

NOTICE  
OF  
MEETING

# AUDIT AND GOVERNANCE COMMITTEE

will meet on

**THURSDAY, 20TH OCTOBER, 2022**

**At 7.00 pm**

In the

**COUNCIL CHAMBER - TOWN HALL, MAIDENHEAD AND ON [RBWM YOUTUBE](#)**

TO: MEMBERS OF THE AUDIT AND GOVERNANCE COMMITTEE

COUNCILLORS LYNNE JONES (CHAIRMAN), JULIAN SHARPE (VICE-CHAIRMAN),  
GURPREET BHANGRA, JOHN STORY AND SIMON BOND

SUBSTITUTE MEMBERS

COUNCILLORS SIMON WERNER, JOHN BOWDEN, GREG JONES, SHAMSUL SHELIM  
AND NEIL KNOWLES

Karen Shepherd – Head of Governance - Issued: 12<sup>th</sup> October 2022

Members of the Press and Public are welcome to attend Part I of this meeting. The agenda is available on the Council's web site at [www.rbwm.gov.uk](http://www.rbwm.gov.uk) or contact the Panel Administrator **Mark Beeley** 01628 796345 / [mark.beeley@rbwm.gov.uk](mailto:mark.beeley@rbwm.gov.uk)

**Recording of Meetings** – In line with the council's commitment to transparency the Part I (public) section of the virtual meeting will be streamed live and recorded via Zoom. By participating in the meeting by audio and/or video, you are giving consent to being recorded and acknowledge that the recording will be in the public domain. If you have any questions regarding the council's policy, please speak to Democratic Services or Legal representative at the meeting.

## AGENDA

### PART I

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE NO</u>
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2.	<u>DECLARATIONS OF INTEREST</u>  To receive any declarations of interest.	3 - 4
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4.	<u>ANNUAL GOVERNANCE STATEMENT ACTION PLAN UPDATE</u>  To consider an update on the action plan.	11 - 32
5.	<u>COUNCIL TRUSTS REPORT</u>  To consider and note the report.	33 - 50
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7.	<u>MID-YEAR TREASURY MANAGEMENT REPORT 2022/23</u>  To note and approve the Treasury Management Report for 2022/23.	75 - 92
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## MEMBERS' GUIDE TO DECLARING INTERESTS AT MEETINGS

### Disclosure at Meetings

If a Member has not disclosed an interest in their Register of Interests, they **must make** the declaration of interest at the beginning of the meeting, or as soon as they are aware that they have a Disclosable Pecuniary Interest (DPI) or Other Registerable Interest. If a Member has already disclosed the interest in their Register of Interests they are still required to disclose this in the meeting if it relates to the matter being discussed.

Any Member with concerns about the nature of their interest should consult the Monitoring Officer in advance of the meeting.

### Non-participation in case of Disclosable Pecuniary Interest (DPI)

Where a matter arises at a meeting which directly relates to one of your DPIs (summary below, further details set out in Table 1 of the Members' Code of Conduct) you must disclose the interest, **not participate in any discussion or vote on the matter and must not remain in the room** unless you have been granted a dispensation. If it is a 'sensitive interest' (as agreed in advance by the Monitoring Officer), you do not have to disclose the nature of the interest, just that you have an interest. Dispensation may be granted by the Monitoring Officer in limited circumstances, to enable you to participate and vote on a matter in which you have a DPI.

Where you have a DPI on a matter to be considered or is being considered by you as a Cabinet Member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it.

*DPIs (relating to the Member or their partner) include:*

- *Any employment, office, trade, profession or vocation carried on for profit or gain.*
- *Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses*
- *Any contract under which goods and services are to be provided/works to be executed which has not been fully discharged.*
- *Any beneficial interest in land within the area of the council.*
- *Any licence to occupy land in the area of the council for a month or longer.*
- *Any tenancy where the landlord is the council, and the tenant is a body in which the relevant person has a beneficial interest in the securities of.*
- *Any beneficial interest in securities of a body where:*
  - a) *that body has a place of business or land in the area of the council, and*
  - b) *either (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body or (ii) the total nominal value of the shares of any one class belonging to the relevant person exceeds one hundredth of the total issued share capital of that class.*

Any Member who is unsure if their interest falls within any of the above legal definitions should seek advice from the Monitoring Officer in advance of the meeting.

### Disclosure of Other Registerable Interests

Where a matter arises at a meeting which **directly relates** to one of your Other Registerable Interests (summary below and as set out in Table 2 of the Members Code of Conduct), you must disclose the interest. **You may speak on the matter only if members of the public are also allowed to speak at the meeting** but otherwise **must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation**. If it is a 'sensitive interest' (as agreed in advance by the Monitoring Officer), you do not have to disclose the nature of the interest.

*Other Registerable Interests (relating to the Member or their partner):*

*You have an interest in any business of your authority where it relates to or is likely to affect:*

- a) any body of which you are in general control or management and to which you are nominated or appointed by your authority*
- b) any body*
  - (i) exercising functions of a public nature*
  - (ii) directed to charitable purposes or*

*one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)*

### **Disclosure of Non- Registerable Interests**

Where a matter arises at a meeting which **directly relates** to your financial interest or well-being (and is not a DPI) or a financial interest or well-being of a relative or close associate, you must disclose the interest. **You may speak on the matter only if members of the public are also allowed to speak at the meeting** but otherwise **must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation**. If it is a 'sensitive interest' (agreed in advance by the Monitoring Officer) you do not have to disclose the nature of the interest.

Where a matter arises at a meeting which **affects** –

- a. your own financial interest or well-being;
- b. a financial interest or well-being of a friend, relative, close associate; or
- c. a body included in those you need to disclose under DPIs as set out in Table 1 of the Members' code of Conduct

you must disclose the interest. In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied.

Where a matter **affects** your financial interest or well-being:

- a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
- b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest

**You may speak on the matter only if members of the public are also allowed to speak at the meeting** but otherwise **must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation**. If it is a 'sensitive interest' (agreed in advance by the Monitoring Officer, you do not have to disclose the nature of the interest.

### **Other declarations**

Members may wish to declare at the beginning of the meeting any other information they feel should be in the public domain in relation to an item on the agenda; such Member statements will be included in the minutes for transparency.

# Agenda Item 3

## AUDIT AND GOVERNANCE COMMITTEE

THURSDAY, 22 SEPTEMBER 2022

PRESENT: Councillors Neil Knowles, Julian Sharpe (Vice-Chair, in the Chair), Gurpreet Bhangra, John Story and Simon Bond

Also in attendance: Councillor John Bowden, Councillor David Hilton, Jonathan Gooding (Deloitte), Benjamin Sheriff (Deloitte) and Lisa Fryer (SWAP)

Officers: Mark Beeley, Steve Mappley, Adele Taylor, Emma Duncan, Andrew Vallance, Raman Singla and Martin Stevens

### APOLOGIES FOR ABSENCE

An apology for absence had been received from Councillor L Jones. Councillor Knowles was attending the meeting as substitute.

### DECLARATIONS OF INTEREST

There were no declarations of interest received.

### MINUTES

**RESOLVED UNANIMOUSLY: That the minutes of the meeting held on 28<sup>th</sup> July 2022 were approved as a true and accurate record.**

### STATEMENT OF ACCOUNTS 2019/20

Andrew Vallance, Head of Finance, introduced the item and outlined the Statement of Accounts 2019/20.

Jonathan Gooding, Deloitte, said that the pension fund audit had been completed in May. The adjustments made had been summarised, including updates to the accounting on joint ventures, classification of expenditure, reserve movements and asset valuations. The accounts had been delayed due to the number of objections which had been received, six of the objections had been accepted. There were some issues with the quality of the financial statements which had been received, while there were also new issues in the industry which were a factor, for example on infrastructure assets. Once final issues had been concluded, Jonathan Gooding anticipated that an unqualified opinion would be issued on the accounts. Part of the opinion would have an empathise on material uncertainty in the property valuation. In respect of value for money and use of resources, three exceptions had been identified on a range of weakness on financial planning, reporting and governance. The report covered the areas of significant audit risk, including capital expenditure and property valuations.

Benjamin Sheriff, Deloitte, said that comments had been against the misstatements in the accounts. There were three technical areas on the pension fund accounts which had been corrected. Gross cost depreciation on infrastructure assets came out of the infrastructure asset national issue which had been discussed previously.

A registered public speaker, Mr Andrew Hill, addressed the Committee. Mr Hill said that the report had been in production for over two years, yet the report had only been published one day before the Committee meeting. Section 100 of the Local Government Act 1972 stated that documentation had to be available for five clear days before any meeting. This was to allow

Members and the public to digest the information in good time. Mr Hill felt it was disappointing that he therefore had only one day to consider and read the report. He commented on Braywick Leisure Centre, there was a £6.4 million misstatement in 2018. However, in 2019 there were no further misstatements and the investigation was then closed. Mr Hill made reference to the Part II confidential leak to the local media about the land value of the St Cloud Way site. Mr Hill believed that Deloitte had missed something important, objections from the public had asked Deloitte to investigate this but they declined to do so. The first objections on this had been raised in 2020 by CIPFA, Mr Hill suggested that the Committee should advise Deloitte to review the Braywick deal as part of this audit.

Councillor Story asked about the property valuation report which had been received from Lambert Hampton Smith.

Jonathan Gooding explained that the control recommendation around the property valuation report was around evidencing officers review of that report. The methodology of values by officers was reviewed, in this case the evidence was not sufficient. In 2018/19, this control weakness had been identified and the follow up had occurred in the 2019/20 accounts.

Adele Taylor, Executive Director of Resources, added that it involved any transactions going forward. A control weakness had been identified and officers had changed how things were done in future, transactions would have the correct documentary evidence.

The Chairman asked if this was similar across other councils, that property valuations were done at the current point in time.

Adele Taylor said that property valuers were changed and the current property valuers knew the standards going forward.

Councillor Story asked what the key messages were since the property values report had been produced.

Jonathan Gooding said that Deloitte tested the valuation included in the accounts in March 2020, real estate specialists had been involved in testing the methodology and assumptions and whether these were in accordance with accounting requirements.

Adele Taylor added that this was the position in 2020, a revaluation occurred later that year. The valuation for March 2021 and March 2022 were part of the draft accounts which were available to view on the council's website. However, these were unaudited accounts. Deloitte did a significant amount of work to test assumptions which officers had made.

Councillor Bond commented on the process for raising objections, the government introduced the process when the audit commission was abolished. He expected to see more detail on the objections which had been received and the response from Deloitte. Councillor Bond suggested that the government should review the system as he felt it was not working effectively.

Councillor Knowles noted the management controls and asked if they were concluded on the current audit, rather than moving forward as an issue for future years.

Adele Taylor said that some management controls were ongoing as they needed to be tested in the accounts for 2020/21 and 2021/22. These would be picked up in these audits. Other areas were ongoing as they would happen again, but officers had put the controls in place to deal with them. Deloitte would test management controls in these audits and ensure that evidence was in place.

**RESOLVED UNANIMOUSLY: That the Audit and Governance Committee noted the report and:**

- i) **Delegated responsibility to the Executive Director of Resources to agree a final version of the Letter of Representation and sign it.**
- ii) **Approved the audited Statement of Accounts and authorised the Chairman and the Executive Director of Resources to sign them.**
- iii) **Approved the management responses to the matters raised in the External Auditors' report.**

## INTERNAL AUDIT PROGRESS REPORT

Lisa Fryer, SWAP, explained that the purpose of the plan was to allow Committee Members to have oversight of the internal audit plan and for SWAP to draw attention to areas where internal controls were in need of improvement. SWAP was on track to deliver the plan, a third of audits were at the reporting stage, while 26% of the plan was in progress. A key focus had been on grant audits to meet certification deadlines and a further three grant reviews had been completed since the last progress report was considered by the Committee. On assurance, three audits had been finalised, two of which were limited assurance. A summary of all audits which were a low level of assurance had been outlined, two audits on this progress report were deemed low assurance. One was on the risk management framework, strategic risks had not been refreshed for some time and the new RBWM Corporate Plan provided a good opportunity for this to happen. An audit had also been completed on fleet safety compliance checks, services were now individually managed and the council did not have a central record of all vehicles owned and leased. The climate change review had focused on the governance arrangements and received a reasonable opinion, it was an important area for the council.

