 be approved;

- D. the Committee notes the outcomes of the Provisional Local Government Settlement;
- E. the Committee notes the Parish Councils' precept requirements for 2020/21;
- F. the current Local Council Tax support scheme (unchanged) be adopted for financial year 2020/21.

The above recommendations were put to the vote 'en-bloc'. In accordance with Standing Order 24(3), Councillors Bourne, Langton, Lockwood and N.White wished it recorded that they voted against the recommendations.

COMMITTEE DECISION
(Under powers delegated to the Committee)

211. CAPITAL EXPENDITURE INVESTMENT PROGRAMME 2020-23

The Committee was presented with a proposed capital programme for the next three years. This followed recent consideration by this and the other three policy committees. An updated set of prudential indicators (of affordability) was also put forward.

The Acting Chief Finance Officer explained that the remaining £100,000 in the budget titled "Ellice Road Car Park decking" related to works to enable temporary parking at Oxted School.

Prudential Indicators 5 (authorised limits for external debt) and 6 (operational boundary for external debt) were challenged on the basis that they appeared to be insufficient to cover the Council's financing requirements in 2021/22 and 2022/23 (£316.47 million and £322.082, million as defined in Prudential Indicator 4). It was acknowledged that the prudential indicators may need to be amended. In response to a Member request, the Acting Chief Finance Officer also agreed to seek external validation of the calculation method for Prudential Indicator 1 (ratio of financing costs to net revenue stream).

Other Member concerns related to:

- doubts that Parish Councils would be able to make contributions from Community Infrastructure Levy funds towards capital projects to improve playgrounds, parks, pavilions and open spaces etc
- the fact that the renovation of the Lingfield skatepark had been identified as a capital project (with a CIL funding requirement of over £100,000) without consultation with Ward Members or residents, given the other competing demands for funding in the area.

Councillor Botten proposed that, given the uncertainties regarding the prudential indicators referred to above, the Committee should refrain from making a recommendation on the capital programme. Instead, he suggested that the matter be considered afresh at the Full Council meeting on 13th February 2020. This was agreed.

RESOLVED – that further consideration of the capital programme be deferred, pending consideration of a revised report from the Acting Chief Finance Officer (seeking to clarify issues relating to prudential indicators) to Full Council on 13th February 2020.

COUNCIL DECISION
(subject to ratification by Council)

212. PAY POLICY STATEMENT 2020/21

The Localism Act 2011 required Councils to publish annual pay policy statements. A proposed 2020/21 statement for Tandridge was submitted, together with a 'gender pay gap report' for 2019.

RECOMMENDED – that the proposed Pay Policy Statement for 2020/21, attached at Appendix 'E', be approved.

COMMITTEE DECISION
(Under powers delegated to the Committee)

213. COUNCIL IMPROVEMENT PLAN – UPDATE

The Committee was updated about the following workstreams:

- **External review of governance** - The Centre for Public Scrutiny ('CfPS') had been commissioned to carry out this review which would include the development of organisational priorities; embedding cultural values to promote good governance; a more streamlined governance framework; better integration with corporate risk; creating a better understanding of the delegation of powers to committees and officers; the importance of partnership working and developing a more robust Annual Governance Statement. The CfPS would be continuing their work during February 2020, including interviews with key members and officers, and would be reporting in March.
- **Strategic plan** – Member workshops had been scheduled and stakeholders had been invited to give their views about TDC's services and what will be important to them in the future. Staff were being encouraged to contribute to the development of the plan.
- **Workforce Review** - Engagement was taking place with the senior officers to inform the development of the new leadership model. This work was being informed by a Decision-Making Accountability (DMA) review, intended to establish the number of managerial layers an organisation needs operate effectively.
- **Financial Recovery** – following actions to reduce the staffing overspend, work would continue in 2020/21 through the new leadership model and other initiatives, e.g. development of a new IT Strategy.

In response to a Member question, it was confirmed that the pursuit of shared services would be one of the options to be considered as part of the improvement plan. However, it was acknowledged that the viability of shared service initiatives would rely on the willingness of partner authorities.

RESOLVED – that progress in key workstreams related to Council improvement be noted.

COUNCIL DECISION
(subject to ratification by Council)

214. REVIEW OF POLLING PLACES – WARLINGHAM WEST AND WESTWAY WARDS

In accordance with the Committee's wishes at the 26th September 2019 meeting (in connection with a statutory review of Polling Districts and Polling Places) officers had investigated the potential to re-locate the existing polling places for the Westway and Warlingham West wards. The views of Ward Members, Parish Councils and other stakeholders had been sought as part of this process.

There was consensus among stakeholders that the polling place for Westway (currently the Community Church in Coulsdon Road, Caterham) should be changed and officers, in collaboration with the Caterham Barracks Community Trust, had identified the ARC, Weston Drive as a viable alternative. The Committee agreed to this proposal.

Conflicting views had been received regarding the merits of moving the Warlingham West polling place from the Girl Guide Hut in Westhall Road to Warlingham Library. Hence, the Committee was requested to give a view. Upon debating the matter, the Committee considered that, on balance, the polling place should be switched to the library. Councillor Botten proposed a motion to that effect which was carried.

RECOMMENDED – that

- A. the Polling Place for Warlingham West be relocated from the Girl Guide Hut, Westhall Road to Warlingham Library, Shelton Avenue; and
- B. the Polling Place for Westway be relocated from the Caterham Community Church, Coulsdon Road to the ARC, Weston Drive.

Rising: 9.37 p.m.

APPENDIX 'A'

APPENDIX 'A'

Code	Indicator	Q3 2019/2020			Direction of travel (compared to same period last year)	2018-19 Outturn	Higher / lower is better	Performance against annual target
		Actual	Period target	End of year target				
KPI 1	Percentage of Council Tax collected	90.80%	80%	98.7%	Declined (91.6%)	98.6%	Higher	On Target
KPI 2	The percentage of non-domestic rates due for the financial year which were received by the Council	86.15%	75%	98.6%	Declined (88.25%)	99.0%	Higher	On Target
KPI 3A	Days taken to process Housing Benefit/Council Tax Benefit new claims	27.28	30	30	N/A New Indicator	N/A	Lower	On Target
KPI 3B	Days taken to process Housing Benefit/Council Tax change events	12	12	12	N/A New Indicator	N/A	Lower	On Target
KPI 4	The number of working days/shifts lost due to sickness absence (long and short-term) <i>This figure reflects performance over the previous 12 months.</i>	7.4	N/A	7.1	N/A	7.1	Lower	Off Target
KPI 5	The number of working days/shifts lost due to sickness absence (short-term only – 20 days or less). <i>This figure reflects performance over the previous 12 months</i>	2.6	N/A	7.1	N/A	7.1	Lower	On Target
KPI 6	Staff turnover <i>This figure reflects performance over the previous 12 months.</i>	25.65%	N/A	10-15%	N/A	14.6%	Lower	Off Target
KPI 7	The percentage of calls answered within 60 seconds by Customer Services	66.4%	75%	80%	N/A	N/A	Higher	Off Target

1. Commentary on indicators with performance below and/or off target**KPI 4 - The number of working days/shifts lost due to sickness absence (long and short term)**

This period saw an increase by approx. 0.8 days, which has pushed this KPI marginally off target. The data highlights that there was a rise/peak to 0.83 days lost per employee in October 2019, which then reduced to 0.73 in November and then 0.67 in December. As these figures suggest a decreasing trend towards target, it is felt that a short-term response from the HR Team is not necessary. Yet the 12-month rolling figure, like-on-like to 2018, has increased by 1.7 days, which may warrant further investigation at the end of Q4 2019-20. HR Specialists continue to monitor and review sickness absences, carrying out sickness review meetings alongside managers in line with the policy.

KPI 6 – Staff Turnover

The figure has improved by approximately 0.5% on Q2. Yet the commentary from Q2 still applies in Q3, in that the key reason for missing target is due to redundancies and resignations which have a long-term impact on this KPI due to the fact it is measured across a 12-month period. With regard to resignations in Q3, new opportunities and career enhancement was cited as the primary reason for leaving. Arguably this may imply an emerging trend, and therefore addressing this issue will be a key priority for the HR Team's organisational development plans moving into 2020-21. HR are, at present, offering exit interview dates as soon after receipt of resignation as possible, rather than the week of departure as was the previous practice. It is hoped that this approach will assist retention rates and reduce turnover.

KPI 7 - The percentage of calls answered within 60 seconds by Customer Services

This indicator measures the overall service level across all the teams. Whilst the target was missed for Q3, it improved from the previous quarter. The overall average speed of answer for the Quarter was 1 minute 5 seconds.

The period saw an increased number of calls (18.2% increase from the same period last year). The increase was due to the new wheeled bin roll out and the General Election. The number of emails received into customer services decreased by 4% for the quarter however the team processed 5356 customer cases, compared to 1822 the previous quarter.

2. Risks

The risks below enable the Committee to monitor and manage service performance. All risks are assessed according to the Likelihood (or probability) that the risk will occur. This ranges from 1 (Rare) to 5 (Almost Certain). We also assess the Impact (or severity) on the Council that the risk will have if it were to occur. This ranges from 1 (Negligible) to 5 (Extreme). Combining both scores together establishes a risk rating and, if the risk is high-scoring, enables us to decide how we wish to manage it. Please note that the table is ordered according to RAG rating, not Risk ID number.

Risk ID		Likelihood	Impact	Score	Controls/Mitigation
Risk 2	Failure to achieve effective organisational change	3	4	12 (Red)	<ul style="list-style-type: none"> - Dedicated staff in place to manage change programme. - Recruitment / selection criteria to seek staff with required skills, attitudes and approaches. - Measures to support staff throughout the change process. - Adequate budget available to support acquisition and implementation of IT.
Risk 10	Data Protection breach	3	4	12 (Red)	<ul style="list-style-type: none"> - Information governance review in progress. - Data protection policy in place. Training provided to staff. - New Customer First processes are designed to be compliant.