Councillor Bond focused on the climate governance audit, the climate was a big issue. The National Audit Office had created a document that advised that the Committee should ask questions about the climate governance audit, Councillor Bond suggested that the audit could be made available for the Committee to review. He asked if he could view the audit by submitting a Freedom of Information request. Councillor Bond said that any completed audits could be listed under the 'background documents' section of the report, for the Committee Members to view should they wish. Councillor Bond concluded by suggesting that the climate governance audit should be added to the work programme. Councillor Bond had three questions on the audit:

- What were the strengths and weaknesses that the audit identified?
- Manchester's Section 151 officer was also leading on climate change, this linked with policy and resources in a realistic way. He asked if the audit shed any light on this method of governance?
- SWAP had completed climate audits at other local authorities, but these all had different titles. Councillor Bond asked why this was the case?

Adele Taylor said that audits that had been completed could be viewed by the Committee, she would work out the best way to do this so that Members could easily access them as they were completed. The Manchester S151 officer was leading on climate at a corporate level which was the reason for this method of governance, RBWM worked under a matrix management system. The audit on climate governance was undertaken to ensure that the council was part of the right and effective partnerships.

**ACTION – Adele Taylor to explore the best of sharing completed audits with Members of the Committee.**

Lisa Fryer added that SWAP needed to draw attention to areas of concern, reports were focused on areas with lower levels of assurance. Climate change was likely to feature on audit plans in the future, the service area were keen to get a view on the new governance arrangements.

The Vice Chairman asked how other councils were approaching climate change and if it differed to the approach of RBWM.

Lisa Fryer said that climate emergencies had been declared at many other authorities, it was a common feature of audit plans.

Councillor Knowles commented on the risk management weakness, he noted that the Head of Finance had flagged this area as something for internal audit to focus on. Councillor Knowles asked if there was any specific concern with risk management.

Andrew Vallance said that as part of the CIPFA report, it was a priority. A couple of years after the report was the right time for risk management to be reviewed.

Adele Taylor said that it was important that risk management also linked well with the Corporate Plan. It was expected that there could be more audits coming through with limited or lower assurance levels because officers were picking areas to audit which they felt could have issues and wanted to ensure that improvements continued.

The Vice Chairman felt that the council was making good progress and was moving in the right direction.

**RESOLVED UNANIMOUSLY: That the Audit and Governance Committee noted the report.**

#### ACTION PLAN ON RISK MANAGEMENT FROM INTERNAL AUDIT

Steve Mappley, Insurance and Risk Manager, said that as risk management had been deemed as limited assurance by SWAP, officers would look to do something about it. The plan outlined what would be done and who would be doing it. The work would continue over the next six months or so and would hopefully encourage greater ownership of the process. The evidence base would be improved and a performance and risk management board had been created which would help ensure improvement.

Andrew Vallance added that the council would be completing a strategic risk refresher session in due course.

Councillor Bond noticed that some of the timescales for actions listed in the plan were quite short, he was concerned that extra training sessions could be an added burden on officers. However, it was important that the work was completed. It was good to see that a new board had been created to oversee the process.

Steve Mappley said that a lot of the material existed already which was the reason for the shorter timescales.

Adele Taylor said it was about being able to evidence risk and improve performance.

Councillor Knowles said that ownership was going in the right direction, risk could be debated but risk assessments could improve the democratic process and provide facts rather than opinions.

Steve Mappley said risk needed to find the right level before it became overwhelming, this would affect the level of detail on the risk assessment. High, medium or low risk could be vague and some reports could contain greater detail of the risk.

Councillor Story asked which items were of greatest concern for the Insurance and Risk Manager.



Steve Mappley said that after Directors and Heads of Service, the risk register was less well known. It would be ideal for most officers to have a basic understanding of what was on the risk register and why it was there. It could be something that was included as part of 1-1 appraisals. There was a relaunch of the risk management strategy planned which went through all tiers of staff, it currently did not get to all tiers of staff.

Adele Taylor said that risk was discussed at all team management meetings and it was considered at 1-1 meetings. This was about bringing risk to the fore and reminding staff of what they are doing and why they are doing it, which is why it needed to be refreshed. The council's organisational value 'empowered to improve' was linked to the need for knowledge of risk to be improved.

Emma Duncan, Monitoring Officer and Director of Law and Governance, said that risk was referenced on every report. She had discussed, with the Head of Governance, the potential of having a link through to the corporate risk register. Any large project should have its own risk register and risk registers should be included in service plans. High risks could be moved up the register which was routinely reviewed by Executive Directors and the risk management board.

The Vice Chairman asked if corporate risks would be reviewed on a regular basis.

Adele Taylor confirmed that they were reviewed by management teams regularly, usually on a monthly basis. There was a difference between corporate, strategic and operational risks and officers needed to make sure that they were in the correct category.

Emma Duncan said that governance risk was considered at each statutory officers group meeting and also formed part of the annual governance statement action plan.

Councillor Hilton, Cabinet Member for Asset Management & Commercialisation, Finance, and Ascot, said that he had been trained as an elected Member on risk by the Insurance and Risk Manager. The risk register included all of the strategic risks and the Berkshire Pension Fund Committee had created a risk register which was detailed, it would be interesting to see how often it was updated. Councillor Hilton said that he discussed risk with officers across a number of different service areas.

Adele Taylor said that officers were thinking about induction training for Members in May next year after the election, this would include training on risk management.

**RESOLVED UNANIMOUSLY: That the Audit and Governance Committee noted the report.**

#### UPDATE ON GOVERNMENT RESPONSE TO REDMOND REVIEW AND IMPACT FOR RBWM

Andrew Vallance said that the briefing note was an update on the Redmond Review, which the Committee had considered last year. The proposals from the Department for Levelling Up, Housing and Communities (DLUHC) included confirmation that the Audit Reporting and Governance Authority (ARGA) would be the local audit system leader. Responsibilities would include regulation of local audit, monitoring and review of local audit performance, the Code of Local Audit Practice, and reporting on the state of local audit. The ARGA would also take over responsibility of value for money arrangements in local audit, while an annual report would be produced which went to Parliament on the state of local audit.

Andrew Vallance continued and explained that councils were encouraged to continue opting in to the PSAA arrangements for procuring auditors, RBWM had done this for the next five years. The DLUHC was considering making audit committees a statutory requirement for every council. RBWM had moved the audit and governance function out of the Corporate Overview & Scrutiny Panel into a separate Audit & Governance Committee and already met this

recommendation. Audit Committees should also include at least one independent member, who was not a Councillor. The council would need to consider changing its constitution to appoint an independent representative on the Audit and Governance Committee.

**RESOLVED UNANIMOUSLY: That the Audit and Governance Committee noted the report.**

WORK PROGRAMME

Andrew Vallance outlined the items which the Committee would consider at the next meeting, in October 2022.

Councillor Bond suggested that the audit on climate governance could go in the 'items suggested but not yet programmed' section.

Adele Taylor said that once the accounts for 2020/21 and 2021/22 were ready, an additional meeting could be required between October and February. A number of the reports being considered by the Committee in October were important for the budget setting process.

The meeting, which began at 7.00 pm, finished at 8.30 pm

CHAIRMAN.....

DATE.....

Report Title:	Annual Governance Statement Action Plan Progress
Contains Confidential or Exempt Information	No - Part I
Cabinet Member:	<b>Councillor Johnson, Leader of The Royal Borough of Windsor and Maidenhead</b>
Meeting and Date:	Audit and Governance Committee 20 October 2022
Responsible Officer(s):	<b>Emma Duncan Director of Law, Strategy and Public Health and Monitoring Officer</b>
Wards affected:	All

## **REPORT SUMMARY**

This report presents the progress made on the Annual Governance Statement (AGS), including the AGS Action Plan for 2022/23.

It recommends that the Committee considers the content and notes the actions already taken and those planned.

## **0. DETAILS OF RECOMMENDATION(S)**

**RECOMMENDATION:** That the Audit and Governance Committee notes the report identifying any specific matters which should be brought to the attention of Council or Cabinet.

## **1. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED**

### **Options**

**Table 1: Options arising from this report**

<b>Option</b>	<b>Comments</b>
The Committee notes the report identifying any specific matters which should be brought to the attention of Council or Cabinet	The recommendation is being made to ensure that the council meets its statutory requirements and those of the Committee's Terms of Reference to be satisfied that the council has in place appropriate corporate governance systems and controls

## 2. CONTEXT

2.1 The Council adopted a new Corporate Plan 2021-2026 (“Building a sustainable borough of opportunity and innovation) in November 2021. This established a number of priorities including “A Council trusted to deliver”.

2.2 A strong Governance Framework is part of meeting this objective.

2.3 The Annual Governance Statement (AGS) and Action Plan for 2022-23 was previously reported to the Committee on 28<sup>th</sup> July 2022. This report presents progress on the Action Plan.

2.4 As part of the Council’s improvement journey the Council’s key governance statutory officers (Head of Paid Service, S151 Officer, Monitoring Officer, and deputies) meet as the Statutory Governance Officer Group to discuss governance related issues and lead on the preparation of the AGS and Action Plan, which they monitor during the year.

2.5 As part of preparing the AGS a review has been undertaken against the Centre for Governance and Scrutiny’s “Governance Risk and Resilience Framework” which aligns with the CIPFA Code which underpins the AGS.

2.6 The outcomes from this, together with other issues from the AGS 21/22, issues identified through the Corporate Peer Challenge, issues identified from the Monitoring Officer report, issues raised through external and internal audit, complaints or other routes form the basis for the AGS and Action Plan.

2.7 Where issues have been identified “in year” these have been added to the Action Plan.

2.8 Key areas for focus this year were grouped thematically around the good governance principles and allowed for a managed process of improvement.

### 2.9 Key areas of focus;

The Action Plan focusses on a number of key areas based on a risk assessment approach to the governance framework by the Statutory Officers;

- A continued focus on ethical values, integrity and respecting the rule of law to include a review of the assessment processes and an ethical focus to the Members’ Induction.
- Embedding the strategic framework with a refresh of the Corporate Plan using new data and intelligence and continuing to embed the performance management system through performance reporting and a new service planning approach.
- Managing risks more effectively with an audit review of our risk assessment framework.

- Reinforcing our Overview and Scrutiny function to give better oversight on key strategic priorities through engagement, training and further resource in the form of a dedicated Scrutiny Officer, which was identified by the Peer Review.
- Building up the Council's links with residents, communities, and businesses through a new approach to engagement to deliver better outcomes.
- A focus on procurement and contract management through an audit approach.

2.10 The Action Plan appears as Appendix B to the report which identifies progress to date.

### 3. KEY IMPLICATIONS

Outcome	Unmet	Met	Exceeded	Exceeded Significantly	Date of delivery
The council has a process in place to meet the core principles of good governance supporting good performance and outcomes for service users / residents.	Poor service performance and outcomes for service users / residents	Good service performance and outcomes for service users / residents.	n/a	n/a	ongoing
Residents will have assurances that the principles of good governance are incorporated into the council's normal business processes, providing them with confidence in the decision-making and management processes and in the conduct and professionalism of its Members, officers, partners, and other agents in delivering services.	Loss of residents' confidence. Council reputation may be affected.	Residents' confidence in place. Council reputation protected.	n/a	n/a	ongoing

**4. FINANCIAL DETAILS / VALUE FOR MONEY**

There are no financial implications directly arising from the report, however good governance clearly helps RBWM (Royal Borough of Windsor and Maidenhead) manage its resources effectively

**5. LEGAL IMPLICATIONS**

None arise directly because of the report, however good governance clearly helps RBWM (Royal Borough of Windsor and Maidenhead) meet its legal obligations to its residents and service users protects the Council from legal challenge. More importantly good governance is the cornerstone of building trust between RBWM and the people that it serves.

**6. RISK MANAGEMENT**

**Table 2: Impact of risk and mitigation**

<b>Risk</b>	<b>Level of uncontrolled risk</b>	<b>Controls</b>	<b>Level of controlled risk</b>
Poor Governance/legal challenge/council not meeting its objectives	High	Those identified as part of the Code of Corporate Governance	Medium

**7. POTENTIAL IMPACTS**

Equalities. An Equality Impact Assessments is attached as appendix A. No issues have been identified from this report.

Climate change/sustainability. None

Data Protection/GDPR. None

**8. CONSULTATION**

Consultation on this report has been by the Statutory Governance Officers Group

## 9. TIMETABLE FOR IMPLEMENTATION

Timescales for implementation are contained in the Action Plan.

## 10. APPENDICES

This report is supported by two appendices:

- Appendix A – Equality Impact Assessment
- Appendix B – Action Plan

## 11. BACKGROUND DOCUMENTS

This report is supported by 5 background documents:

- AGS Report 28 July 2022 Audit and Governance Committee
- CIPFA “Delivering Good Governance” 2016
- CfGS (Centre for Governance and Scrutiny) “Governance Risk and Resilience Framework” 2021.
- Guidance - CIPFA Bulletin 06 Application of the Good Governance Framework 2020/21.
- LGA Corporate Peer Challenge Report and recommendations.

## 12. CONSULTATION

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory: Statutory Officers (or deputies)</i>			
Adele Taylor	Executive Director of Resources/S151 Officer		AV signed off
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer	Report Author	
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)	11/10/22	12/10/22
Elaine Browne	Head of Law (Deputy Monitoring Officer)	11/10/22	11/10/22
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)	11/10/22	11/10/22
<i>Mandatory: Procurement Manager (or deputy) - if report requests approval to award, vary or extend a contract</i>			
Lyn Hitchinson	Procurement Manager	Information only	
<i>Other consultees:</i>			

<i>Directors (where relevant)</i>			
Tony Reeves	Interim Chief Executive	Information only	
Andrew Durrant	Executive Director of Place	Information only	
Kevin McDaniel	Executive Director of People	Information only	
<i>Heads of Service (where relevant)</i>			
	Head of .....		
	Head of .....		
	Head of .....		
<i>External (where relevant)</i>			
N/A			

Confirmation relevant Cabinet Member(s) consulted	Leader of the Council	Yes
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## REPORT HISTORY

<b>Decision type:</b>	<b>Urgency item?</b>	<b>To follow item?</b>
For information	No	No

Report Author: Emma Duncan, Deputy Director of Law and Strategy emma.duncan@rbwm.gov.uk
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**ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD**  
**EQUALITY IMPACT ASSESSMENT**

**EqIA : Annual Governance Report Action Plan**

**Essential information AGS Action Plan Progress Report**

Items to be assessed: (please mark 'x')

<b>Strategy</b>		<b>Policy</b>		<b>Plan</b>		<b>Project</b>		<b>Service/Procedure</b>	X
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<b>Responsible officer</b>	Emma Duncan	<b>Service area</b>	Governance/Law	<b>Directorate</b>	Governance, Law, Strategy
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<b>Stage 1: EqIA Screening (mandatory)</b>	Date created: 12/10/22	<b>Stage 2 : Full assessment (if applicable)</b>	Date created : n/a
--	------------------------	--	--------------------

**Approved by Head of Service / Overseeing group/body / Project Sponsor:**

*"I am satisfied that an equality impact has been undertaken adequately."*

**Signed by (print):** Emma Duncan

**Dated:**100722

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# ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

## EQUALITY IMPACT ASSESSMENT

### EqIA : Annual Governance Report Action Plan

#### Guidance notes

##### What is an EqIA and why do we need to do it?

The Equality Act 2010 places a 'General Duty' on all public bodies to have 'due regard' to:

- Eliminating discrimination, harassment and victimisation and any other conduct prohibited under the Act.
- Advancing equality of opportunity between those with 'protected characteristics' and those without them.
- Fostering good relations between those with 'protected characteristics' and those without them.

EqIAs are a systematic way of taking equal opportunities into consideration when making a decision, and should be conducted when there is a new or reviewed strategy, policy, plan, project, service or procedure in order to determine whether there will likely be a detrimental and/or disproportionate impact on particular groups, including those within the workforce and customer/public groups. All completed EqIA Screenings are required to be publicly available on the council's website once they have been signed off by the relevant Head of Service or Strategic/Policy/Operational Group or Project Sponsor.

##### What are the "protected characteristics" under the law?

The following are protected characteristics under the Equality Act 2010: age; disability (including physical, learning and mental health conditions); gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation.

##### What's the process for conducting an EqIA?

The process for conducting an EqIA is set out at the end of this document. In brief, a Screening Assessment should be conducted for every new or reviewed strategy, policy, plan, project, service or procedure and the outcome of the Screening Assessment will indicate whether a Full Assessment should be undertaken.

##### Openness and transparency

RBWM has a 'Specific Duty' to publish information about people affected by our policies and practices. Your completed assessment should be sent to the Strategy & Performance Team for publication to the RBWM website once it has been signed off by the relevant manager, and/or Strategic, Policy, or Operational Group. If your proposals are being made to Cabinet or any other Committee, please append a copy of your completed Screening or Full Assessment to your report.

##### Enforcement

Judicial review of an authority can be taken by any person, including the Equality and Human Rights Commission (EHRC) or a group of people, with an interest, in respect of alleged failure to comply with the general equality duty. Only the EHRC can enforce the specific duties. A failure to comply with the specific duties may however be used as evidence of a failure to comply with the general duty.

**ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD**  
**EQUALITY IMPACT ASSESSMENT**  
**EqIA : Annual Governance Report Action Plan**

**Stage 1 : Screening (Mandatory)**

**1.1 What is the overall aim of your proposed strategy/policy/project etc and what are its key objectives?**

The report relates to the Annual Governance Statement. This is a governance and process issue.

**1.2 What evidence is available to suggest that your proposal could have an impact on people (including staff and customers) with protected characteristics? Consider each of the protected characteristics in turn and identify whether your proposal is Relevant or Not Relevant to that characteristic. If Relevant, please assess the level of impact as either High / Medium / Low and whether the impact is Positive (i.e. contributes to promoting equality or improving relations within an equality group) or Negative (i.e. could disadvantage them). Please document your evidence for each assessment you make, including a justification of why you may have identified the proposal as “Not Relevant”.**

# ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

## EQUALITY IMPACT ASSESSMENT

### EqIA : Annual Governance Report Action Plan

Protected characteristics	Relevance	Level	Positive/negative	Evidence
<b>Age</b>	n/a			<i>Key data: The estimated median age of the local population is 42.6yrs [Source: <a href="#">ONS mid-year estimates 2020</a>]. An estimated 20.2% of the local population are aged 0-15, and estimated 61% of the local population are aged 16-64yrs and an estimated 18.9% of the local population are aged 65+yrs. [Source: <a href="#">ONS mid-year estimates 2020</a>, taken from <a href="#">Berkshire Observatory</a>]</i>
<b>Disability</b>	n/a			
<b>Gender re-assignment</b>	n/a			
<b>Marriage/civil partnership</b>	n/a			
<b>Pregnancy and maternity</b>	n/a			
<b>Race</b>	n/a			<i>Key data: The 2011 Census indicates that 86.1% of the local population is White and 13.9% of the local population is BAME. The borough has a higher Asian/Asian British population (9.6%) than the South East (5.2%) and England (7.8%). The forthcoming 2021 Census data is expected to show a rise in the BAME population. [Source: 2011 Census, taken from <a href="#">Berkshire Observatory</a>]</i>
<b>Religion and belief</b>	n/a			<i>Key data: The 2011 Census indicates that 62.3% of the local population is Christian, 21.7% no religion, 3.9% Muslim, 2% Sikh, 1.8% Hindu, 0.5% Buddhist, 0.4% other religion, and 0.3% Jewish. [Source: 2011 Census, taken from <a href="#">Berkshire Observatory</a>]</i>
<b>Sex</b>	n/a			<i>Key data: In 2020 an estimated 49.6% of the local population is male and 50.4% female. [Source: <a href="#">ONS mid-year estimates 2020</a>, taken from <a href="#">Berkshire Observatory</a>]</i>
<b>Sexual orientation</b>	n/a			

# ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

## EQUALITY IMPACT ASSESSMENT

### EqIA : Annual Governance Report Action Plan

#### Outcome, action and public reporting

Screening Assessment Outcome	Yes / No / Not at this stage	Further Action Required / Action to be taken	Responsible Officer and / or Lead Strategic Group	Timescale for Resolution of negative impact / Delivery of positive impact
Was a significant level of negative impact identified?	No			
Does the strategy, policy, plan etc require amendment to have a positive impact?	No			

If you answered **yes** to either / both of the questions above a Full Assessment is advisable and so please proceed to Stage 2. If you answered "No" or "Not at this Stage" to either / both of the questions above please consider any next steps that may be taken (e.g. monitor future impacts as part of implementation, re-screen the project at its next delivery milestone etc).

**ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD  
EQUALITY IMPACT ASSESSMENT**

**EqIA : Annual Governance Report Action Plan**

**Stage 2 : Full assessment**

**2.1 : Scope and define**

**2.1.1 Who are the main beneficiaries of the proposed strategy / policy / plan / project / service / procedure? List the groups who the work is targeting/aimed at.**

--

**2.1.2 Who has been involved in the creation of the proposed strategy / policy / plan / project / service / procedure? List those groups who the work is targeting/aimed at.**

--

# ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

## EQUALITY IMPACT ASSESSMENT

### EqIA : Annual Governance Report Action Plan

#### 2.2 : Information gathering/evidence

**2.2.1 What secondary data have you used in this assessment?** *Common sources of secondary data include: censuses, organisational records.*

--

**2.2.2 What primary data have you used to inform this assessment?** *Common sources of primary data include: consultation through interviews, focus groups, questionnaires.*

--

**Eliminate discrimination, harassment, victimisation**

# ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

## EQUALITY IMPACT ASSESSMENT

### EqIA : Annual Governance Report Action Plan

Protected Characteristic	Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)	If yes, to what level? (High / Medium / Low)	Negative impact : Does the proposal disadvantage them (Yes / No)	If yes, to what level? (High / Medium / Low)	Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					

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**Advance equality of opportunity**



# ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

## EQUALITY IMPACT ASSESSMENT

### EqIA : Annual Governance Report Action Plan

Protected Characteristic	Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)	If yes, to what level? (High / Medium / Low)	Negative impact : Does the proposal disadvantage them (Yes / No)	If yes, to what level? (High / Medium / Low)	Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					

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# ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

## EQUALITY IMPACT ASSESSMENT

### EqIA : Annual Governance Report Action Plan

#### Foster good relations

Protected Characteristic	Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)	If yes, to what level? (High / Medium / Low)	Negative impact : Does the proposal disadvantage them (Yes / No)	If yes, to what level? (High / Medium / Low)	Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					

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**2.4 Has your delivery plan been updated to incorporate the activities identified in this assessment to mitigate any identified negative impacts? If so please summarise any updates.**

*These could be service, equality, project or other delivery plans. If you did not have sufficient data to complete a thorough impact assessment, then an action should be incorporated to collect this information in the future.*

**ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD**  
**EQUALITY IMPACT ASSESSMENT**  
**EqIA : Annual Governance Report Action Plan**

## Appendix B

### Progress on AGS Action Plan for 2022/23

Subject	Action (s)	Responsible Officer	Target completion date	Progress
<b>A. Behaving with integrity, demonstrating a strong commitment to ethical values, and respecting the rule of law.</b>	Training of the O&S Panels with LGA and CfGS.	Director of Law Strategy and Public Health/Monitoring Officer (A1,2)	October 2022 (A1)	Chairman and Senior Officer sessions have been held. All Member sessions due to be held on 19 September 2022 are in the process of being rearranged.
	Review of Code of Conduct Assessment Processes		May 2023 (A2)	This action is due to be completed later in the year.
	Launch of Procurement Toolkit	Head of Law (A4)	October 2022 (A3)	The toolkit elements are now available on sharepoint for officers and education and training will be delivered initially through Corporate Leadership Team. Docusign (an electronic signing application) has now been implemented and the procedures have been updated accordingly.
<b>B. Ensuring openness and comprehensive stakeholder engagement</b>	Adoption of a new Engagement Approach	Director of Law Strategy and Public Health/Monitoring Officer (B1)	May 2023 (B1)	A new Equalities and Community Engagement Officer was appointed at the end of May 2022. A new Engagement Approach is being developed, to strengthen the council's engagement with both its communities and its partners – including statutory partners, parishes and the voluntary and community sector.



				content and timing of the programme and officers are working up a draft programme to reflect that feedback for discussion with Members. The funding for the programme is subject to a growth bid in the 23/24 budget.
<b>F. Managing risks and performance through robust internal control and strong public financial management.</b>	Embedding new Performance Management Framework.	Director of Law Strategy and Public Health/Monitoring Officer (F1)	May 2023 (F1)	The new Performance Management system has been implemented through the Scrutiny Committee model together with the Performance and Risk Management Board. Performance Management Handbook has been launched together with a service plan template.
	Review of Risk Management	Head of Finance (F2)	Feb 2023(F2)	An audit of Risk Management has been undertaken that has resulted in a number of recommendations. These will be monitored through the Internal Audit Plan, approved by Audit and Governance Committee in September 2022
	Council's Governance of the Property Company Action Plan	Executive Director (Resources) (F3)	April 2023 (F3)	The Property Company Governance Action Plan is nearly complete and the Statutory Officer Group are considering a review of governance arrangements for AfC and Optalis.
	Review of procurement and contract management	Director of Law Strategy and Public Health/Monitoring Officer (F4)	May 2023 (F4)	An audit is currently being undertaken in respect of this and recommendations will be monitored through

		oring Officer (F4)		the internal audit plan and the Statutory Officer Group.
<b>G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability</b>	Further development of the Scrutiny function with Members.	Head of Governance (G1)	Oct 2022 (G1)	Training is in progress with sessions due to be delivered having been rearranged following the recent Bank Holiday.