Risk ID		Likelihood	Impact	Score	Controls/Mitigation
Risk 11	Non-compliance by the Council with health and safety regulations.	3	4	12 (Red)	<ul style="list-style-type: none"> - An audit is in progress. - A training plan being drafted, which includes reviewing and re-writing corporate policies; and will identify a new senior Officer.
Risk 14	Non-compliance by the Council with all other statutory obligations	3	4	12 (Red)	<ul style="list-style-type: none"> - A training plan being drafted, which includes reviewing and re-writing corporate policies; and will identify a new senior Officer.
Risk 1	Failure to remain financially sustainable	2	5	10 (Amber)	<ul style="list-style-type: none"> - Mechanisms in place to acquire and develop assets and drive new sources of income (e.g. Council owned companies, Property Investment Fund, Development Fund). - Regimes to monitor the effectiveness of investment strategies, including oversight by company directors and reports to the Strategy & Resources Committee. - Medium Term Financial Strategy identifying new sources of income and areas of efficiency.
Risk 9	Non-compliance by Members with Code of Conduct	3	3	9 (Amber)	<ul style="list-style-type: none"> - Training provided to Members on code of conduct and Member – Staff protocol. - New Member - Staff protocol in place.
Risk 13	Failure of website	3	3	9 (Amber)	<ul style="list-style-type: none"> - Website is externally hosted, regularly backed up and monitored. - Regular security updates applied. Service level agreements in place for any outages.
Risk 3	Impact on services due to Surrey County Council (SCC) transformation programme	3	3	9 (Amber)	<ul style="list-style-type: none"> - Regular engagement with SCC transformation officers to identify issues likely to impact Tandridge residents. - Regular reporting to Corporate Management Team and Committee.
Risk 5	Negative impact on services due to Brexit	3	3	9 (Amber)	<ul style="list-style-type: none"> - Officers continuing to monitor situation and government advice closely.

Risk ID		Likelihood	Impact	Score	Controls/Mitigation
					- Brexit response strategy being prepared.
Risk 6	Failure to deliver regeneration schemes	3	3	9 (Amber)	- Detailed risk management for each project or programme. - Effective community and stakeholder engagement mechanisms. - External support able to be commissioned to support delivery when required. - External funding secured to support delivery.
Risk 4	IT systems failure which could inhibit day to day function of the Council	2	4	8 (Amber)	- Adequate budget available to support investment in IT infrastructure. - Sufficient staffing resources, including in-house professionals and specialist external support available when required. - Regular reporting to Corporate Management Team and Committee.
Risk 15	Failure of financial controls	2	4	8 (Amber)	- New controls are in place. - A review is currently underway by internal audit.
Risk 7	Failure to deliver an Election	1	4	4 (Green)	- Project plans and risk registers required to be in place and reviewed.
Risk 12	Failure to conduct a DHR (Domestic Homicide Review)	1	3	3 (Green)	- DHR policy in place with East Surrey Community Safety Partnership oversight.

3. Commentary on risks which have been added, removed or amended

Risk 3

Minor amendment to wording, removal of “negative” in ‘Risk’.

Risk 7

Minor amendment to wording, removal of “by government” in ‘Controls/Mitigation’.

Risk 8

Risk removed: "Provision of negligent or flawed legal advice" and following risk numbers reordered. In view of the retraction and review of this committee's corporate delivery plan, at the request of Members, this risk is no longer viewed as pertinent for the remainder of the municipal year.

Risk 9

Minor amendments to words in 'Risk' and 'Controls/Mitigations' fields.

Risk 10

Changed from Amber to Red. Likelihood increased by 1 in light of organisation-wide information governance review currently underway.

Risk 11

Revised to highlight health & safety as a key element of corporate risk monitoring. Rated as RED as a current review of this area of work is currently underway.

Risk 14

Added. It was felt that it would be prudent to highlight this as a key element of corporate risk monitoring. Rated as RED as a current review of this area of work is currently underway.

Risk 15

Added. It was felt that regular reviews via the current risk framework is necessary. Rated as Amber as new mitigations are in place and a review is currently underway by internal audit.

Impact	5	5 (Green)	10 (Amber)	15 (Red)	20 (Red)	25 (Red)
	4	4 (Green)	8 (Amber)	12 (Red)	16 (Red)	20 (Red)
	3	3 (Green)	6 (Green)	9 (Amber)	12 (Red)	15 (Red)
	2	2 (Green)	4 (Green)	6 (Green)	8 (Amber)	10 (Amber)
	1	1 (Green)	2 (Green)	3 (Green)	4 (Green)	5 (Green)
		1	2	3	4	5
		Likelihood				

APPENDIX 'B'

APPENDIX 'B'

Council-wide General Fund budget monitoring

Variances for each policy committee, and split between salary and non-salary costs

Committee	Salaries Overspend (£)	Non-Salaries Overspend (£)	Committee Total (£)
Strategy and Resources *	398,425	(137,200)	261,225
Planning Policy	466,000	416,750	882,750
Community Services	(85,400)	143,000	57,600
Housing	104,720	5,908	110,628
Total	883,745	428,458	1,312,203

* The overspend has been updated since the Strategy & Resources Committee meeting on the 23/01/2020 to reflect a change to treasury management income.

Explanations of the reasons for the salaries forecast overspend

Salaries Overspends – There is an overspend forecast on salaries of £883,745, made up of a number of elements:

Planning Policy Committee is forecasting an overspend on salaries of £466,000. This is due to an overspend within the Case Management and Specialist Services teams which arises in relation to the delivery of Planning and Enforcement work. This results from a number of supernumerary posts which have been employed to undertake work in the planning service and support service which are impacted by an increased level of demand and shortage of staffing resources. A predicted overspend of £368,000 results from these additional posts which were not budgeted for as part of Customer First. Work has taken place to reduce the overspend in year through the recruitment of permanent posts which are currently out to advert. Budget provision has been made in the 2020/21 revenue budget to fund these permanent posts on an ongoing basis.

There are also a number of agency staff that have been employed during 2019/20 to fill permanent posts which became vacant during the implementation of Customer First. These agency posts have been necessary in order to maintain service provision. The overspend in relation to agency staff is estimated at £98,000 at the end of the financial year.

Strategy & Resources Committee is forecasting an overspend on salaries of £398,425. This is due to an overspend upon temporary staff and interim posts needed to cover a number of key posts within Finance, Legal, IT and Resources. The overall forecast net overspend on temporary staff is £39,000.

There is an overspend in relation to a number of staff who were made redundant in the 2018/19 financial year. The budget for several posts were deleted during the implementation of Customer First in 2019/20. Some staff continued employment in order to sufficiently complete handovers beyond the year end and left in 2019/20. This resulted in additional costs and pension strain beyond that originally anticipated and resulted in a forecast overspend of £95,103.

In addition, some areas identified a shortage of resources and required agency staff as supernumerary posts to cover this shortage also a number of supernumerary posts resulting in an overspend of £264,322.

The **Housing General Fund** is forecasting an overspend on salaries of £104,720. This is due to a further sum of £86,000 for additional costs for redundancies of which £34,000 for pension strain and £52,000 for former staff at the Douglas Brunton. The costs for the redundancies and pension strain were not quantified until December.

Vacancy drag that has not been achieved on the Douglas Brunton Centre £10,000

Two Case Worker posts that are supernumerary £11,000.

This is offset by a slight underspend on other staff of £2,280 leaving an adverse variance of £104,720.

Community Services Committee is forecasting an underspend on salaries of £85,400. This is due to a forecasted underspend of £49,000 on the Depot staffing budgets which relates to unfilled vacancies.

A forecasted underspend of £50,400 on the Waste and Recycling staffing budget which again relates to vacancies.

A forecasted underspend of £14,000 relates to other minor variances.

Significant non-salary variances are detailed below:

Overspend on Planning Applications £676,600 (Planning Policy Committee)

The Council has received invoices from Wates and Abbey Developments in respect of their legal costs arising from the appeal against the Council's decision on the Felbridge junction. Prudently the Council has provided in full for the amount invoiced, after deducting VAT. The details of the amount claimed by developers was reported to Planning Policy Committee 22nd January 2020. These costs are being reviewed by external solicitors.

There is an overspend in relation to an external contract with Terraquest of £87,000. Terraquest were appointed following Customer First to deal with the planning validation as a result of staffing shortfalls. This contract which was underperforming has been terminated and the work has been taken back in house. This was reported to members in an earlier cycle.

There is an under recovery of income on planning fees of £34,000. This is attributable to Brexit and the general economic climate.

There is an under recovery of income on Members presentations of £12,000 A proposal to reduce the budgeted income on this line has been put forward for next year.

There is a £3,600 minor overspend on various headings including subscriptions, equipment and advertising.

Overspend on Operational Services £109,100 (Community Services Committee)

There is a forecast overspend on Tandridge Commercial Services of £109,100, this arises following the centralisation of call centre staff as part of Customer First and will mean that Tandridge Commercial Services may lose the recovery of overheads previously charged as part of the overall service costs. Officers will be carrying out an in-depth review of overhead recoveries to ensure that these costs are apportioned accurately between services.

Underspend on Enforcement (£63,000) (Planning Policy Committee)

This arises because of a successful bid for additional grant funding from the MHCLG to enable improvements to be made to the Planning Enforcement service. Additional income has been received from fees for a Planning Enforcement notice.

Underspend on Treasury Income (£80,000) (Strategy & Resources Committee)

This variance arises from additional investment returns of £95,900 on the loan to Gryllus due to the purchase of Castlefield House which was acquired in late December 2019.

The overspend on treasury income for 2019/20 of £15,900 was reported to Strategy & Resources Committee on 23/01/2020 which arose from reduced investment return for the Council's investment with Funding Circle. However, the purchase of Castlefield House was processed via Gryllus in January and this additional investment will give rise to additional treasury income of £95,900.

Corporate Items (£106,800) (Strategy & Resources Committee)

This arises from additional New Homes Bonus of £86,000 and additional Benefits administration grant of £20,800

Underspend on the Local Plan (£195,00) (Planning Policy Committee)

The current spend on the Local Plan has been reviewed and it is estimated that there will be an underspend of (£195,000) on this budget at the end of this financial year.