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## Council Trusts

### Audit and Governance Committee – 20 October 2022

To receive, for information only, a report on the management and administration of those Trusts where Cabinet acts as the Trustees and others in which RBWM has involvement. Any areas of concern identified by the Committee will be raised with relevant officers/Cabinet Members as necessary.

Part 7E of the Constitution provides advice to Members on their specific duties and responsibilities when acting as a Trustee. There is also further detailed guidance issued by the Charity Commission which helps Members to understand the role expected of them and to ensure that they do not place themselves or the authority in a difficult or inappropriate position by failing to fulfil their responsibilities fully.

The Annual Accounts for the 2021/22 financial year for the Working Boys Club and the Kidwells Park Trust are attached for information. An annual return is submitted via an online form for both charities on the Charity Commission website.

The Annual Accounts for the 2021/22 financial year for the RBWM Flood Relief Fund are also attached for information. An annual return is submitted, via an online form, for the charity on the Charity Commission website.

Name	Summary of role /obligations / objectives	Key Documents	Trustees	Current RBWM Appointees	Issues raised by Trustees	Lead Officer(s) from RBWM for dealing with the Trust	Response from officer	Date of last Annual Return on Charity Commission website	Assets	Payments out 20/21	Payments out 21/22
<b>Category 1 – Charitable Trusts</b>	<b>Charitable Trusts where Cabinet is acting as Trustees on behalf of the Council.</b>										
<b>Royal Borough Recreational Trust No – 308246</b>	OBJECTS - To provide or to assist in providing facilities for recreation or other leisure time occupation in the interests of social welfare for the benefit of the inhabitants of the RBWM OLD NAME – The Maidenhead Recreational Centre Trust ARRANGEMENT - the Trust formally occupied the Magnet Leisure centre until 2015 before it surrendered its lease back to RBWM. The operation of the Magnet then transferred to other charitable operators. KEY DOCUMENTS - 05 January 2015 Surrender of Lease	1 <sup>st</sup> Nov 1971 – Trust Deed 19th Sept 1975 – Scheme varied to reflect built MLC facility 18th Mar 1985 – Lease between RBWM as LA and RBWM as Trustee signed 15th April 1991 – Supplemental Deed to reflect change of name and widen remit of the Trust to benefit all the inhabitants of RBWM	Members of Cabinet	Cabinet confirmed as acting on behalf of Council at Cabinet October 2005.	Councillors Johnson, Coppinger, Stimson and Rayner commented that there were no issues to report.	David Scott, Head of Communities	No issues to report.	Annual Return for 31 Mar 2021 submitted 15 Oct 2021	Nil return	£0	£0
<b>Working Boys Club No – 237922</b>	OBJECTS - To provide or assist in the provision of facilities in the interests of social welfare for recreation or other leisure time occupation of individuals who have need of such facilities by reason of their youth, with the object of improving their conditions of life.	29 <sup>th</sup> Sept 1953 – Property (No 22 Cookham Road) was vested in Berks CC by Charity Commissioners by way of Scheme. Deed No C/Z 475 1st June 1970 - Scheme amended 20 May 2008. In 2008 - 22 Cookham Road was sold and the proceeds (£614k) was invested. The annual income is used to provide services for young people at 4 Marlow Road.	Members of Cabinet	Cabinet confirmed as acting on behalf of Council at Cabinet October 2005.	Councillors Johnson, Coppinger, Stimson and Rayner commented that there were no issues to report.	David Scott, Head of Communities	No issues to report.	Annual Return for 31 Mar 2021 submitted 15 Oct 2021	Funds invested with Legal & General - see accounts appended	£15,770	£17,369
<b>Kidwells Park Trust No – 300178 (Ref 5/20/30)</b>	Includes the site at No 4 Marlow Road – which has a peppercorn rent. Arrangement between RBWM as Council/LA and RBWM as Trustee OBJECTS – Public Park and Recreation Ground. The land occupied by Norden Farm Centre for the Arts was placed in the hands of The Kidwells Trust with a stipulation that it could only be used as an Arts Centre and is leased back to NFCT on a 125 year lease. The trust distributes grants annually to support cultural and arts based activities, in conjunction with the RBWM Community Grants scheme.	23 <sup>rd</sup> July 1890 – Deed of Gift 7th Nov. 1946 – Conveyance 21st July 1971 - Scheme	Members of Cabinet		Councillors Johnson, Coppinger, Stimson and Rayner commented that there were no issues to report.	David Scott, Head of Communities	Day to day operation of site is now under a lease agreement with the Maidenhead Community Centre (CIC), the sub-tenants on the site continue under the same arrangements as they enjoyed prior to MCC taking over the day to day operations of the centre.	Annual Return for 31 Mar 2021 submitted 15 Oct 2021	Funds invested with Kames Capital - see accounts appended	£13,000	£9,250
<b>The Clewer Memorial Recreation Ground No 300183</b>	OBJECTS - Purposes of a public recreation ground. Operated and managed as part of the Borough's parks and open spaces, and thereby meeting the purpose of the Objects.	Trust deed dated 13 <sup>th</sup> March 1929 as amended by a deed of exchange dated 11 <sup>th</sup> June 1969 and Minutes of the meeting of Leisure Services Board (LSB16/94 – 90) 14 <sup>th</sup> June 1994, confirm. Exchange of correspondence with the Charity Commission 1994 confirms.	Members of Cabinet		Councillors Johnson, Coppinger, Stimson and Rayner commented that there were no issues to report.	Responsible officer post vacant - currently being recruited.	The site is managed under the borough's parks and open spaces with day to day maintenance undertaken via the borough's grounds maintenance contract.	Annual return for 31 March 2021 submitted on 10 January 2022	Nil return	£0	£0

WORKING BOYS CLUB  
Charity Registration number: 237922

ANNUAL REPORT  
2021/22

INTRODUCTION

The annual report of the Working Boys Club is a legal requirement of the Charities Act and is produced for the annual meeting of the Trust.

TRUSTEES

The Trustees are: Members of Royal Borough of Windsor and Maidenhead's Cabinet acting on behalf of Council.

AIMS AND OBJECTIVES

The charity works in Maidenhead Berkshire.

The object of the charity is to provide or assist in the provision of facilities in the interests of social welfare for recreation or other leisure time occupation of individuals who have need of such facilities by reason of their youth, with the object of improving their conditions of life.

FINANCE

In 2008/9 the trust received £614,000 on the sale of 22 Cookham Rd. Maidenhead. This asset was previously held and managed within the Royal Borough of Windsor and Maidenhead's property portfolio on behalf of the trust.

The trust's funds are invested by the RBWM Treasury Management Team.

There is an agreement in place that any interest received on the investment is transferred in equal shares to the Marlow Road Community Centre and Marlow Road Youth Club.

CONCLUSION

The receipt from the sale of 22 Cookham Rd. has been invested in a fund to protect its value and ensure a revenue stream to finance the activities of the charity.

Signed: .....

Date: 19 Aug 2022.....

Councillor Andrew Johnson on behalf of the Trustees

## Working Boys Club - Statement of Financial Activities for the year ended 31 March 2022

	Notes	Expendable Endowment Fund £	2021/22 Total £	2020/21 Total £
<b>Income</b>				
Interest (Gross)		17,369	17,369	15,772
<b>Total Income</b>		<b>17,369</b>	<b>17,369</b>	<b>15,772</b>
<b>Expenditure</b>				
Donations Made		17,369	17,369	15,772
<b>Total Expenditure</b>		<b>17,369</b>	<b>17,369</b>	<b>15,772</b>
<b>Net Income/(expenditure) and net movement in funds before gains &amp; losses on investments</b>		0	0	0
<b>Net gains/(losses) on investments</b>	2	(6,573)	(6,573)	86,836
<b>Net Movement in Funds</b>		<b>(6,573)</b>	<b>(6,573)</b>	<b>86,836</b>
Funds Brought Forward at 31 March 2021		647,363	647,363	560,527
<b>Fund Balances carried forward at 31 March 2022</b>		<b>640,790</b>	<b>640,790</b>	<b>647,363</b>
<b>Balance Sheet at 31 March 2022</b>				
		Expendable Endowment Fund £	2021/22 Total £	2020/21 Total £
<b>Non Current Assets</b>				
Investments	2	640,790	640,790	647,363
<b>Current Assets</b>		0	0	0
<b>Current Liabilities</b>		0	0	0
<b>Net Current Assets</b>		0	0	0
<b>Net Assets</b>		<b>640,790</b>	<b>640,790</b>	<b>647,363</b>
Financed by:				
<b>Fund Balances</b>				
Expendable Endowment		640,790	640,790	647,363
		<b>640,790</b>	<b>640,790</b>	<b>647,363</b>

Working Boys Club  
Notes to the Accounts  
31 March 2022

1. Accounting Policies

Basis of Preparation

- (a) These accounts have been prepared on an accruals basis and include income and expenditure as they are earned or incurred, rather than as cash is received or paid.
- (b) The accounts are prepared in accordance with the Charities SORP (FRS 102) published in October 2019.

2. Non-Current Asset - Investments

Movement in Non-Current asset - investments	2021/22	2020/21
	£	£
Market value brought forward	647,363	560,527
Add net gain/(loss) on revaluation*	(6,573)	86,836
Market value as at 31 <sup>st</sup> March	640,790	647,363

\* This represents the change in market value of the investment held with Legal & General.

KIDWELLS PARK TRUST  
Charity Registration No. 300178

ANNUAL REPORT

2021/22

1. INTRODUCTION

The production of the annual report of the Kidwells Park Trust is a legal requirement of the Charities Act. The Kidwells Park Trust consists of Cabinet members of the Royal Borough of Windsor and Maidenhead acting as Trustees. The principal address of the charity is: - Town Hall, St Ives Road, Maidenhead, SL6 1RF.

The scheme of 21<sup>st</sup> July 1971 regulates the purposes and administration of this charity.

2. AIMS AND OBJECTIVES

The Terms of the Trust permit the Council to assist in providing facilities for recreation and other leisure time occupations in the interests of social welfare for the benefit of the inhabitants of the Royal Borough of Windsor and Maidenhead.

Grants from the Trust should be aimed at increasing cultural activity and targeting facilities or events that would not normally be provided without such assistance and excluding those items that would otherwise qualify for assistance under the Council's normal Revenue Grants Scheme. Wherever possible the Grants Panel aims to keep grants awarded in line with annual investment income.

Applications to the Trust for financial assistance towards events/items of equipment can be made on the basis of estimated figures, but actual evidence of expenditure incurred/to be incurred will be required for any monies to be released.

If the application relates to a one-off concert/performance, etc., for which income will be received, details of all expected income are to be included within the application.

Any event or piece of equipment for which a grant was approved must be held or used within the Royal Borough and must be primarily for the benefit of its residents.

### 3. RISKS

There are no risks to which this charity is exposed.

### 4. FINANCE

The Kidwells Park Trust grants to be awarded for 2021/22 were discussed at quarterly grant panel meetings of the Royal Borough of Windsor and Maidenhead during the financial year. After consideration of the applications, Cabinet resolved the following:-

That, subject to:

- (i) All the organisations concerned providing suitable acknowledgement for the grant assistance in all publicity material produced.
- (ii) Organisations ensuring that there was adequate insurance cover for items purchased with grant assistance.
- (iii) Organisations continuing to look for other forms of sponsorship for special events.

The following grants be awarded: -

Organisation	Awarded £
The Old Court CIC	5,000
Windsor Festival Society Ltd	2,000
Royal Free Singers	500
WMSO Productions Ltd - Windsor & Maidenhead Symphony Orchestra	500
Men's Matters	500
Maidenhead Music Society	500
Maidenhead Civic Society	250
Total Grants Awarded in 2020/21	9,250

5. CONCLUSION

Applications to the Trust continue to exceed funds available for distribution, but as several did not meet the aims and objectives of the Trust, the total of grants awarded was within the amount available.

The Trust continues to assist in providing facilities for recreation and other leisure time occupations in the interests of social welfare for the benefit of the inhabitants of the Royal Borough of Windsor and Maidenhead.

Signed: .....

Date: 19 Aug 2022.....

Councillor Andrew Johnson on behalf of the Trustees



**Kidwells Park Trust - Statement of Financial Activities as at 31 March 2022**

	Notes	Designated Fund £	2021/22 Total £	2020/21 Total £
<b>Income</b>				
Interest (Gross)		15,939	15,939	13,522
<b>Total Income</b>		<b>15,939</b>	<b>15,939</b>	<b>13,522</b>
<b>Expenditure</b>				
Grants Awarded		9,250	9,250	13,000
<b>Total Expenditure</b>		<b>9,250</b>	<b>9,250</b>	<b>13,000</b>
<b>Net Income/(expenditure) and net movement in funds</b>		<b>6,689</b>	<b>6,689</b>	<b>522</b>
<b>Reversal of prior years accruals (deemed to be invalid)</b>		500	500	28,458
<b>Net gains/(losses) on investments</b>	2	(328)	(328)	51,461
<b>Net Movement in Funds</b>		<b>6,862</b>	<b>6,862</b>	<b>80,441</b>
Funds Brought Forward at 31 March 2021		438,976	438,976	358,535
<b>Fund Balances carried forward as at 31 March 2022</b>		<b>445,838</b>	<b>445,838</b>	<b>438,976</b>
<b>Balance Sheet 31 March 2022</b>				
		Designated Funds £	2021/22 Total £	2020/21 Total £
<b>Non Current Assets</b>				
Investments		459,588	459,588	444,976
<b>Current Assets</b>				
		0	0	0
<b>Current Liabilities</b>				
Creditors and Accruals	3	13,750	13,750	6,000
<b>Net Current Assets</b>		<b>(13,750)</b>	<b>(13,750)</b>	<b>(6,000)</b>
<b>Net Assets</b>		<b>445,838</b>	<b>445,838</b>	<b>438,976</b>
Financed by:				
<b>Fund Balances</b>				
Designated Funds		445,838	445,838	438,976
		<b>445,838</b>	<b>445,838</b>	<b>438,976</b>

**Kidwells Park Trust**  
**Notes to the Accounts**  
**31 March 2022**

**1. Accounting Policies**

1.1 Basis of Preparation

- (a) These accounts have been prepared on an accruals basis and include income and expenditure as they are earned or incurred, rather than as cash is received or paid.
- (b) The accounts are prepared in accordance with the SORP for Charity Accounting published in October 2019.

**1.2 Fixed Assets**

There are three areas of land belonging to the Trust. The Council offices at Marlow Road, Maidenhead and land at Albert Street, Maidenhead are valued at £1 each as they both have long leases.

Kidwells Park itself is considered a community asset and is also valued at £1.

**2. Gain on Investment**

This represents a change in the market value of the fund, which is invested with an external provider. The fund is diversified across a range of asset classes that are primarily chosen for their ability to provide a sustainable level of income. The RBWM Treasury team will continue to monitor the performance of the fund.

**3. Resources expended – Grants 2021/22**

<b>Organisation</b>	<b>Paid £</b>
Royal Free Singers	500
WMSO Productions Ltd - Windsor & Maidenhead Symphony Orchestra	500
<b>Total Grants Paid in 2021/22</b>	<b>1,000</b>

Sums accrued: -

**Grants Accrued**

**£13,750**

**6. List of Trustees**

RBWM Cabinet members on behalf of Council

Name	Summary of role /obligations / objectives	Key Documents	Trustees	Current RBWM Appointees	Issues raised by Trustees appointed by RBWM	Lead Officer(s) from RBWM for dealing with the Trust	Response from officer(s)	Date of last Annual Return on Charity Commission website	Assets	Payments out 20/21	Payments out 21/22
Category 2 – Charitable Trusts	Charitable Trusts which RBWM is involved with and provides the lead and all administrative support for, including completion and submission where required for Annual Charity Commission Returns										
Mayor of RBWM Benevolent Fund No - 269134	OBJECTS – Such charitable purposes for the benefit of residents or persons working in RBWM or for such other charitable purposes	28 <sup>th</sup> Feb 1975 – Declaration of Trust	The Mayor of the RBWM and Civic Team Manager	Cllr Story (as Mayor) until May 2022	Councillor Story highlighted the reception (and £500 donation) for the Mayor's Benevolent Fund in April	Andrew Scott, Civic Team Manager	No issues or concerns to report.	Annual Return for 31 Mar 2021 submitted 22 Dec 2021	Funds held in bank account	£1,397	£5,938
The RBWM Flood Relief Fund No - 1049043	OBJECTS – To relieve the persons resident in the area of benefit who are in conditions of need hardship or distress as a result of local flooding and to provide funds for repair work not normally provided by the local Authority.	27 <sup>th</sup> Mar 1995 – Trust Deed	The Mayor; Head of Governance; and Head of Finance	Cllr Story (as Mayor) until May 2022	Cllr Story and the Head of Governance confirmed no issues had been raised.	Andrew Scott, Civic Team Manager	There has been no activity with the Flood Relief Fund in the last financial year.	n/a	Funds held in bank account	£0	£0
Charters School Community Recreation Centre Trust No - 291387	OBJECTS – To provide and to promote the use of recreational and leisure facilities at Charters School, Sunningdale in the interests of social welfare for the benefit of, and with the object of improving the conditions of life of the residents of the civil parishes of Sunningdale and Sunninghill. Such facilities to be available to members of the public at large.	11th February 1985 – Declaration of Trust as amended by deed of variation dated 10th October 2001	7 In total – 3 from RBWM, 2 Independent and 2 from Charters School. RBWM's and School's Nominated by respective organisations, Independent's by other trustees.	Cllrs Bateson, Story, Luxton	Cllr Luxton stated that there was nothing to report except that there had been no news or action on the New Oaks Leisure Centre. Councillor Story stated that he had no concerns about it/there was nothing new to report. Cllr Bateson had no concerns to raise.	David Scott, Head of Communities	No issues to report. The centre is being included in the current reprocurement of the council's leisure management operator. This procurement process will appoint the new contractor to run the centres with effect from 1 August 2023. Options for development of the New Oaks Leisure Centre have been explored in the leisure procurement process, but currently have no funding identified.	Annual Return for 31 Mar 2021 submitted 15 Oct 2021	CSCRCT has one asset which is a lease on the land occupied by the jointly used Charters Leisure Centre at Charters School. It has no bank account so has no income or expenditure	n/a	

Name	Summary of role /obligations / objectives	Key Documents	Trustees	Current RBWM Appointees	Issues raised by Trustees appointed by RBWM	Lead Officer(s) from RBWM for dealing with the Trust	Response from officer(s)	Date of last Annual Return on Charity Commission website	Assets	Payments out 20/21	Payments out 21/22
Category 3	Those Charitable Trusts which RBWM is involved with, but does not provide lead or administrative support for the Trust										
The Prince Philip Trust Fund No 272927	<p>OBJECTS:</p> <ul style="list-style-type: none"> <li>- The provision, in the interests of social welfare, of facilities for the recreation and leisure time occupation of the inhabitants of the Royal Borough of Windsor and Maidenhead (the area of benefit) with the object of improving their conditions of life.</li> <li>- The advancement of the education of young people in the area of benefit, in particular, but not exclusively, in the field of voluntary service.</li> <li>- The advancement of public education in the arts, literature and science in the area of benefit.</li> <li>- To or for such other charitable purposes, in the area of benefit, as the Trustees shall decide.</li> </ul>	Trust dated 18 December 1976; Amended by Deeds of Variation dated 22 October 1979, 24 April 1990, 29 November 2004 and 23 November 2009	12 Trustees	Cllr Story (as Mayor) until May 2022	Cllr Story highlighted the fundraising dinner for the Prince Philip Trust Fund in March 2022	Andrew Scott, Civic Team Manager	The Royal Albert Institute Fund has merged with the Prince Philip Trust Fund. The amalgamation will maximise the amount of grant funding that can be made available for the benefit of residents across the Royal Borough.	Annual Return for 30 Apr 2021 submitted 21 Feb 2022	Assets and financial details available on the Charity Commission website		
Charles Davis Trust No - 202893	OBJECTS - Relieving either generally or individually persons resident in the area of benefit who are in conditions of need, hardship or distress by making grants of money or providing or paying for items, services or facilities calculated to reduce the need, hardship or distress of such persons.	Schedule and Scheme originating 26 <sup>th</sup> April 1881. Varied by Schemes dated 25th September 1896, 26th September 1933, 17th November 1959, 18th December 1964, 28th April 1971	Two Ex-officio, (the Mayor of RBWM, and the Vicar of Borough Church of St. Andrew and St. Mary Magdalene), Four nominated and three Co-opted.	Councillors Walters and Story (as Mayor) until May 2022	Cllr Walters stated that the trusts performed its objects with due diligence and concern. Cllr Story confirmed he had no issues to raise.	Mark Beeley, Democratic Services Officer	No issues.	Annual Return for 31 March 2021 submitted 23 Sept 2021	Assets and financial details available on the Charity Commission website		
The Spoor, Merry and Rixman Foundation No - 309040	OBJECTS - To assist beneficiaries to study music or other arts. The award of scholarships, bursaries and maintenance allowances tenable at approved places of further education and also travelling scholarships or maintenance allowances for study abroad. Provision of instruments books etc., to enable persons to enter a trade or profession. Provision of recreation, social training or athletic facilities. Beneficiaries to be under the age of 25 years.	Scheme of Charity Commissioners 10 <sup>th</sup> September 1895.	One Ex-officio (the Mayor of RBWM) Five Representative Trustees (RBWM) and five Co-opted Trustees.	Mr Phillip Love, Cllrs Coppinger, Clark, Walters, Stimson, Story (as Mayor) until May 2022	<p>Mr Phillip Love stated that the foundation meets regularly and the agenda we received before the meetings is very comprehensive. A good range of experience and knowledge amongst the Trustees, so applications are discussed fully before a decision is made.</p> <p>Cllr Coppinger stated that this was an exceedingly well managed trust and he believes that they meet all the needs laid out by their founders.</p> <p>Cllr Clark commented that the Foundation is active and well managed, and provides valuable support to eligible residents. Cllr Clark stated that he regularly attended the Trustee's meetings.</p> <p>Cllr Walters stated that the trust performed its objects with due diligence and concern.</p> <p>Cllr Stimson stated that SMR is essential at this time when schools are struggling to deliver essential services to the most vulnerable, The charity existed to support children in SL6. Without it, Maidenhead would be far the poorer. She is very proud to be a trustee.</p>	Mark Beeley, Democratic Services Officer	No issues.	Annual Return for 31 Dec 2020 submitted 27 Oct 2021	Assets and financial details available on the Charity Commission website		

Name	Summary of role /obligations / objectives	Key Documents	Trustees	Current RBWM Appointees	Issues raised by Trustees appointed by RBWM	Lead Officers from RBWM for dealing with the Trust	Response from officer	Date of last Annual Return on Charity Commission website	Assets	Payments out 20/21	Payments out 21/22
<b>Poole and Rings Charity No - 202895</b>	OBJECTS - a relief of poverty charity assisting persons living within the postcode area of SL6 1-9.	Charity Commission scheme dated 30 <sup>th</sup> December 1958. Group of Charities 202895 – 1, 2 and 3 registered 27th 1962	One Ex-officio (the Mayor of RBWM) 9 in number including 4 nominated by RBWM	Mr Phillip Love, Councillors Coppinger, Clark, Walters. Cllr Story (as Mayor) until May 2022	Mr Philip Love stated that although the charity was much smaller than the Spoope, Merry and Rixman Foundation, we meet regularly and the agenda we receive before the meetings is very comprehensive. A good range of experience and knowledge amongst the Trustees, so applications are discussed fully before a decision is made.  Cllr Coppinger stated that this is an exceedingly well managed trust and believed that they meet all the needs laid out by their founders.  Cllr Clark commented that the Charity is active and well managed, and provides valuable support to eligible residents. Cllr Clark stated that he regularly attended the Trustee's meetings.  Cllr Walters stated that the trust performed its objects with due diligence and concern.	Mark Beeley, Democratic Services Officer	No issues.	Annual Return for 31 Dec 2020 submitted 27 Oct 2021	Assets and financial details available on the Charity Commission website		
<b>Berkshire Maestros No - 284555</b>	OBJECTS – To advance the education in music of, and to provide music centres for persons of all ages (but with a preference for young children under the age of 25) residing principally (although not necessarily) in the Royal County of Berkshire.	Registered 11 <sup>th</sup> November 1982	Various Trustees including 1 nominated by RBWM	Councillor Walters (from June 2021)	Cllr Walters stated that the trust performed its objects with due diligence and concern.	Mark Beeley, Democratic Services Officer	No issues.	Annual Return for 31 Aug 2021 submitted 25 May 2022	Assets and financial details available on the Charity Commission website		
<b>New Windsor Municipal Charities No - 201913</b>	OBJECTS - A group of charities which included: - Municipal Almshouse (Almshouses for the poor persons who have resided in the Royal Borough of New Windsor for not less than 3 years prior to appointment), - The Non Educational Charity of John, Archbishop Laud and Theodore Randue, Heaver (1. Marriage portions for poor maidens who are members of the Church of England 2. Grants for books or tools for young men who are members of the Church of England who are or have been under apprenticeship 3. Income not required for above purposes for relief of persons in need, hardship or distress), - Thomas Adlem (Benefit of deserving and necessitous persons during sickness or infirmity) - Phoebe Thomas (Benefit of deserving and necessitous widows of not less than 50 years who are members of the Church of England - George Robert Ing (Purchasing clothing for deserving poor persons of the area of benefit).	Registered 22 <sup>nd</sup> May 1962	10 Trustees including 4 nominated by RBWM	Councillor Shelim, Mr Ed Wilson	Cllr Shelim commented that the trust is very well run and makes a valuable contribution to Windsor's community.  Ed Wilson raised the following points: 1. Continued refurbishment of Almshouses at Ellison house in line with development report. 2. Specific emphasis on resident safety including fire hazards/ 3. Review of quotations and work schedule. 4. Informal celebration of Her Majesty's Platinum Jubilee. 5. Interviewing of potential residents. 6. Ongoing issues with communal bins.	Mark Beeley, Democratic Services Officer	No issues.	Annual Return for 31 Mar 2022 submitted 11 Aug 2022	Assets and financial details available on the Charity Commission website		