Capital Budget Monitoring at 31/12/2019

Scheme Name	Annual Budget 2019/20	Budget YTD	Actual YTD	Variance YTD	Forecast Variance 19/20 at 31/12/2019	Scheme Total Budget (incl slippage) 2019/20-2021/22	Forecast Total Scheme Variance	Budget Manager	People Place Resources
Community Services									
Vehicle Fleet Renewals	59,900	49,917	0	(49,917)	(59,900)	139,900	0	Nic Martlew	Place
Car Parking	58,200	48,500	30,000	(18,500)	(28,200)	88,200	0	Nic Martlew	Place
Eillice Road Car park	4,325,100	3,604,250	29,335	(3,574,915)	(4,225,100)	4,325,100	(4,225,100)	Grant Miles	Place
Childrens Playground Equipment	116,600	97,167	87,767	(9,400)	0	266,600	0	Nic Martlew	Place
Purchase of Waste Collection Vehicles	3,500,000	2,916,667	0	(2,916,667)	(3,490,000)	3,500,000	(700,000)	Simon Mander	Place
Land Drainage Capital Works	10,000	8,333	5,000	(3,333)	0	30,000	0	Nic Martlew	Place
Park, Pavilions & Open Spaces	188,400	157,000	13,421	(143,579)	(163,400)	388,400	(88,400)	Nic Martlew	Place
Playground Improvements Match Funding Pot	50,000	41,667	0	(41,667)	(50,000)	50,000	0	Nic Martlew	Place
Waste & Recycling Contract Equipment	600,000	500,000	567,734	67,734	0	600,000	0	Simon Mander	Place
Litter Bins	20,000	16,667	0	(16,667)	0	24,000	0	Nic Martlew	Place
Garden Waste Bins	96,000	80,000	0	(80,000)	(96,000)	126,000	0	Simon Mander	Place
Public Conveniences Capital Works	275,000	229,167	0	(229,167)	(275,000)	550,000	0	Nic Martlew	Place
Roads & Paths St Marys Church	20,000	16,667	12,445	(4,222)	(7,555)	20,000	0	Nic Martlew	Place
Plant, Furniture & Equipment (GF)	8,000	6,667	0	(6,667)	0	24,000	0	Nic Martlew	Place
Total-Community Services	9,327,200	7,772,667	745,702	(7,026,965)	(8,395,155)	10,132,200	(5,013,500)		
Housing General Fund									
Social Housing Grants	274,400	228,667	0	(228,667)	(274,400)	474,400	(274,400)	Peter Trowbridge	Resources
Disabled Facilities Grants Mandatory	439,100	365,917	142,688	(223,228)	(239,100)	1,291,100	0	Jane Ellis	People
Total-Housing GF	713,500	594,583	142,688	(451,895)	(513,500)	1,765,500	(274,400)		
Resources Committee									
Property Development Fund	130,374,900	108,645,750	30,690,465	(77,955,285)	(64,374,900)	195,375,000	0	Alison Boote	Resources
Land/Asset Development	153,000	114,750	97,405	(17,345)	0	153,000	0	Alison Boote	Resources
Council Offices Buildings	182,320	151,933	19,250	(132,683)	(132,320)	282,300	(100,000)	Alison Boote	Resources
Customer First / IT	150,000	125,000	142,208	17,208	0	350,000	0	Mel Thompson	Resources
Total-Resources	130,860,220	109,037,433	30,949,328	(78,088,105)	(64,507,220)	196,160,300	(100,000)		
Housing Revenue Account									
Council House Building	8,345,600	6,954,667	2,692,113	(4,262,554)	(1,626,300)	24,832,900	0	Peter Trowbridge	Resources
Structural Works	755,000	630,000	671,686	41,686	(10,000)	2,030,000	0	Robert Preedy	Place
Modernisation & Improvements	654,000	545,000	464,372	(80,628)	0	1,845,900	0	Robert Preedy	Place
Energy Efficiency Works	393,000	327,500	200,985	(126,515)	(33,000)	1,322,000	0	Robert Preedy	Place
Internal Service Renewals	628,000	523,333	536,391	13,058	(3,000)	1,693,000	0	Robert Preedy	Place
Works to Void Properties	490,000	408,333	64,952	(343,381)	(90,000)	1,335,000	0	Robert Preedy	Place
Health & Safety	175,000	145,833	30,355	(115,479)	(8,442)	550,000	0	Robert Preedy	Place
Adaptations for the Disabled	232,500	193,750	173,715	(20,035)	0	682,500	0	Robert Preedy	Place
Essential Structural Works	175,000	145,833	91,273	(54,560)	(35,000)	435,000	0	Robert Preedy	Place
Communal Services	75,000	70,000	25,156	(44,844)	(10,000)	235,000	0	Robert Preedy	Place
Housing Management Software	81,100	67,583	3,916	(63,667)	0	121,100	0	Mel Thompson	People
Total-HRA	12,004,200	10,011,833	4,954,914	(5,056,919)	(1,815,742)	35,082,400	0		
Total 2019/20 Capital Programme	152,905,120	127,416,517	36,792,632	(90,623,885)	(75,231,617)	243,140,400	(5,387,900)		

INVESTMENT SUB-COMMITTEE

Minutes of the meeting of the Sub-Committee held in the Lyndsay Narcisi Room, Council Offices, Station Road East, Oxted on the 24th January 2020 at 10.00 a.m.

PRESENT: Councillors Elias (Chair), Bourne, Farr, Jecks and Jones.

APOLOGY FOR ABSENCE: Councillor Davies.

1. MINUTES

The minutes of the meeting held on the 25th October 2019 were approved as a correct record.

2. DECLARATIONS OF INTEREST

Councillor Jecks declared that:

- he is a non-executive director of UBS Asset Management UK Limited; and
- chairs two other committees regarding investments for which CCLA is the fund manager

These did not amount to disclosable pecuniary interests under the Members' code of conduct and Councillor Jecks remained in the meeting.

COUNCIL DECISION
(subject to ratification by Council)

3. INVESTMENT STRATEGIES FOR 2020/21

Proposed updated investment strategies for capital, treasury management and commercial property were presented. The main purposes of the strategies were to explain:

Capital and Investment Strategy 2020/21 to 2022/23

- the Council's capital expenditure plans, together with funding sources (i.e. external / internal sources or borrowing)
- the Council's policy of adopting the 'asset life / annuity method' for charging a prudent Minimum Revenue Provision (MRP) to the general fund revenue budget to account for the cost of debt
- the Council's approach to asset management, treasury management and investments

Treasury Management Strategy 2020/21

- cashflow planning for meeting expenditure demands
- the approach to investing surplus monies and to fund the capital programme
- the approach to borrowing in relation to the limits imposed by prudential indicators

Commercial Property Investment Strategy 2020/21

- the process for identifying and evaluating commercial property investment opportunities
- the objectives of such investments, namely to achieve financial returns that contribute towards savings targets and budgets to enable the continued delivery and investment in key services and/or to enable redevelopment and regeneration
- clarification that the ‘reasonable economic area limit’ (for property investments) is within 30 miles of the District’s boundary.

RECOMMENDED – that the following strategies be adopted:

- (i) the capital and investment strategy for 2020/21 to 2022/23
- (ii) the treasury management strategy for 2020/21
- (iii) the commercial property investment strategy for 2020/21 at Annex A to these minutes.

SUB-COMMITTEE DECISIONS
(under powers delegated to the Sub-Committee)

4. SUMMARY INVESTMENT AND BORROWING POSITION

The investment analysis at Annexes B and C was considered, together with fact sheets for the four funds within the Council’s treasury investment portfolio. Discussion focused on the £2 million investment with Funding Circle’s ‘peer to peer’ retail lending platform. This followed the decision at the previous meeting to review the investment, pending consideration of:

- (i) the viability of the investment being re-profiled on a more conservative basis; and
- (ii) the question of whether the investment could be switched to a Funding Circle institutional fund.

The Sub-Committee concluded that neither options (i) or (ii) above were likely to be more advantageous than switching to one, or a combination of, the CCLA (x2), Schroders or UBS funds. It was therefore agreed that the redemption proceeds of Funding Circle loans should not be automatically re-invested in further Funding Circle loans but should, instead, be regularly withdrawn from Funding Circle and invested in the other four funds equally.

Officers also undertook to provide an analysis of Gryllus property investments at future Sub-Committee meetings, including rental income streams; costs being incurred by the company; and relevant information about the various tenancies.

RESOLVED – that

- A. the Council’s investment and borrowing position at 31st December 2019, as set out at Annexes B and C be noted;
- B. upon redemption of the Council’s current Funding Circle loans, the monies be invested elsewhere within the Council’s portfolio (in equal portions), namely 25% to each of the following funds:
 - CCLA (diversification fund)
 - CCLA (property fund)
 - Schroders bond fund
 - UBS multi-asset fund

- C. the individual factsheets for the CCLA, Schrodgers and UBS funds be noted; and
- D. the current Statement of Investment Beliefs (Annex D) be noted.

5. EXCLUSION OF THE PUBLIC

RESOLVED – that members of the press and public be excluded from the meeting for the consideration of the item covered by Minute 6 below because:

- (i) it involves the likely disclosure of exempt information as defined in Paragraph 3 of Schedule 12A to the Local Government Act 1972 (i.e. information relating to the financial or business affairs of any particular person); and
- (ii) the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

6. PROPERTY INVESTMENT UPDATE

The Sub-Committee considered a report about current property investment activity, including an update about recent acquisitions, on-going due diligence about another proposed purchase and other opportunities that continued to be tracked.

RESOLVED – that

- A. the Council's property investment activity be noted;
- B. officers' continued investigations into potentially suitable investment sites be supported; and
- C. officers be supported in their efforts to bid to purchase properties that align with the Council's property investment strategy and which offer a relatively low-risk income stream (all bids would be subject to contract and full due diligence and in line with the requirements of Financial Regulation 17).

7. DATE OF NEXT MEETING

This was scheduled for Friday, 17th April 2020 at 10.00am (Lyndsay Narcisi Room).

Rising: 11.13 a.m.

COMMERCIAL PROPERTY INVESTMENT STRATEGY 2020/2021

Introduction

1. As a result of significant reductions in funding from Government grants, Tandridge District Council has identified the aim to significantly increase the income earned from property through a focused approach towards the acquisition and management of commercial property that meets the criteria for inclusion in a portfolio of investment properties.
2. The Commercial Property Investment Strategy will be part of Tandridge District Council's overall Capital & Investment Strategy and be included with the fund performance monitoring and reporting procedures.
3. The returns from the commercial property investment strategy (the Strategy) will contribute positively towards the achievement of savings targets *and budgets* to enable the continued delivery and investment in key frontline services whilst achieving a balanced budget.
4. The Strategy aims to provide a robust and viable framework for the acquisition of commercial property investments and the pursuance of redevelopment and regeneration opportunities that can deliver positive financial returns for the Council.
5. The strategy is to set out how the Investment Property Portfolio will be managed and covers the following matters:
 - Objectives and strategic priorities for Investment Property
 - Governance and performance reporting arrangements
 - Risks
 - Portfolio Mix
 - Funding, Performance monitoring and Financial Indicators for Investment Property
 - Investment evaluation criteria
 - Acquisition procedure
 - Disposal Procedure

Background

6. The Local Government Act 2003 (the Act) and supporting regulations requires the Council to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and MHCLG Investment Guidance (the Guidance) to ensure that the Council's capital investment plans are affordable, prudent and sustainable.
7. The Local Government Act 1972 – Section 120 of the Local Government Act 1972 empowers local authorities to acquire by agreement “any land whether situated inside or outside their area for the purpose of any of their functions under this or any other enactment, or for the benefit, improvement or development of their area”.

8. The Localism Act 2011 – Part 1, Section 1 of the Localism Act 2011 introduced a new “general power of competence” for local authorities who now have power to do anything that an individual may do, rather than be limited to those things which are related to or necessary for the discharge of an existing function of the authority. Section 1 continues to allow a local authority to express views and beliefs on a wide range of matters – as an individual generally might do. Local authorities are allowed to confer powers for a commercial purpose or for the benefit of the authority, its area or residents.