Name	Summary of role /obligations / objectives	Key Documents	Trustees	Current RBWM Appointees	Issues raised by Trustees appointed by RBWM	Lead Officers from RBWM for dealing with the Trust	Response from officer	Date of last Annual Return on Charity Commission website	Assets	Payments out 20/21	Payments out 21/22
<b>Sunninghill Parochial Charities No – 203452</b>	OBJECTS – Provision and maintenance of Almshouses for poor persons of good character resident in Parish of Sunninghill	Registered 20 <sup>th</sup> October 1966	8 Trustees including 1 nominated by RBWM	Councillor Bateson	Cllr Bateson commented that the organisation had recently been renovating the bathrooms in the Almshouses.	Mark Beeley, Democratic Services Officer	No annual report submitted by not aware of any issues.	Annual Return for 31 Dec 2021 submitted 5 Apr 2022	Assets and financial details available on the Charity Commission website		
<b>Cox Green Community Centre No - 277252</b>	OBJECTS – For the benefit of inhabitants of Cox Green in the County of Berkshire and its immediate neighbourhood without distinction of sex or political, religious or other opinions by associating the local authorities, voluntary organisations and inhabitants in a common effort to advance education and religion and to provide facilities for recreation and leisure time occupation with the object of improving the conditions of life for the said inhabitants.	Trust Deed Dated 15 <sup>th</sup> December 1978. Registered 27th February 1979	6 trustees including 2 nominated by RBWM	Mr B Adams and Mrs V Howes	<p>Mr Adams commented: It has not been an easy year with the uncertainties of the Covid pandemic continuing to cause operational difficulties and impede the Centre's attempts to restore its income to pre-crisis levels. Nevertheless, our dedicated staff and volunteers continued to manage the situation with hard work and cheerful professionalism which, added to continued monetary support from individuals and local organisations, allowed us to maintain a strong financial position. This should help us to manage a future still beset with the uncertainties arising from shaken customer confidence and steadily mounting costs.</p> <p>Before the pandemic struck the Centre would expect to make between £45 and £50K per annum from hiring out its facilities to a wide range of groups and individuals. This was supplemented by receipts from fundraising activities and by a contribution to general overheads from our successful Pre School. In 20/21 income from hires fell to less than £5k, but this year, with a partial return to normality, we saw a recovery to £32K with income in the final quarter steady at 90% of 'normal' levels. Unfortunately we had to cancel the annual panto again, so fundraising receipts were more or less restricted to the Christmas bazaar. The Government Furlough Scheme contributed £4.2K towards the costs of furloughed staff and we were grateful to receive a further donation from the Church of the Good Shepherd. The Royal Borough continued to meet 48% of certain running costs as provided by the Trust Deed and subsequent Tripartite Agreements. As last year, we have kept our costs to a minimum and frozen capital expenditure.</p> <p>Our Pre School staff had to cope with another difficult year. Rolls were full, fluctuating at around 40 children, but sicknesses of staff, children and their parents led to a volatile situation, not made easier by the increasing number of children with speech, language and other issues - a direct consequence of the social and behavioural problems caused by the pandemic and some of the actions taken to control it. The situation was partly mitigated by introducing staged entry for new starters, which meant that income was rather lower than in the last two years, but it is a great tribute to the manager and staff that the problems were surmounted, the Pre School continued to flourish, and finally helped the Centre to deliver a positive cash result for the year. We reintroduced our Summer Camp this year, restricted to two weeks and with much reduced numbers, but thanks to a generous contribution from the Parish Council, this activity too made a small cash contribution to the Centre's overheads.</p> <p>Looking ahead, we are certainly not yet out of the woods, with a continued recovery in income far from secure and the prospect of rapidly rising power supply and other facilities' costs a serious concern. Moreover, maintenance costs will have to rise having been held to a minimum for two years, and capital items including toilet refurbishment and replacement fire doors cannot be delayed. But our finances are in good shape, our Pre School is going strong and we are very mindful of the fact that in difficult times the facilities and services that the Centre provides are particularly valued by all the members of our community. Thanks to the unwavering support of our staff, volunteers and supporters, and in particular to our treasurer who has steered it successfully through a very challenging period, the Centre is well placed to continue as a central feature in Cox Green and the local area.</p>	David Scott, Head of Communities	No significant issues to report. The Centre is co-located with the Cox Green Community Leisure Centre on the Cox Green Senior School site.	Annual Return for 31 Mar 2021 submitted 28 Sept 2021	Assets and financial details available on the Charity Commission website		
<b>Clewer Non-Ecclesiastical Charity No - 203562</b>	OBJECTS – The relief of persons resident in the area of benefit (Ancient Parish of Clewer) who are in need, hardship or distress.	Registered – 7 <sup>th</sup> December 1981	6 including 2 nominated by RBWM	Councillor Davies and Mr Ed Wilson	<p>Ed Wilson commented the following:</p> <ol style="list-style-type: none"> <li>1.Planning permissions for new gates and fencing at Gordon Rd and St. Andrews Ave.</li> <li>2.Grant funding from various sources for new gates and fencing. Approved grants now total £5,000.</li> <li>3.Involvement of RBWM Highways re the pavement at the St Andrews Ave entrance.</li> <li>4.Approval of disbursements to needy residents.</li> </ol>	Mark Beeley, Democratic Services Officer	No issues.	Annual return for 31 Dec 2021 submitted 25 Mar 2022	Assets and financial details available on the Charity Commission website		
<b>No.22 Youth Counselling Agency, Maidenhead (Windsor and Maidenhead Youth Counselling Service) No - 1177138</b>	OBJECTS - The advancement of Education, the furtherance of health and the relief of poverty, distress and sickness of youth in the community in Windsor & Maidenhead and the surrounding area by establishing, maintaining and developing a Youth Counselling Service for the giving of individual or group counselling and practical advice.	Constitution adopted 1st September 1976, amended 22nd November 1977 and 12th June 1980. Registered 8th September 1976 Constitution amended July 2012 to address the merger with Windsor Youth Talk.	6 trustees including 1 nominated by RBWM	Councillor Stimson	Cllr Stimson commented that this is a most extraordinary organisation, children and their families really benefit from the services. There are 170 counsellors, at any one time 40 are dealing with children from Slough, Windsor or Maidenhead. She is very proud to be a trustee.	Mark Beeley, Democratic Services Officer	No issues.	Annual return for 31 Mar 2021 submitted 15 Dec 2021	Assets and financial details available on the Charity Commission website		

Name	Summary of role /obligations / objectives	Key Documents	Trustees	Current RBWM Appointees	Issues raised by Trustees appointed by RBWM	Lead Officers from RBWM for dealing with the Trust	Response from officer	Date of last Annual Return on Charity Commission website	Assets	Payments out 20/21	Payments out 21/22
<b>Category 4 - Non Charitable Trusts</b>	<b>Trusts which RBWM has an involvement but not registered Charities and therefore no Annual Return required for Charity Commission</b>										
<b>Graves in Perpetuity Trust</b>	OBJECTS - to perpetually maintain graves for those graves for which a subscription was paid.	23rd October 1991- Letter from Legal to Charity Com about closing all 3 of these 'Trusts'. Re this 'Trust', as the Council now maintained the graveyards in question, this fund no longer had a purpose. No reply from Charity Commission on file.	Was called a Fund not Trust in 1991	N/A	n/a	n/a	Trust is dormant.	n/a	N/A	N/A	N/A
<b>Thames Valley Athletics Centre Trust</b>	Tripartite agreement between RBWM, Slough BC and Eton College for the development and operation of the TVAC. The centre was funded through a large Big Lottery Grant to re-develop the former Eton College track and site.	Declaration of Trust 6 <sup>th</sup> June 1997, Lease for TVAC executed 22nd December 1997	3 Trustees: 1 from RBWM, 1 from SBC and 1 from Eton College.	Councillor Rayner.		Michael Shepherd, Sport and Leisure Service Manager	Trust continues to meet on regular basis and runs the Centre through the Datchet & Eton Leisure operator under a contract with the Trust. They are responsible for the ongoing day to day operation and co-ordination between use by the public, use by the athletics club and use by the College.	n/a	The main asset of the trust is the 40 year lease of the TVAC facilities. A lease from Eton College of the site and facilities that form TVAC. Their Trust operates a sinking fund repairs and renewals fund which covers those liabilities that are outside the Datchet and Eton Leisure contract responsibilities.	£105,000	

## **ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD FLOOD RELIEF FUND**

Charity Registration number: 1049043

### **ANNUAL REPORT**

**2021/22**

#### INTRODUCTION

The Annual Report of the RBWM Flood relief Fund is a legal requirement of the Charities Act and is produced for the annual meeting of the Trust.

#### TRUSTEES

The Trustees are:

The Head of Finance of the Royal Borough of Windsor and Maidenhead

The Monitoring Officer of the Royal Borough of Windsor and Maidenhead

The Mayor of the Royal Borough of Windsor and Maidenhead

#### AIMS AND OBJECTIVES

The Trust came in to being in March 1995 following the amalgamation of three other trust funds:

- The Mayor of Windsor's Flood Relief fund
- The Mayor of Maidenhead's Flood Relief fund
- The Flood Damage Fund (Maidenhead)

The Object of the Charity is to provide assistance to residents of the Royal Borough who suffer hardship and distress or are in a condition of need as a result of local flooding, and to provide funds for repair work not normally carried out by the local authority.

#### FINANCE

The unusual nature of the trust means that a number of years can pass between granting of any funds for assistance. In the year ended 31<sup>st</sup> March 2022 no grant payments were made to residents of the Royal Borough of Windsor and Maidenhead.

Signed:

Cllr John Story on behalf of the Trustees

Date:

**The Royal Borough of Windsor and Maidenhead Flood Relief Fund**

**Notes to the Accounts**

**31 March 2022**



## Accounting Policies

### Basis of Preparation

- (a) These accounts have been prepared on an accruals basis and include income and expenditure as they are earned or incurred, rather than as cash is received or paid.
- (b) The accounts are prepared in accordance with the Charities SORP (FRS 102) published in October 2019.

**Flood Relief Fund**  
**Statement of Financial Activities**  
**31 March 2022**

	<b>Expendable Endowment Fund</b>	<b>2021/22 Total</b>	<b>2020/21 Total</b>
	£	£	£
<b>Incoming Resources</b>			
Interest (Gross)	372	372	192
Donations Received	0	0	0
<b>Total Incoming Resources</b>	<b>372</b>	<b>372</b>	<b>192</b>
<b>Resources Expended</b>			
Donations Made	0	0	0
<b>Total Resources Expended</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Incoming/ (Outgoing) Resources</b>	<b>372</b>	<b>372</b>	<b>192</b>
<b>Net Movement in Funds</b>	<b>372</b>	<b>372</b>	<b>192</b>
Funds Brought Forward at 31 March 2021	<b>192,258</b>	192,258	192,066
<b>Fund Balances carried forward as at 31 March 2022</b>	<b>192,630</b>	<b>192,630</b>	<b>192,258</b>
<b>Balance Sheet</b>			
<b>31 March 2022</b>			
	<b>Expendable Endowment Fund</b>	<b>2021/22 Total</b>	<b>2020/21 Total</b>
	£	£	£
<b>Current Assets</b>			
Bank and Deposit Accounts	192,630	192,630	192,258
<b>Current Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Current Assets</b>	<b>192,630</b>	<b>192,630</b>	<b>192,258</b>
<b>Net Assets</b>	<b>192,630</b>	<b>192,630</b>	<b>192,258</b>
Financed by:			
<b>Fund Balances</b>			
Expendable Endowment	192,630	192,630	192,258
	<b>192,630</b>	<b>192,630</b>	<b>192,258</b>

Report Title:	RBWM Risk Management Report
Contains Confidential or Exempt Information	No - Part I
Cabinet Member:	Councillor Hilton, Cabinet Member for Finance and Ascot
Meeting and Date:	Audit and Governance Committee – 20 October 2022
Responsible Officer(s):	Adele Taylor, Executive Director of Resources and Section 151 Officer Andrew Vallance, Head of Finance and Deputy Section 151 Officer
Wards affected:	None

## REPORT SUMMARY

1. This report sets out how satisfactory risk management is in place for RBWM as part of its governance arrangements. It includes the key strategic risks and how they are monitored and managed.

### 1. DETAILS OF RECOMMENDATION(S)

**RECOMMENDATION:** That the Audit and Governance committee notes the report.

### 2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

#### Options

**Table 1: Options arising from this report**

Option	Comments
To note this report. <b>This is the recommended option.</b>	RBWM is required to publish an annual governance statement in which an essential requirement is to demonstrate how it manages risk.
Not note this report. This is not recommended.	Without a suitable risk management structure, it is far more likely the council will have insufficient awareness of risks and be exposed to the impact of unnecessary levels of risk.

2.1 Risk management is a governance process open to scrutiny from councillors and the public at RBWM's Audit and Governance Committee meetings.

2.2 The purpose of risk management is to analyse risks to the council and help all decision-makers get a better understanding of a realistic range of possibilities, what

drives the related associated uncertainty and hence where efforts can be best concentrated to manage this uncertainty.

2.3 The corporate risk register records the risks relating to RBWM's objectives. Our risk registers are appropriate at the point in time at which they are produced, requiring consideration be given to a broad range of potential risks and outcomes. Anything that might inhibit the way in which this is expressed would weaken the quality of decision making when determining the most appropriate response to a risk.

2.4 Risks potentially carrying the most damaging impacts on our measurement scale are classified as key risks. The inclusion of risks within any level of risk register does not mean there is an immediate problem but signifies officers are aware of potential risks and have devised strategies for the implementation of relevant mitigation measures.

2.5 Appendix A contains a current summary of the key strategic risks. These risks were last presented to Members at the meeting of the Audit and Governance Committee on 19 May 2022. Since that report 2 key risks have been removed and 1 added.

**2.5.1 Removed: security and community problems arising from the actions of disenfranchised groups and extremists.** Directors consider that this exposure is not a key strategic risk. The matter nevertheless remains on the risk register at a lower assessment categorisation due to the council's responsibilities as a local leader to help ensure public safety

**2.5.2 Removed: the council's exposure to the coronavirus (COVID-19) emergency.** Now that all restrictions relating to the virus have been removed, officers consider it's appropriate to take this matter off the risk register.

**2.5.3 Added: financial implications of the adult social care charging reforms.** From October 2023, the government will increase the cap on the amount anyone in England will need to spend on their personal care over their lifetime from £23k to £86k. The council currently pays for the care of around 2,000 people – the reforms will see this number at least double, and everyone will want a Care Account in place to record their expenditure towards the cap.

2.6 Members are notified of the key risks where they are named as the risk owner typically as part of a Lead Member briefing. Officers are tasked with ensuring that any comments by Members are reflected in the assessment.

2.7 Risk reports are reviewed by senior management which gives the opportunity for challenge and discussion. If any risks are of such low impact that there is no good reason to continue including them in these discussions, then they are either removed from the risk register entirely or re-categorised with a lower risk assessment. These reviews are also an opportune moment to incorporate any new risks into this governance structure.

### 3. KEY IMPLICATIONS

#### Table 2: Key Implications

<b>Outcome</b>	<b>Unmet</b>	<b>Met</b>	<b>Exceeded</b>	<b>Significantly Exceeded</b>	<b>Date of delivery</b>
Officers and Members are engaged in regular risk reviews of the risk register - the nature of the threat and the progress on mitigations.	Risks are left without officer or Member attention.	Quarterly reviews.	Risks are reviewed more frequently than quarterly.	Risks are constantly assessed and not led by the review frequency on the risk register.	Ongoing by quarterly review.
Officers and Members make strategic, operational and investment decisions around projects with the risks in mind.	Risks are left without officer or Member attention.	Risk reviews undertaken at every key stage of the project.	Risks are constantly assessed.	None.	Ongoing until conclusion as part of project management.

#### **4. FINANCIAL DETAILS / VALUE FOR MONEY**

- 4.1 There are no explicit financial consequences arising from this report. However, risk owners need to contemplate resource implications when devising their mitigation strategies

#### **5. LEGAL IMPLICATIONS**

- 5.1 The council must comply with Regulation 6 (2) of the Accounts and Audit Regulations 2015 by publishing an Annual Governance Statement which demonstrates how it manages risk.

#### **6. RISK MANAGEMENT**

**Table 3: Impact of risk and mitigation**

<b>Risk</b>	<b>Level of uncontrolled risk</b>	<b>Controls</b>	<b>Level of controlled risk</b>
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<p>The council fails to make good use of risk management processes.</p> <p>Management and elected Members have insufficient awareness of those risks which carry the potential to severely damage the organisation and affect residents.</p> <p>Risk register ref: IRM0003</p>	<p>HIGH</p>	<ul style="list-style-type: none"> <li>• Directors will be having the workshop discussed at Audit and Governance 22/09/22 to thoroughly review the strategic risk register. Results to be brought back to this committee as per the risk management action plan.</li> <li>• Risks are reviewed by risk owners, the senior management team and elected Members.</li> <li>• The Audit and Governance Committee provides a mechanism for examination of the process.</li> </ul>	<p>LOW</p>
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## 7. POTENTIAL IMPACTS

- 7.1 Equalities. An Equality Impact Assessment is available as Appendix A
- 7.2 None directly although some risks may, from time to time, include associated obligations.
- 7.3 Data Protection/GDPR. None directly although some risks may, from time to time, involve related obligations.

## 8. CONSULTATION

- 8.1 This matter was last presented to the Audit and Governance Committee on 19 May 2022. Consultations have taken place with Directors' Forum, Heads of Service, directorate management teams and SWAP Internal Audit.

## 9. TIMETABLE FOR IMPLEMENTATION

- 9.1 Not applicable

## 10. APPENDICES

- 10.1 This report is supported by three appendices:  
A - heat map showing assessment of current key strategic risk impact/likelihoods  
B - detail of the key risks summarised in appendix A

## 11. BACKGROUND DOCUMENTS

11.1 This report is not supported by any background documents:

## 12. CONSULTATION

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory:</i>		<i>Statutory Officers (or deputies)</i>	
Adele Taylor	Executive Director of Resources/S151 Officer		
Emma Duncan	Director of Law, Strategy & Public Health/ Monitoring Officer		
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)	<b>28/09/22</b>	<b>12/10/22</b>
Elaine Browne	Head of Law (Deputy Monitoring Officer)		
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)		
<i>Mandatory:</i>		<i>Procurement Manager (or deputy) - if report requests approval to go to tender or award a contract</i>	
Lyn Hitchinson	Procurement Manager	<b>n/a</b>	
<i>Mandatory:</i>		<i>Data Protection Officer (or deputy) - if decision will result in processing of personal data; to advise on DPIA</i>	
Emma Young	Data Protection Officer	<b>n/a</b>	
<i>Mandatory:</i>		<i>Equalities Officer – to advise on EQiA, or agree an EQiA is not required</i>	
Ellen McManus	Equalities & Engagement Officer		
<i>Other consultees:</i>			
<i>Directors (where relevant)</i>			
Andrew Durrant	Executive Director of Place		
Kevin McDaniel	Executive Director of People Services		

Confirmation relevant Cabinet Member(s) consulted	Cabinet Member for Finance and Ascot	Yes/No
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### REPORT HISTORY

Decision type:	Urgency item?	To follow item?
For information	No	No

Report Author: Steve Mappley, Insurance and Risk Manager 01628 796202
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## APPENDIX A - EQUALITY IMPACT ASSESSMENT

### Essential information

Items to be assessed: (please mark 'x')

Strategy		Policy		Plan		Project		Service/Procedure	X
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Responsible officer	Steve Mappleby	Service area	Insurance and risk	Directorate	Resources
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<b>Stage 1: EqlA Screening (mandatory)</b>	Date created: 26/09/2022	<b>Stage 2 : Full assessment (if applicable)</b>	Date created : n/a
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**Approved by Head of Service / Overseeing group/body / Project Sponsor:**

*"I am satisfied that an equality impact has been undertaken adequately."*

**Signed by (print):**

**Dated:** xx/xx/xxxx



## Guidance notes

### What is an EqIA and why do we need to do it?

The Equality Act 2010 places a 'General Duty' on all public bodies to have 'due regard' to:

- Eliminating discrimination, harassment and victimisation and any other conduct prohibited under the Act.
- Advancing equality of opportunity between those with 'protected characteristics' and those without them.
- Fostering good relations between those with 'protected characteristics' and those without them.

EqIAs are a systematic way of taking equal opportunities into consideration when making a decision, and should be conducted when there is a new or reviewed strategy, policy, plan, project, service or procedure in order to determine whether there will likely be a detrimental and/or disproportionate impact on particular groups, including those within the workforce and customer/public groups. All completed EqIA Screenings are required to be publicly available on the council's website once they have been signed off by the relevant Head of Service or Strategic/Policy/Operational Group or Project Sponsor.

### What are the "protected characteristics" under the law?

The following are protected characteristics under the Equality Act 2010: age; disability (including physical, learning and mental health conditions); gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation.

### What's the process for conducting an EqIA?

The process for conducting an EqIA is set out at the end of this document. In brief, a Screening Assessment should be conducted for every new or reviewed strategy, policy, plan, project, service or procedure and the outcome of the Screening Assessment will indicate whether a Full Assessment should be undertaken.

### Openness and transparency

RBWM has a 'Specific Duty' to publish information about people affected by our policies and practices. Your completed assessment should be sent to the Strategy & Performance Team for publication to the RBWM website once it has been signed off by the relevant manager, and/or Strategic, Policy, or Operational Group. If your proposals are being made to Cabinet or any other Committee, please append a copy of your completed Screening or Full Assessment to your report.

### Enforcement

Judicial review of an authority can be taken by any person, including the Equality and Human Rights Commission (EHRC) or a group of people, with an interest, in respect of alleged failure to comply with the general equality duty. Only the EHRC can enforce the specific duties. A failure to comply with the specific duties may however be used as evidence of a failure to comply with the general duty.

## Stage 1: Screening (Mandatory)

### 1.1 What is the overall aim of your proposed strategy/policy/project etc and what are its key objectives?

To undertake improvements to the processes for the assessment and management of the business risks of the council.

1.2 What evidence is available to suggest that your proposal could have an impact on people (including staff and customers) with protected characteristics? Consider each of the protected characteristics in turn and identify whether your proposal is Relevant or Not Relevant to that characteristic. If Relevant, please assess the level of impact as either High / Medium / Low and whether the impact is Positive (i.e. contributes to promoting equality or improving relations within an equality group) or Negative (i.e. could disadvantage them). Please document your evidence for each assessment you make, including a justification of why you may have identified the proposal as “Not Relevant”.