Government Guidance

9. In February 2018 the Secretary of State issued new guidance on Local Government Investments (the Guidance) which widened the definition of an investment to include all the financial assets of a local authority as well as non-financial assets held primarily or partially to generate a profit. This wider definition includes investment property portfolios as well as loans made to wholly owned companies or associates, joint ventures or third parties. This guidance applies for financial years commencing on or after 1 April 2018.
10. The Guidance requires the Strategy to be approved by Full Council on an annual basis and sets out the disclosure and reporting requirements. Any midyear material changes will also be subject to Full Council approval.
11. *Further CIPFA guidance was issued in November 2019 reinforces the need for a comprehensive Investment Strategy which covers the need for an Authority to have the competence in terms of expertise and experience to take effective decisions.*

Objectives and Strategic priorities for the Investment Property Portfolio

12. The objective of the Property Investment Strategy is to establish a framework for the identification of commercial property investments which, if acquired, would provide the council with a positive rental return and capital growth.
13. Each potential investment will be evaluated to ensure the income received is sufficient to provide an acceptable rate of return following the payment of current costs, acquisition costs, management fees and any running costs.
14. In delivering the strategy over the next year the following priorities are to be used to guide the growth of the Investment Property Portfolio:
- a) A major driver for acquisition of new investment property will be income generation.
 - b) Properties that have a development potential will also be considered for their long term benefits.
 - c) A target is included to increase the gross income from property investments as required in the Medium Term Financial Strategy.

15. Investments will be mainly focussed within the District boundary. A secondary priority will be for property outside of the District as long as this is within accepted guidelines for Local Council property investments. *The revised Guidance appreciates that if authorities only acquire properties in their own area geographical inequity will arise in terms of the opportunities for returns to be made. It is for this reason that an economic area of within 30 miles of the Council Boundary has been selected as a reasonable economic area limit.*
16. When making Investments the Strategy & Resources Committee will have regard to other economic and social benefits for the residents of Tandridge District.
17. Investment relating to the Strategy will be directed towards two areas of activity:-

Investment Property Opportunities

Prime and close to prime commercial real estate investment let on long leases to good covenants which will provide a secure long-term income over and above their ability to pay back the purchase price debt.

The contributions from property investments will include

- Income
- Long Term Capital Growth

Regeneration and Development Opportunities

Investment which can facilitate/generate regeneration or economic development benefits as well as positive financial returns for the Council. Financial returns for the Council may come in the form of increased business rates or New Homes Bonus where the Investment is within the District.

The Contributions from Regeneration and Development Investments will include positive financial returns for the Council and may also include the following:

- Regeneration benefits for the area including employment opportunities
- Economic benefits for the area

Governance and Performance

18. The Strategy and Resources Committee will be responsible for approving the strategic priorities and the arrangements set out in this policy. There will be an annual report to the Committee that will set out performance over the previous year and plans for the next.
19. Operational management, including acquisitions is to be delegated to officers acting within Financial Regulation 17 of the Council Constitution
- a) The Chief Executive in consultation with the Leader or deputy Leader and the Chair or vice chair of the Strategy & Resources Committee has delegated authority for acquisitions up to £10m
 - b) The Committee process will be used for acquisitions above £10m
20. The Council recognises that investing in land and properties to generate yield and capital returns is a specialist and potentially complex area. The council are going to require the services of professional property, legal and financial advisers, where appropriate in order to access specialist skills and resources to inform the decision-making process associated with the strategy.

21. The Head of Strategic Asset Management shall lead on potential purchases and development opportunities that meet the pre-determined selection criteria contained within the strategy. The criteria to evaluate potential acquisitions is attached as Annex 1. The Asset Management team will identify investment opportunities based on the selection criteria, will co-ordinate all necessary due diligence in accordance with the Acquisition Procedure (Annex 2) and will present a business case for challenge and scrutiny to the relevant Committee or Chief Executive as required under Financial Regulation 17.
22. The Guidance requires that elected members and officers involved in the investment decision-making process have appropriate capacity, skills and information to enable them to take informed decisions as to whether to enter into a specific investment. In addition, it places a duty on the council to ensure that advisors negotiating deals on behalf of the council are aware of the core principles of the prudential framework and the regulatory regime in which the council operates.
23. The council recognises that it is responsible for property investment decisions at all times and will ensure that undue reliance is not placed upon our external service providers.
24. The Head of Strategic Asset Management is to be accountable for the performance of the Investment Property Portfolio and will be charged with making recommendations to the Chief Executive for acquisitions.
25. Disposal of Investment Property assets are to be undertaken in accordance with the Council's Financial Regulations and delegated Authorities. The Head of Strategic Asset Management will make recommendations to the Strategy & Resources Committee and in accordance with officer delegated powers.
26. The Strategy & Resources Committee delegates the Freehold Disposal of assets in the General Fund worth less than £250,000 to the Chief Executive in consultation with the Chair of the Strategy & Resources Committee. Leasehold disposals of General Fund assets of up to 16 years and with an annual rental valuation of up to £75,000 are also delegated to the Chief Executive, in consultation with the Chair of the Committee.

Risk Assessment

27. Property investment has its own specific risks, the principal ones being property risks, financial risks and corporate risks
 - a) Property Risks – the property market is cyclical and is affected by the wider economic environment. There are also property risks that are specific to a building due to its location, condition and quality of the tenants. Mitigation proposed in this policy for these risks include diversifying the portfolio (portfolio mix) to include investments that perform during different cycles of the economic cycle. The evaluation criteria, diversity of location, due diligence tests, approval processes and accountability for implementation are also proposed to address property specific risks.

- b) Financial Risks – the primary financial risks are borrowing levels, interest rate movement, ongoing ability to service debts, the general investment market conditions and its effect on rental income. Proposals have included the creation of a fully owned subsidiary property investment company, Gryllus Property Ltd and a funding strategy that allocates debt and all associated costs to the investment property portfolio so that the net revenue benefits to the Council is transparent and can be benchmarked.
- c) Corporate Risks – effective delivery of the Strategy requires staff with the requisite expertise, effective arrangements for asset management and the recognition of the reputational risks that can come from inappropriate tenants and from legal and environmental breaches. In accordance with the Statement of Investment beliefs as we are investing public money we will be sensitive to the ethical considerations of local residents.

28. The Council assesses the risk of loss before entering into and whilst holding property. The approach is laid out in Annex 1 – Investment Evaluation Criteria.

Liquidity

29. Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. The funding of long term investments is financed by fixed long term borrowing, so that there is no short or medium term risk to the liquidity of the Council, which would require the Council to be forced to liquidate its asset and suffer a loss nor impact upon the Council's provision of services. As these long term investments are matched by long term borrowing, it will not be necessary to access the invested funds in an emergency. Investments in property are not undertaken unless they are secure over the medium term and the target rate of return significantly exceeds the annual cost of borrowing.

Portfolio Mix

30. The Strategy will have the medium and long term aim to:

- a) Invest in property within the District Boundary, a secondary priority will be for property outside the District as long as this is within accepted guidelines for Local Council property investments. *The revised CIPFA Guidance appreciates that if authorities only acquire properties in their own area geographical inequity will arise in terms of the opportunities for returns to be made. It is for this reason that an economic area of within 30 miles of the Council Boundary has been selected as a reasonable economic area limit.*
- b) Acquire properties mainly within the District in areas with strong sustainable economic activity i.e. areas with the environmental and business activities capable of providing an economy whereby capital and rental growth over the mid to long term was possible.
- c) When making investments the Strategy and Resources Committee will have regard to other economic and social benefits for the residents of Tandridge.
- d) Achieve a balanced portfolio where after 4 years no single class of property, ie retail, industrial, office and leisure is larger than 60% and none smaller than 10%, other than retail or leisure.

Contribution

31. The Council invests in commercial property with the intention of making a surplus that will be spent on local services. The portfolio is at an early stage of development.
32. Table 1 shows the properties currently held by Tandridge District Council for Investment Purposes in type

Property in Type	Type	Value in Accounts 31 st March 2019	Value in Accounts 31 st March 2020 (expected)
Offices	Offices	£4,645,000	£20,259,000
Leisure	Leisure	£0	£937,000
		£4,645,000	
VHC purchased Feb 2019		£924,000	
Total		£5,569,000	£21,196,000

33. Investments held under Gryllus Holdings are reported separately.
34. Income from Investment Property

	31 st March 2019	31 st March 2020 (expected)
Income	£225,500	£1,143,000

Funding and Financial Performance of the portfolio

35. The Council will fund investment property acquisitions by utilising the most appropriate and efficient funding strategy available at the time of purchase. The Council has the option of utilising long term prudential borrowing, capital receipts or reserves. Financing decisions will link to the Council's Capital & Investment Strategy and Treasury Management Strategy.
36. All new acquisitions are to achieve an appropriate positive return net of borrowing and other costs associated with the acquisition.
37. Separate accounts are to be kept for income and expenditure in connection with investment property and are to be included in the annual report to the Strategy & Resources Committee.

38. Key Indicators have been adopted to monitor performance of the portfolio. Performance will be reported against the following indicators along with a property market narrative:

- A) Total Return – the annual increase in capital value plus income expressed as a percentage of the previous year’s capital value (adjusted to include purchases).
- B) Effective Return – total return receivable less costs expressed as a percentage of the previous year’s capital value
- C) Growth in Asset Value – Percentage increase per year
- D) Income Growth – Percentage increase in gross income per year.
- E) Vacancy Rate – Expressed as a percentage and number of vacant units compared with total number of units. This will also be expressed in terms of lost rental. Void periods are factored into financial appraisals as part of the assessment criteria.

	2018/19	2019/20
A) Total Return	N/A	6.42%
B) Effective Return	N/A	3.31%
C) Growth in Asset Value	N/A	281%
D) Income Growth	N/A	407%
E) Vacancy Rate	N/A	No Vacant buildings. Quadrant House is 33% vacant

39. In addition to property specific performance indicators are quantitative indicators that will be reported within the Council’s Capital & Investment Strategy and Treasury Management Strategy to allow Councillors and the Public to assess a local authority’s total risk exposure as a result of commercial property investment decisions.

40. *The operating cost of the Council’s internal Strategic Asset Management Team excluding the Housing Development Specialists is projected to be £201,823 for the year 2019/20. (£149,948 - 2018/19).* The costs reflect the cost of managing the Council’s entire property portfolio and *functions*, not just the assets acquired under this Commercial Property Investment Strategy. Additional costs may be incurred as a result of the purchase of Commercial Investment Properties. Any such costs will be factored into the financial appraisals as part of the purchase assessment to ensure that anticipated net rates of return are achieved.

Investment Evaluation Criteria

41. As with other forms of investment at the most basic level, property investment is a trade-off between risk and return. A traditional well diversified property portfolio (spread across different property sectors and geographical regions) will deliver long-term rental and capital growth with relatively low risk.
42. Prime property in the target region covered by this strategy will typically provide an initial yield of between 4.5 –7% with the additional prospect of capital growth leading to a higher total return to the Council. Equivalent /Income yields over longer periods will also be reported.
43. The four main property sectors will be included (industrial, office, retail and leisure) and in turn, these will be additionally diversified on criteria including location, the lease term and lot size. This will assist in protecting the councils overall risk return profile should an individual property investment cease to be income producing (for example, it is undergoing refurbishment or awaiting a new tenant)
44. The following Criteria are to be used to make decisions on acquiring new investment properties:
 - a. **Location** – Property is categorised as prime, secondary or tertiary in terms of its location desirability. For example, a shop located in the best trading position in the town would be prime, where as a unit on a peripheral neighbourhood shopping parade would be considered tertiary.
 - b. **Tenant covenant** – the financial strength of a tenant determines the security of the property is rental income. A financially weak tenant increases the likelihood that the property will fall vacant. The minimum acceptable financial strength for any given tenant will be determined through financial appraisal of company accounts and the use of appropriate methods of risk assessment and credit scoring. To minimise management and risk, the preference will be for single occupancy investments wherever possible.
 - c. **Lease terms** – the lease is to be free from unencumbered/onerous terms. The lease must have mechanisms for the rent to be periodically reviewed to take into account inflation and upward market movement.
 - d. **Occupational lease length** – the lease term will determine the duration of the tenant’s contractual obligation to pay rent. The most attractive investments offer a long lease with a strong tenant covenant. The lease term will reflect any tenant break clause.
 - e. **Building quality** – a brand-new or recently refurbished building will not usually require capital expenditure for at least 15 years. This is attractive for income investors requiring long-term rental income with a minimum of ongoing capital expenditure.
 - f. **Tenure and Title** anything less than a freehold acquisition will need to be appropriately reflected in the price. The legal title is required to be clean and free from any onerous conditions.
 - g. **Tenant repairing obligations.** – Under a full repairing and insuring lease (FRI), the tenant is responsible for the building’s interior and exterior maintenance/repair. The obligation is limited to the building’s interior under an internal repairing and insuring lease (IRI). The preference will be to favour FRI terms (or FRI by way of service charge i.e. all costs relating to occupation repairs are born by the tenants administered through a service charge.
 - h. **Lot size** – to maintain portfolio balance the preference will be for no single property to exceed £25 million for a single let property.

In addition it must -

- a. Have passed a **building and plant survey**
- b. Show a **positive return** after making allowance for financing costs, borrowing repayments and other associated costs.
- c. Be supported by an Independent **RICS Red Book Valuation**
- d. Be accompanied by a **full business case report** prepared by the Head of Strategic Asset Management and other officers where relevant.

Each potential property investment will undergo a quantitative and qualitative appraisal and risk assessment to establish portfolio suitability and the legal and financial implications of the purchase.

All due diligence findings will be included in the reporting procedure. The business case is to include reference to all areas above, the financial modelling, a risk assessment matrix and SWOT analysis.

An investment opportunity that does not meet the minimum criteria and investment criteria may have separate investment or regeneration benefits and therefore may be considered separately under the regeneration and development stream of the strategy.

For a regeneration or development opportunity to be considered by the council it must:-

- a. Deliver a rate of return commensurate with the deemed level of risk associated with the investment. The financial returns from regeneration activities may be capital rather than revenue. If the returns are capital all the full costs will be capitalised.
- b. Be accompanied by a full business case prepared by the Head of Strategic Asset Management and other officers where relevant.

45. Some of the above criteria may be relaxed if the property is of strategic value to the Council and or it has gained Strategy & Resources Committee Approval.

ANNEX 2

ANNEX 2

Acquisition and Disposal Procedure**Acquisition Procedure**

46. Acquisition of new investment properties is to follow the following process:

Activity	Acquisition Stage and Timeline Guide
a) Property identified as a potential investment by Asset Management or by Agents	Initial Review 2 to 3 weeks
b) <i>Property to be discussed with in house Legal team for initial review</i>	
c) Head of Strategic Asset Management to notify Chief Executive and the Investment Property Group (includes Head of Legal & Head of Finance) of potentially suitable property and summarise to seek views	
d) If possible obtain desktop valuation from suitably qualified and experienced Valuer	
e) Review the valuation against the cost of Borrowing with Finance	
f) Finance to undertake search of tenant to ascertain the company's current financial status	
g) Finance to produce initial financial appraisal	
h) Head of Strategic Asset Management to instruct / appoint external agent to carry out RICS Red Book valuation	
i) Make offer for property, subject where appropriate to any of the following: <ul style="list-style-type: none"> • Contract • Approval by Chief Executive, or relevant Committee • <i>RICS Red Book valuation carried out by external Registered Valuer (independent of introducing Agent)</i> • Searches • Legal due diligence to include receipt and analysis of all leases to determine landlord's financial obligations • Disclosure of freehold title and review to ensure clear of any onerous restrictions. • Pre-acquisition survey by chartered building surveyor to include, if appropriate, structural, mechanical and electrical survey • Internal inspection • Energy Performance Certificate • Disability Discrimination Assessment if appropriate • Environmental desktop study if search suggests one is appropriate • Asbestos Survey • Resolution of any TUPE transfer implications • VAT 	Under Offer 3 to 4 weeks

- Insurance requirements
- Tax implications

- j) Instruct legal services to deal with contract documentation
- k) If appropriate based on any of the above, propose adjustment to purchase price to reflect the monetary value of any issues discovered.
- l) Complete any outstanding surveys/ M&E reports and resolve all contractual matters before exchange Exchange
1-2 weeks
- m) Complete TDC Strategic Asset Management Acquisition Checklist
- n) Complete full Business Case for approval in accordance with Financial Regulation 17.
- o) Following agreement of terms and before instructing exchange of contract prepare Record of Officer Delegated Decision Notice and advise Leader of the Opposition and Ward Councillors if located in the District prior to publication date
- p) Arrange for transfer of funds
- q) Arrange Insurance Cover
- r) Exchange Contracts, if not simultaneous with Completion
- s) Complete purchase. All Documents and Management handed over to Asset Management to take forward as appropriate. Completion
1 day

47. Newly purchased property acquired under this strategy would be added to the existing portfolio. The Asset Management Team would undertake management to maintain and improve the performance of an investment property; or additional specialist resources may need to be brought in as required.

Disposal Procedure

48. Properties will be considered for sale based on their performance and fit for the portfolio.

49. Any property considered for sale should be appropriately marketed. If an off-market approach is made and considered the property would not be sold unless in excess of an independent Red Book Valuation to support such a decision

50. A property will be disposed of in accordance with the Financial Regulations of the Council's Constitution and in line with the Delegated Authority provisions in place. The Head of Strategic Asset Management will make recommendations to the Strategy & Resources Committee and in accordance with officer delegated powers.

~~51. The Strategy & Resources Committee delegates the Freehold Disposal of assets in the General Fund worth less than £250,000 to the Chief Executive in consultation with the Chair of the Finance Committee. Leasehold disposals between 16 and 99 years at a rental of up to £75,000 per annum and to a maximum lease length of 16 years if the rental is above £75,000 are also delegated to the Chief Executive Officer and Chair of the Strategy & Resources Committee (Part E Finance Committee, section 2(ii) and (iii) and 3(vi) and (vii)).~~

Summary of Investments and Borrowing

Investment	Investment Amount at 31/12/2019	Net Asset Value at 31/12/19	Yield Rate Note 1	Yield to 31/12/19 Note 2	Estimated Annual Return 2019/20 at 31/03/2020	2018/19 Actual
	£	£	%	£	£	£
Non - Specified (Financial Investments)- Long Term (over 12 mths)						
CCLA Property Fund	4,000,000	4,302,769	4.34	93,356	186,700	183,989
Schroders Bond Fund	3,000,000	2,934,878	4.60	67,508	135,000	120,508
UBS Multi Asset Fund	3,000,000	2,957,787	3.93	33,712	116,200	116,513
Funding Circle	2,000,000	2,020,435	3.90	59,402	78,800	98,171
CCLA Diversification Fund	2,000,000	2,074,392	3.20	34,329	66,400	67,030
Sub Total Non-specified (Financial Investments)	14,000,000	14,290,261		288,306	583,100	586,211
Non - Specified (Non-Financial Investments)- Long Term (over 12 mths)						
Gryllus Property Company Loan - Maidstone	2,394,000	2,394,000	5.81	0	139,100	139,023
Tandridge Leisure Ltd- Refurbishment Loan (TTLC)	22,000	22,000	3.75	1,459	1,300	1,222
Freedom Leisure- Loan (TLP)	1,017,000	1,017,000	5.50	47,944	63,926	74,580
Freedom Leisure- Loan (de Stafford)	652,750	682,786	7.58	42,345	56,460	65,870
Caterham Barracks Note 4	0	0	7.58	21,774	21,774	9,627
Gryllus Property Company Loan - 80-84 Station Rd East	945,000	945,000	5.81	0	54,900	0
Gryllus Property Company Loan - Castlefield	11,662,500	11,662,500	6.10	0	207,500	0
Gryllus Property Company Share Capital Note 3	5,317,500	5,317,500	-	-	-	0
Sub Total Non-specified (Non-Financial Investments)	22,010,750	22,040,786		113,522	544,960	290,322
Total Non-Specified Investments	36,010,750	36,331,047		401,828	1,128,060	876,533
Specified Investments-Short Term (less than 12 mths)						
Banks/Building Societies Deposits	0	-	1.03	6,381	6,000	19,779
Notice Accounts	4,000,000	4,033,963	0.84	14,903	19,800	19,895
Money Market Funds	9,355,000	8,088,235	0.68	45,935	55,000	44,483
Total Specified Investments	13,355,000	12,122,198		67,219	80,800	84,157
Total Non- Specified and Specified Investments	49,365,750	48,453,245		469,047	1,208,860	960,690
Total Investment Income Budget 2019/20					975,900	
Over/(under) budget					232,960	

Borrowing	Loan Amount	Estimated Average Borrowing	Interest	Expenditure to 31/12/19	Estimated Annual Cost 2019/20 at 31/03/2020
	£	£	%	£	£
General Fund Borrowing					
Gryllus Loan	3,420,000	3,420,000	2.46	63,099	84,100
Freedom Leisure Loan	2,225,000	2,225,000	2.45	40,884	54,500
Village Health Club	938,678	938,678	2.38	16,755	22,300
Linden House	4,175,000	4,175,000	2.69	84,231	112,300
Linden House	254,000	249,100	2.42	4,610	6,000
Quadrant House	15,340,000	15,340,000	2.41	277,271	369,700
Quadrant House	800,000	784,700	2.28	13,680	17,900
Gryllus - 80-84 Station Road	724,400	710,500	2.28	12,387	16,200
Gryllus - Castlefield	15,549,000	4,728,600	2.91	24,793	137,600
Sub Total General Fund Borrowing	43,426,078	32,571,578		537,710	820,600
HRA Borrowing					
Public Works Loan Board	61,189,000	61,189,000	2.76	1,266,450	1,688,600
Sub Total HRA Borrowing	61,189,000	61,189,000		1,266,450	1,688,600
Total Borrowing	104,615,078	93,760,578		1,804,160	2,509,200

Notes

1. Yield Rate

CCLA Property Fund dividend yield Dec 19 provisional provided by CCLA 4.33%
Schroders Strategic Credit Fund Fact sheet on Schroders.co.uk current yield as at 30 Nov 2019 4.6%
UBS distribution yield latest per UBS Fact Sheet (Nov 19)
CCLA Diversified Fund dividend yield Sept 19 - 3.2% provided by CCLA
Funding Circle yield based on net earnings to 31 Dec 2019 per Funding Circle statement

2. Yield to 31/12/19 include actuals received or notified of at this date - CCLA Property Fund, Diversified income Funds & Schroders all only have 2 quarters. UBS only 1 quarter as not received yet

3. Gryllus share capital comprises of equity shares arising from loans granted - no dividend will be paid in the current year

4. Caterham Barracks Community Trust repaid their loan 11th November 2019 - a early repayment charge of £9,545 is included in the yield figures

Market Value of Long Term Investments at 31/12/2019

Carrying Value	Carrying Value 31.3.2017	Carrying Value 31.3.2018	Carrying Value 30.6.2018	Carrying Value 30.9.2018	Carrying Value 31.12.2018	Carrying Value 31.3.2019	Carrying Value 30.6.2019	Carrying Value 30.9.2019	Carrying Value 31.12.2019
CCLA Property Fund	£ 4,000,000	£ 4,000,000	£ 4,000,000	£ 4,000,000	£ 4,000,000	£ 4,000,000	£ 4,000,000	£ 4,000,000	£ 4,000,000
Schroders Bond Fund	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
UBS Multi Asset Fund	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
CCLA Diversification Fund	n/a	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total	10,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000

Market Value	Market Value 31.3.2017	Market Value 31.3.2018	Market Value 30.6.2018	Market Value 30.9.2018	Market Value 31.12.2018	Market Value 31.3.2019	Market Value 30.6.2019	Market Value 30.9.2019	Market Value 31.12.2019
CCLA Property Fund(mid-market value)	£ 4,082,986	£ 4,276,854	£ 4,299,512	£ 4,300,362	£ 4,369,186	£ 4,276,005	£ 4,346,669	£ 4,302,769	£ 4,302,769
Schroders Bond Fund	2,963,563	2,912,837	2,908,609	2,891,399	2,825,575	2,865,130	2,910,421	2,873,584	2,934,878
UBS Multi Asset Fund	3,018,705	2,918,160	2,895,094	2,905,148	2,777,398	2,868,479	2,916,977	2,927,623	2,957,787
CCLA Diversification Fund(indicative market value)	n/a	1,921,257	1,972,126	1,990,756	1,913,197	1,982,167	2,032,111	2,049,420	2,074,392
Total	10,065,254	12,029,108	12,075,341	12,087,665	11,885,356	11,991,781	12,206,179	12,153,396	12,269,826

Surplus/(Deficit)	Surplus/ (Deficit) 31.3.2017	Surplus/ (Deficit) 31.3.2018	Surplus/ (Deficit) 30.6.2018	Surplus/ (Deficit) 30.9.2018	Surplus/ (Deficit) 31.12.2018	Surplus/ (Deficit) 31.3.2019	Surplus/ (Deficit) 30.6.2019	Surplus/ (Deficit) 30.9.2019	Surplus/ (Deficit) 31.12.2019
CCLA Property Fund	£ 82,986	£ 276,854	£ 299,512	£ 300,362	£ 369,186	£ 276,005	£ 346,669	£ 302,769	£ 302,769
Schroders Bond Fund	(36,437)	(87,163)	(91,391)	(108,601)	(174,425)	(134,870)	(89,579)	(126,416)	(65,122)
UBS Multi Asset Fund	18,705	(81,840)	(104,906)	(94,852)	(222,602)	(131,521)	(83,023)	(72,377)	(42,213)
CCLA Diversification Fund	n/a	(78,743)	(27,874)	(9,244)	(86,803)	(17,833)	32,111	49,420	74,392
Total	65,254	29,108	75,341	87,665	(114,644)	(8,219)	206,179	153,396	269,826

* Data not available from fund manager

	31-Dec-2019	
	Yield 19-20 31.12.2019	Yield 19-20 31.12.2019
	£	%
CCLA Property Fund	186,700	4.34%
Schroders Bond Fund	132,200	4.50%
UBS Multi Asset Fund	116,200	3.93%
CCLA Diversification Fund	67,800	3.27%
Total	502,900	

	31-Dec-2019	
	Surplus/ (Deficit) 2019/20	Surplus/ (Deficit) 2019/20
	£	%
CCLA Property Fund	(66,417)	-1.54%
Schroders Bond Fund	109,303	3.72%
UBS Multi Asset Fund	180,389	6.10%
CCLA Diversification Fund	161,195	7.77%
Total	384,470	

	31-Dec-2019	
	Net Yield 2019/20	Net Yield 2019/20
	£	%
CCLA Property Fund	120,283	2.80%
Schroders Bond Fund	241,503	8.23%
UBS Multi Asset Fund	296,589	10.03%
CCLA Diversification Fund	228,995	11.04%
Total	887,370	

Gross Revenue Yield	2016/17		2017/18		2018/19	
	Yield 2016/17	Yield 2017/18	Yield 2017/18	Yield 2018/19	Yield 2018/19	Yield 2019/19
	£	£	£	£	£	£
CCLA Property Fund	164,434	193,758	183,989	4.30%	4.30%	4.30%
Schroders Bond Fund	127,340	105,413	120,508	3.62%	4.21%	4.21%
UBS Multi Asset Fund	100,600	146,788	116,513	5.03%	4.06%	4.06%
CCLA Diversification Fund	n/a	62,732	67,030	3.27%	3.38%	3.38%
Total	392,375	508,691	488,040			

Surplus/(Deficit)- Capital Value	2016/17		2017/18		2018/19	
	Surplus/ (Deficit) 2016/17	Surplus/ (Deficit) 2017/18	Surplus/ (Deficit) 2018/18	Surplus/ (Deficit) 2018/19	Surplus/ (Deficit) 2018/19	Surplus/ (Deficit) 2019/19
	£	£	£	£	£	£
CCLA Property Fund	(92,996)	193,868	(849)	-0.02%	-0.02%	-0.02%
Schroders Bond Fund	16,634	(50,726)	(47,707)	-1.74%	-1.67%	-1.67%
UBS Multi Asset Fund	36,559	(100,545)	(49,681)	-3.45%	-1.73%	-1.73%
CCLA Diversification Fund	n/a	(78,743)	60,910	-4.10%	3.07%	3.07%
Total	(39,803)	(36,146)	(37,327)			

Net Yield	2016/17		2017/18		2018/19	
	Net Yield 2016/17	Net Yield 2017/18	Net Yield 2018/19	Net Yield 2018/19	Net Yield 2018/19	Net Yield 2019/19
	£	£	£	£	£	£
CCLA Property Fund	71,438	387,626	183,140	9.06%	4.28%	4.28%
Schroders Bond Fund	143,974	54,687	72,801	1.88%	2.54%	2.54%
UBS Multi Asset Fund	137,159	46,243	66,832	1.58%	2.33%	2.33%
CCLA Diversification Fund	n/a	(16,011)	127,940	-0.83%	6.45%	6.45%
Total	352,572	472,545	450,713			

Peer to Peer Investment

Funding Circle	2016/17		2017/18		2018/19		31-Dec-2019	
	2016/17	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20	2019/20
	£	£	£	£	£	£	£	%
Carrying Value	2,003,355	2,075,341	2,056,664		2,020,435			
Interest Paid by Borrowers	181,892	181,014	184,654		144,565			
Less FC Service fee	(19,121)	(19,668)	(19,729)		(14,763)			
Promotions/Transfer payment					363			
Bad Debts	(58,163)	(61,288)	(111,152)		(94,893)			
Recoveries	8,219	14,780	27,428		24,130			
Amounts Recovered on principal in prior years (prior to 06.04.15)	0	0						
Net Yield	112,827	114,838	81,201		59,402			2.94%
Provisions for future losses	0	0	(10,000)					

Tandridge District Council

Strategy and Resources Committee

1. Statement of investment beliefs

Assets

1.1 There are 3 pools of assets which have different objectives and constraints -

- *Short-term Pool*: short-term cash management, representing monies that need to be available for immediate funding needs of the Council, typically up to a period of 1 year.
- *Medium-term Pool*: where funds are not immediately required but may be required over a 1 to 5 year period. These investments will achieve a return of approximately cash base rate plus 2% as an indicative target.
- *Strategic Investment Pool*: where funds can be invested for the long term (greater than 3 years), to deliver returns in real terms, aiming to achieve additional revenue to support front line services of the council. These investments will seek to achieve the prevailing consumer price inflation (CPI) rate plus 3%.

Aims

1.2 The 3 pools have different aims. In the list above –

- *Short-term pool*: represents short-term liquid assets, which are invested to provide immediate liquidity. To manage risk, these assets are held in a way that achieves a measure of diversification. Where appropriate and after member input, the officers will from time to time investigate whether there is any possibility to move some of these funds into the medium term pool in the search for additional returns.
- *Medium-term pool*: is aimed at preserving the value of the funds in real terms in the medium term, assumed to be 1 to 5 years. Pure equity investment would generally not be an appropriate form of investment for the medium-term pool, but balanced portfolios incorporating an equity element may be appropriate.
- *Strategic Investment pool*: is aimed at preserving the value of funds in real terms in the medium to long term, while achieving revenue well in excess of the borrowing costs for the council. These investments will mainly be financed through external borrowing. Such investments may be very long term in nature and it is recognised that liquidity will be restricted. Timing of purchases and disposals is vital to preserve fund value.

Key beliefs

1.3 The aims for each pool are the key drivers for asset allocation

1.3.1 Of the three pools of assets referred to above:

- *The Short-term pool* is roughly matched to immediate or very short-term cash requirements. Therefore, the nominal value and liquidity must be preserved.
- *Medium-term pool* has no specifically defined liabilities. The prime aim is capital preservation in real terms to achieve an enhanced return over 1–5 years.
- *Strategic Investment pool* represents long-term assets and any investment strategy must seek at least to maintain the value of these assets after allowing for inflation, as well as to generate revenue in excess of the loan interest cost plus the minimum revenue provision (MRP). It is acknowledged that this cannot be achieved without accepting some risk. Where there is some conflict between any of these aims, the need to generate income exceeding the loan rate plus Minimum Revenue Provision (MRP) for the specific investment will be paramount.

1.4 Asset allocation is the main driver of performance

1.4.1 We believe that the performance of investment markets is the dominant aspect of investment.

1.4.2 Attempting to “time” markets is rarely successful as market timing introduces risk, without the expectation of return, so variations in asset allocation will be driven by other considerations rather than tactical return generation. These considerations as determined in the over-arching Treasury Management Strategy includes factors such as; credit risk, counter-party strength, security, liquidity and yield as well as interest rate risk and inflation. Asset allocation in multiple classes will also be a factor.

1.5 Costs matter and need to be managed in order to achieve value for money

1.5.1 Costs can materially impact the long-term value of the investment portfolio and are an important component in assessing different investment strategies and the managers appointed to invest Council assets. This does not necessarily imply that costs need to be minimised: there are often circumstances when paying extra costs will be more than compensated by rewards.

1.5.2 Careful management of costs is important in achieving the highest quality of returns on all our portfolios.

1.6 Investment decisions should reflect wider stakeholder views

1.6.1 Our stakeholders, including local residents, expect the Council to follow the highest ethical standards in all its activities. Strategy & Resources Committee members will therefore act in accordance with the Committee on Standards in Public Life’s seven principles of public life, namely selflessness, integrity, objectivity, accountability, openness, honesty and leadership. We expect the investment professionals we deal with to act in a similar manner.

1.6.1 We are always conscious that we are investing public money and we will be sensitive to the ethical considerations of local residents.

1.7 Investment goals and performance measures need to be clearly articulated to ensure accountability

1.7.1 A key measure of success is the delivery of investment performance. It is important that the investment goal and the performance measures used are clearly set out to ensure full accountability, in accordance with the aims of each pool, which are respectively liquidity, capital preservation in capital terms and capital preservation in real terms with yields in excess of borrowing costs including MRP as appropriate.

1.8 Risk is multi-faceted and complex

- 1.8.1 The only investment opportunities that provide no “risk” in the sense of no possibility of unexpected negative outcomes are those that will provide negative inflation-adjusted returns. It is therefore necessary to accept some risk if positive inflation-adjusted returns are to be achieved.
- 1.8.2 A selection of appropriate performance measures will allow visibility that adequate compensation for risk taken has been achieved.

1.9 A long-term investment horizon is an advantage and a responsibility

- 1.9.1 The long-term horizon for the Strategic Investment pool brings with it the responsibility to take an appropriately long-term approach to assessing the success or otherwise of investment strategies and the advisers hired to implement our strategies.
- 1.9.2 The Strategic Investment pool and (to a lesser extent) medium-term pool have long to medium horizons which provide additional investment opportunity. This potentially allows the acceptance of less liquidity on a portion of assets. This may include extended periods of underperformance due to the long term nature of investments in the context of the aims described at 1.2.

1.10 The Strategic Investment pool will mainly invest in property

- 1.10.1 Given the constraints that apply to Local Councils, most of the Strategic Investment pool will be invested in property.
- 1.10.2 The first priority for investment will be property within the District boundary, a secondary priority will be for property outside of the District as long as this is within accepted guidelines for Local Council property investments.
- 1.10.3 When making investments the Strategy & Resources Committee will have regard to other economic and social benefits for the residents of Tandridge District.

1.11 Investment strategies and complexity need to be consistent with the governance resources available

- 1.11.1 One of the most significant constraints on investment strategy is the level of governance resources available. The complexity of strategies employed needs to be consistent with the resources available to manage them. In practice, this will normally mean that simple solutions will be preferred to complex ones unless there is a compelling reason to contemplate the complexity: this will normally be driven by a conviction that there are significant additional returns to be achieved and obtaining suitable outside professional advice to support this conviction.

2. What funds are available for investing?

- 2.1 In determining the allocation of funds to each of the 3 pools (short, medium-term and Strategic Investment pool), the Strategy & Resources Committee will, on a regular basis, consider relevant budgets, cash flow forecasts and other medium term financial projections. The main allocation will be the annual budget setting process.

- 2.2 Allocation of funds on this basis will normally be reviewed on at least, an annual basis, to tie in with relevant financial projections and quarterly reports from external investment advisers.
- 2.3 In terms of the allocation process for the medium term pool, the Strategy & Resources Committee will have the authority to select investments in line with our investment beliefs. For investments through Gryllus, these will be in accordance with the company's individual investment objectives as an entity.

3. Risk Management

- 3.1 We will be proactive in looking at risk including assessing this in terms of the risk framework set out in both the Asset (Capital) Investment and the Treasury Management Strategy. These strategies will be approved annually by Council and will be updated as necessary to cover risk including credit risk, counter-party risk, timing risks around purchasing and disposing of strategic assets; and the over-riding public sector investment principle of security and liquidity over yield.
- 3.2 Counter parties will only be selected with acceptable credit ratings from the three main rating agencies: Fitch Ratings Ltd, Moody's Investor Service inc and Standard and Poor's Financial Services LLC.
- 3.3 In respect of actual investment performance and having taken any external advice considered appropriate, the Council will monitor and review performance benchmarks relevant to each investment pool and in accordance with the recommended CIPFA Investment Code of Practice.
- 3.4 The Council will approve an annual Treasury Management Strategy (TMS) which will be approved annually by Council and incorporated within the Budget Book and Medium Term Financial Strategy (MTFS).

4. Review

- 4.1 This Statement of Investment policy was approved by the Strategy & Resources Committee on 22 November 2018 and if approved, be reviewed by Strategy & Resources Committee in November 2019.

TANDRIDGE DISTRICT COUNCIL - PAY POLICY STATEMENT 2020/21

1. Introduction

This Pay Policy Statement provides the framework for decision making on pay and, in particular, senior pay. Preparing and publishing this statement is a requirement under the Localism Act 2011.

Tandridge District Council (TDC) is required to publish an annual statement which has been approved by full Council. The information is set out under headings which have been prescribed by the Localism Act and relates to the 2020/21 financial year unless otherwise stated.

2. Background

- The Council is opted out of the terms and conditions of employment operated by the National Joint Council (NJC) for Local Government Services and has local terms and conditions of employment.
- The local pay scales cover all employees of the Council (including Chief Officers).
- As required by law, the Council auto enrols all eligible employees into a pension scheme - the Local Government Pension Scheme (LGPS).
- Relative to most other parts of the country, the district is expensive to move to and live in.
- Competition for some specialist posts remains high nationally with our neighbouring Local Authorities competing for the same skills and experience.

3. Definitions

For this Policy the following definitions will apply:

3.1 Pay

The term 'Pay' in addition to salary includes overtime, fees, allowances, benefits in kind, increases in or enhancements to pension entitlements, merit payments, retention payments, redundancy payments, honorariums and termination payments.

3.2 Chief Officer

The Council's senior management team consists of 17 officer roles; 5 of whom are Chief Officers for the purposes of this policy statement, under the definition in the Localism Act 2011 and Local Government and Housing Act 1989:

- Head of Paid Service (Chief Executive Officer)
- Statutory Officer, Monitoring Officer (Head of Legal Services)
- Statutory Officer, Section 151 Officer (Chief Finance Officer)
- Non-Statutory Officer, reporting to Head of Paid Service (Director of People)
- Non-Statutory Officer, reporting to Head of Paid Service (Director of Place)
- Non-Statutory Officer, reporting to Head of Paid Service (Strategic Director of Resources)

3.3 Lowest paid employees

The lowest paid staff employed under a contract of employment with the Council are employed on full time (37 hours) equivalent salaries in accordance with the minimum spinal column point currently in use within the Councils grading structure (TC2) which is set at the National Living Wage. With effect from January 1, 2020 this was £17,364 per annum (£9 per hour).

The Council also employs apprentices and trainees who are not included within the definition of lowest paid employees as they are employed under the terms and conditions and pay rates applicable to the relevant career grade scheme. All salaries of these employees are set at or above the National Minimum Wage.

4. Level and elements of remuneration for Chief Officers

All staff are employed on a TDC contract of employment and therefore subject to PAYE. All staff are on local conditions and the pay and reward structure applies to all. The Council has a salary and grading structure (pay scales) for all staff which includes the grades and salaries applicable to Chief Officers. The grade allocated to a post is determined by the duties, level of responsibility and competencies required as outlined in the job description and person specification. The authority has a Grading Scheme which is used to evaluate the grade of posts.

In addition to basic pay all officers receive the following benefits:

- If the officer is a member of the LGPS, the agreed employers contribution (currently 15.9% of gross salary plus any other pensionable pay).
- A business mobility allowance which is paid in monthly instalments. The amount paid is linked to the mileage travelled whilst carrying out the council's business on a three-tier scale and is reviewed annually on a three-year rolling basis. Employees pay tax and national insurance on this allowance.
- All other employees are entitled to claim a casual mileage allowance when travelling on council business.
- Access to a Cashplan scheme. Employees pay tax on this benefit.
- Access to an Employee Assistance Programme (EAP).
- Payment of an annual subscription to one professional institution where this has a clear benefit or is a requisite for the job. In some cases, if role specific, a maximum of two professional subscriptions may be reimbursed, at the discretion of the Head of HR.

5. Remuneration of Chief Officers on recruitment

TDC commitment is to pay appropriately to attract and retain competent and experienced senior staff to lead the organisation.

TDC policy is to appoint at the bottom of the salary scale, or near the bottom taking into account the relevant skills and experience of the person appointed. Progression through the grade, subject to satisfactory performance, is on an annual basis each April until the top of grade is reached.

As outlined in the Council's Constitution, Chief Officers (definition in 2.2 above refers) are appointed by the Chief Officer Sub-Committee (COSC), following recommendations from the Chief Executive, which then reports its decision to Council.

Appointments to the post of Chief Executive are made by the Council following recommendations made by the COSC.

6. Increases and additions to remuneration for Chief Officers

Cost of living pay increases, for all staff, are considered annually and determined through negotiation with Staff Conference, the forum with which Management negotiates and consults with on terms and conditions of employment and other staff related matters.

The Council operates a pay scheme whereby Chief Officers and staff can be awarded a single increment on the salary scale each April. This is dependent on satisfactory performance throughout the year as assessed by the line manager. Once an employee reaches the top of their salary scale there is no opportunity to move into the next grade.

Other salary increases can only be given as a result of change in duties and/or responsibilities and any other circumstances which are formally submitted by the Line Manager to the 151 Officer and Head of HR for consideration. These will only be approved in line with the organisational pay policy.

Incremental and cost of living increases are normally paid with effect from the 1st April each year.

7. The use of performance related pay for Chief Officers

Increases in pay for Chief Officers are subject to the process described in paragraph 5 above except that the Chief Executive's performance is assessed by the Leader, Deputy Leader and Chair of the Strategy and Resources Committee.

8. The approach to the payment of Chief Officers on their ceasing to hold office or to be employed by the authority

TDC Management of Organisational Change Policy sets out a consistent method of calculating redundancy pay which is applied to all redundant employees. The current level of enhanced redundancy pay is calculated using the statutory system with a multiplier of 1.5 and no cap on weekly earnings. The payment is intended to recompense employees for the loss of their livelihood and provide financial support whilst they seek alternative employment and may be reviewed and adjusted at any time.

Discretionary payments made to officers on **senior management grades** (SM1 and above) to which they are contractually entitled must be authorised by the Strategy and Resources Committee.

TDC Management of Organisational Change and Retirement Policies set out how we will calculate any payments made to support early retirement in the efficiency of the service. Where it is proposed to grant early retirement with no actuarial reduction in the pension payable in respect of a person on a **senior management grade**, this must be authorised by the Strategy

9. The publication of and access to information relating to remuneration of Chief Officers

TDC annual pay policy statement and the pay scales for all staff are published on the Council's website where it can be easily accessed. Information about Chief Officer remuneration has been published since 2008/09 as part of the Final Statement of Accounts.

10. Pay multiple (ratio) between bottom and top staff

TDC defines the lowest paid employees as those that are on the second grade (TC2) of the pay scales. The lowest salary being paid to members of staff on the TC2 grade as at January 2020 was £17,364.

The Chief Executive's salary grade is SM4 on the Tandridge pay scales.

The Council pays all employees including Chief Officers, from the same incremental pay scale structure.

The pay multiple between the lowest paid (full time equivalent) employee and the Chief Executive is a ratio of 1:6.64.

The pay multiple between the median full time equivalent earnings and the Chief Executive is a ratio of 1:3.68 where all Council employees are taken into account.

The resulting ratios between the mean and median average earnings and the Chief Executive's salary, together with the ratio between the lowest and highest salary as at January 1, 2020 (with comparisons for the previous year) are:

	As at 1st January 2019	As at 2nd January 2020
Mean Average	1: 3.6	1:3.2
Median Average	1: 4.1	1:3.68
Lowest/Highest salary	1: 7.5	1:6.64

The Lowest/Highest salary ratio of 1:6.64 is well within the maximum ration of 1:20 identified as a maximum pay multiple in the Hutton Review of Public Sector Pay.

Details of the remuneration paid to all members of the Council Leadership Team can be found in the Council's annual statement of accounts.

11. Components of Employee reward package

Our total reward package for all employees (including Chief Officers) includes pay, Local Government Pension Scheme employer contribution, enhanced holiday entitlement (in excess of statutory requirements), enhanced sick pay (in excess of statutory requirements), basic level healthcare scheme, eye test vouchers and agile/flexible working benefits.

All employees can take advantage of several salary sacrifice schemes including Childcare Vouchers and the Cycle to Work scheme, and benefit from discounts on shopping, entertainment, and holidays through the employee benefits schemes.

12. Election fees (See Annexe A)

Fees for local elections vary according to the size of the electorate and number of postal voters and are calculated according to a scale of fees set on a Surrey wide basis for all eleven Districts and Boroughs, as outlined in Annexe 'A'. Payments for parliamentary elections and national referendums are set by central government and are not borne by the Council as the money is reclaimed. These payments are not included in the calculation referred to in paragraph 9 above.

13. Policy on employing someone who has left the Council's employment.

Employees who leave the Council voluntarily without a severance payment are free to apply for jobs that are advertised at their discretion.

Employees who leave the Council with a redundancy payment and no enhancement and subsequently apply and are successful for a position within the Council must repay any redundancy payment, if the appointment is within a month of their termination date.

If the appointment start date is longer than a month the employee can return to work in the position offered but in accordance with the Redundancy Modification Orders, will lose their contractual rights to have their continuous service recognised for all purposes.

Employees who leave the Council with an enhanced severance package will not normally be re-employed or engaged under a contract for services for a period of two years.

14. Policy on employing someone who is also drawing a pension

In line with our Retirement Policy we will consider requests from staff who wish to draw their pension but continue working in a reduced capacity. We would expect to see a reduction in salary through either reduced hours or responsibility which would generate at least £10,000 a year in savings.

Employees who leave the Council on ill-health retirement with the possibility of a return to work under the Local Government Pension Scheme Regulations or who are granted early retirement will be considered on a case by case basis depending upon the circumstances and having due regard to their termination package. The final decision on these cases will be made by the Chief Executive.

15. Policy on lowest paid

With effect from April 1, 2015 a commitment was made by Members that all staff, excluding apprentices and trainees, would be paid the UK National Living Wage and are therefore paid at or above the bottom point of the TC2 grade. All apprentices and trainees are paid at least the rate for 18-20 year olds under the National Minimum wage rates.

All jobs are evaluated against the Council's Grading Scheme Criteria to ensure that post holders are fairly paid for the duties they carry out.

16. Gender Pay Gap data

GPG data is published on the council website and refreshed on an annual basis to reflect the position as at the 31st March each year.

17. Equal pay

The Authority carries out an Equal Pay Audit from time to time which also helps to ensure that our pay and rewards for staff are fair and meet legislative and best practice requirements.

18. Exit Cap and Recovery Provisions

The UK Government intends to introduce Regulations that will impose a cap of £95,000 on exit payments for public sector workers. It also intends to develop regulations to enable the recovery of exit payments made to employees who leave the public sector and return within 12 months, although the timetable for these regulations is not as clear. The minimum salary to which the recovery provisions will apply is £80,000 per annum. If and when the UK Government introduces these Regulations, Council policies will be updated as appropriate to take this into account.

19. Equality and Diversity

The council is committed to ensuring that no-one is discriminated against, disadvantaged or given preference, particularly based on protected characteristics as defined in the Equality Act 2010.

This policy will be applied equally to all employees.

Part A	FEES (per Electoral Division, Ward, Parish or Parish Ward) – Maximum amounts for services as Returning Officer or County DRO Calculated by using CBZX 12 month rolling index on National Statistics website	2020/21 £
1	<p>(a) Separate County, Borough or Parish Elections:</p> <p>First 500 electorate 32.00 For every additional 500 electors, or part thereof 16.00</p> <p>(b) Combined County / Borough and Parish Elections:</p> <p>First 500 electorate (in combined part of area only) 43.00 For every additional 500 electors, or part thereof (in combined part of area only) 21.00</p> <p>Note: Where a combined fee is payable, that fee must be split between the areas. A total combined fee is not payable in each area.</p> <p>(c) Uncontested Election * 27.00</p> <p>* Fee applicable at by-elections for County / Borough or Parish Councillors or, at Ordinary Elections, when the election of Borough Councillors is contested but the election for the Parish or Parish Ward is uncontested.</p>	
2	<p>In each contested electoral area, for services in connection with the despatch and receipt of postal ballot papers:</p> <p>For first 100 postal voters 7.00 For each additional 75 postal voters or fraction thereof 6.00</p>	
3	<p>In each contested electoral area, for services in connection with the preparation and issue of Official Poll Cards (all types - Poll/Postal Poll/Proxy Poll/ Proxy Postal Poll):</p> <p>First 2000 poll cards 20.00 For every additional 250 poll cards, or fraction thereof 1.00</p>	
4	<p>At a contested by-election the total fee payable to the Returning Officer must be at least equal to the sum of the Presiding Officer and Count Assistant fees stated at B1(a) and B4(a)(i) respectively and the amount opposite</p>	90.00
5	<p>Max fee for training Presiding Officers and Poll Clerks per session (min 25 people at ordinary election. One session only at by-election if training deemed at necessary). This fee to be distributed direct to the Trainer(s).</p>	162.00

Part B	<p>Expenses of Returning Officer or County DRO for which maximum amounts are specified</p> <p>In no case shall a charge exceed the sum actually and necessarily payable or paid by the Returning Officer or County Deputy Returning Officer. Subject thereto the MAXIMUM charges shall be as follows:</p>	
1	<p>For the Presiding Officer at each Polling Station</p> <p>(a) at separate Borough or Parish Polls 260.00 (b) at combined Borough / Parish Polls 300.00</p> <p>Where at a polling place there is more than one polling station, the maximum recoverable amount in respect of one only of the presiding officers at the polling station at such a polling place is increased by 20.00</p> <p>Where a polling station is situated within the boundary of a District or Borough Council which adjoins a London Borough the fees in B1 (a) & (b) are increased by 40.00</p> <p>Max fee per session for training of Presiding Officers as necessary 43.00</p>	
2	<p>For each Poll Clerk at each Polling Station</p> <p>(a) at separate Borough or Parish Polls 145.00 (b) at combined Borough / Parish Polls 170.00</p> <p>NB Where a polling station is situated within the boundary of a District or Borough Council which adjoins a London Borough the fees in B2 (a) & (b) are increased by 40.00</p> <p>Max fee per session for training of Poll Clerks as necessary 43.00</p>	
3	<p>For the remuneration of persons employed in the despatch and receipt of postal ballot papers.</p> <p>(NB: If external contractors are used to prepare/despatch ballot paper packs then the total fee under this Head is to be reduced by 20%.)</p> <p>For each 100 postal ballot papers, or fraction thereof in each electoral area of the County / Borough / Parish 75.00</p>	
4	<p>For the remuneration for persons employed in connection with the count</p> <p>(a) Counting Assistants</p> <p>(i) For the first two hours or part thereof 52.00 (ii) For each additional hour or part thereof 14.00</p> <p>(b) Count Supervisors</p> <p>(i) For the first two hours or part thereof 75.00 (ii) For each additional hour or part thereof 24.00</p>	

	<p>(c) Senior Count Supervisors</p> <p>(i) For the first two hours or part thereof</p> <p>(ii) For each additional hour or part thereof</p>	<p>90.00</p> <p>30.00</p>
5	<p>For all Clerical and other assistance employed by the RO or DRO</p> <p>For each Electoral Division, Ward or Parish Ward:</p> <p>(a) Contested Elections: * County/Borough Councillors and Parish Councillors</p> <p>(i) Separate Polls</p> <p>First 500 electorate</p> <p>For every additional 500 electorate, or part thereof</p> <p>(ii) Combined Polls (County/Borough & Parish)</p> <p>First 500 electorate (in combined part of area only)</p> <p>For every additional 500 electorate, or part thereof (in combined part of area only)</p> <p>Note: Where a combined clerical fee is payable, that fee must be split between the areas. A total combined fee is not payable in each area.</p> <p>(b) Uncontested Elections *</p> <p>* Fee applicable at by-elections for County / Borough or Parish Councillors or, at Ordinary Elections, when the election of Borough Councillors is contested but the election for the Parish or Parish Ward is uncontested. The Fee is also applicable at Ordinary Elections where the Parish or Parish Ward is contested but the Borough Ward is uncontested.</p>	<p>35.00</p> <p>17.00</p> <p>46.00</p> <p>23.00</p> <p>28.00</p>