Protected characteristics	Relevance	Level	Positive/negative	Evidence
<b>Age</b>	Not relevant			<p>Key data: The estimated median age of the local population is 42.6yrs [Source: <a href="#">ONS mid-year estimates 2020</a>].</p> <p>An estimated 20.2% of the local population are aged 0-15, and estimated 61% of the local population are aged 16-64yrs and an estimated 18.9% of the local population are aged 65+yrs. [Source: ONS mid-year estimates 2020, taken from <a href="#">Berkshire Observatory</a>]</p> <p>The subject matter is entirely to do with how the council undertakes its business risk management processes and not the nature of the consequent risks identified.</p>
<b>Disability</b>	Not relevant			<p>The subject matter is entirely to do with how the council undertakes its business risk management processes and not the nature of the consequent risks identified.</p>
<b>Gender re-assignment</b>	Not relevant			<p>The subject matter is entirely to do with how the council undertakes its business risk management processes and not the nature of the consequent risks identified.</p>
<b>Marriage/civil partnership</b>	Not relevant			<p>The subject matter is entirely to do with how the council undertakes its business risk management processes and not the nature of the consequent risks identified.</p>
<b>Pregnancy and maternity</b>	Not relevant			<p>The subject matter is entirely to do with how the council undertakes its business risk management processes and not the nature of the consequent risks identified.</p>

<b>Race</b>	Not relevant			<p><i>Key data: The 2011 Census indicates that 86.1% of the local population is White and 13.9% of the local population is BAME. The borough has a higher Asian/Asian British population (9.6%) than the South East (5.2%) and England (7.8%). The forthcoming 2021 Census data is expected to show a rise in the BAME population. [Source: 2011 Census, taken from <a href="#">Berkshire Observatory</a>]</i></p> <p>The subject matter is entirely to do with how the council undertakes its business risk management processes and not the nature of the consequent risks identified.</p>
<b>Religion and belief</b>	Not relevant			<p><i>Key data: The 2011 Census indicates that 62.3% of the local population is Christian, 21.7% no religion, 3.9% Muslim, 2% Sikh, 1.8% Hindu, 0.5% Buddhist, 0.4% other religion, and 0.3% Jewish. [Source: 2011 Census, taken from <a href="#">Berkshire Observatory</a>]</i></p> <p>The subject matter is entirely to do with how the council undertakes its business risk management processes and not the nature of the consequent risks identified.</p>
<b>Sex</b>	Not relevant			<p><i>Key data: In 2020 an estimated 49.6% of the local population is male and 50.4% female. [Source: ONS mid-year estimates 2020, taken from <a href="#">Berkshire Observatory</a>]</i></p> <p>The subject matter is entirely to do with how the council undertakes its business risk management processes and not the nature of the consequent risks identified.</p>

<b>Sexual orientation</b>	Not relevant			The subject matter is entirely to do with how the council undertakes its business risk management processes and not the nature of the consequent risks identified.
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**Outcome, action and public reporting**

<b>Screening Assessment Outcome</b>	<b>Yes / No / Not at this stage</b>	<b>Further Action Required / Action to be taken</b>	<b>Responsible Officer and / or Lead Strategic Group</b>	<b>Timescale for Resolution of negative impact / Delivery of positive impact</b>
<b>Was a significant level of negative impact identified?</b>	No	None`		
<b>Does the strategy, policy, plan etc require amendment to have a positive impact?</b>	No	None		

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If you answered **yes** to either / both of the questions above a Full Assessment is advisable and so please proceed to Stage 2. If you answered “No” or “Not at this Stage” to either / both of the questions above please consider any next steps that may be taken (e.g. monitor future impacts as part of implementation, re-screen the project at its next delivery milestone etc).

**Stage 2 : Full assessment**

2.1 : Scope and define

**2.1.1 Who are the main beneficiaries of the proposed strategy / policy / plan / project / service / procedure? List the groups who the work is targeting/aimed at.**

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**2.1.2 Who has been involved in the creation of the proposed strategy / policy / plan / project / service / procedure? *List those groups who the work is targeting/aimed at.***

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**2.2 : Information gathering/evidence**

**2.2.1 What secondary data have you used in this assessment?** *Common sources of secondary data include: censuses, organisational records.*

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**2.2.2 What primary data have you used to inform this assessment?** *Common sources of primary data include: consultation through interviews, focus groups, questionnaires.*

Eliminate discrimination, harassment, victimisation

<b>Protected Characteristic</b>	<b>Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)</b>	<b>If yes, to what level? (High / Medium / Low)</b>	<b>Negative impact : Does the proposal disadvantage them (Yes / No)</b>	<b>If yes, to what level? (High / Medium / Low)</b>	<b>Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.</b>
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					



Advance equality of opportunity

<b>Protected Characteristic</b>	<b>Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)</b>	<b>If yes, to what level? (High / Medium / Low)</b>	<b>Negative impact : Does the proposal disadvantage them (Yes / No)</b>	<b>If yes, to what level? (High / Medium / Low)</b>	<b>Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.</b>
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					

Foster good relations

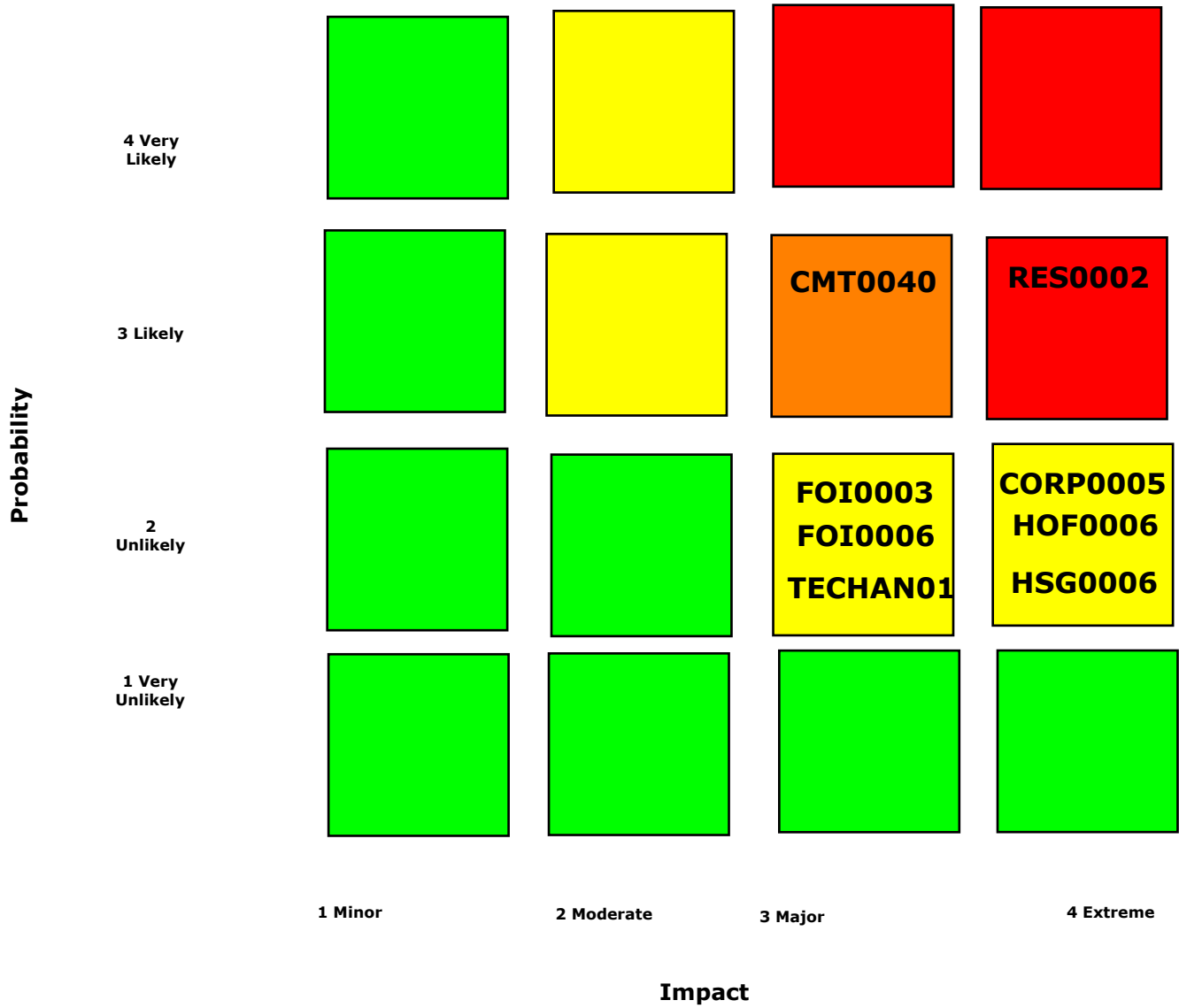
<b>Protected Characteristic</b>	<b>Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)</b>	<b>If yes, to what level? (High / Medium / Low)</b>	<b>Negative impact : Does the proposal disadvantage them (Yes / No)</b>	<b>If yes, to what level? (High / Medium / Low)</b>	<b>Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.</b>
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					

**2.4 Has your delivery plan been updated to incorporate the activities identified in this assessment to mitigate any identified negative impacts? If so please summarise any updates.**

*These could be service, equality, project or other delivery plans. If you did not have sufficient data to complete a thorough impact assessment, then an action should be incorporated to collect this information in the future.*

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# Appendix A – current key strategic risk assessments



## Detailed Risk Information

Current Risk Rating	Risk Ref	Summary	Assigned To	Review Date
12	RES0002	<p>Maidenhead regeneration programme</p> <ol style="list-style-type: none"> <li>1. The large schemes do not commence delivery as planned leaving the town weakened as an offer with reduced footfall making it less likely investment will be attracted in the future. Potential impact on Council commercial interests as well.</li> <li>2. Changes in the economy, particularly influenced by COVID-19, could affect the benefits that can be realised e.g. a loss of consumer confidence, loss of office workers and rising build costs would affect the financial viability of schemes and could result in stalled development or completed development not being as attractive/successful as planned.</li> <li>3. Ensuring effective join up of sites and infrastructure delivery. With so many different sites being developed/planned there could be a long term issue of the town centre being a 'building site' so scheduling works and keeping businesses open will be critical. Similarly development of infrastructure needs to make sure it is delivered when (or before) need.</li> <li>4. Funding markets do not support the quantum of development leading to delay in commencing schemes.</li> <li>5. Impact on capital receipts.</li> </ol>	Adele Taylor (as client)	01/11/2022
9	CMT0040	<p>Insufficient local community resilience which could lead to residents being without the necessary assistance and increased financial impact on RBWM should a critical event occur.</p> <p>Underdeveloped and untested business continuity planning may reduce the ability of the council to provide critical functions in the event of emergency situation. COVID-19 has tested all sorts of BCP, and we have responded well to this pandemic emergency challenge..</p>	David Scott	01/12/2022
8	CORP0005	<p>Council owned companies or major contractors delivering statutory and discretionary services on behalf of the council fail and/or go out of business as a result of increased demand or poor performance. Leads to:</p> <ul style="list-style-type: none"> <li>- Statutory services for children and adults not delivered.</li> <li>- Resident facing community services, such as highways or waste collection, not delivered.</li> <li>- Reputational damage to the council.</li> <li>- Potential risks to public health.</li> <li>- Vulnerable adults and children may be left more at risk.</li> <li>- Problems in maintaining the streetscene to a safe level leading to highways injuries/claims against the statutory highway authority.</li> </ul>	Andrew Durrant	01/10/2022
8	HOF0006	<p>Historically, the council's financial strategy has not been effective in dealing with pressures. The CIPFA action plan along with a robust MTFS and improved budget management (as detailed in the last two budgets) have stabilised matters. Addressing the impact of several years of low CTax bills is a concern. It is expected the council should soon be in a position to boost its reserves.</p> <p>Confidence level: strong degree of confidence that the assessments accurately capture the current position in risk terms. Timescale: as at Spring 2022, our aim is that within 2-3 years the impact of our mitigations will result in sufficient resilience.</p>	Andrew Vallance	17/11/2022

## Detailed Risk Information

Current Risk Rating	Risk Ref	Summary	Assigned To	Review Date
8	HSG0006	<p>1. Lack of joint early planning between children's services, adult social care and health can potentially lead to children and young people with high needs, who will need to transition to adult services, not being identified early enough for their ongoing costs to be built into future planning/Medium Term Financial Strategy.</p> <p>2. Lack of early joint planning between children's and adult services may limit opportunities to prepare young people for adulthood and independence.</p> <p>3. Lack of sufficient accommodation in the borough often leads to young people being placed out of borough in expensive placements leading to higher costs and loss of contact with their communities.</p>	Kevin McDaniel	01/10/2022
6	FOI0003	<p>(a) Serious external security breaches, (b) data loss or damage to data caused by inadequate information security leads to delays and errors in business processes.</p> <p>The prime threats reported to the National Cyber Security Centre over the past 12 months include ransomware, malware, social engineering and supply chain attacks.</p>	Nikki Craig	17/11/2022
6	FOI0006	<p>Statutory breach arising from non-compliance with the Data Protection Act 2018 and the UK General Data Protection Regulation 2016 leads to reputation damage e.g. naming and shaming and fines potentially up to €20m (that level of fine is unlikely to be applied to a local authority although low 6 figure fines from the ICO in that regard have occurred) as well as legal action costs following judicial remedies.</p> <p>Adequacy status was granted to the UK in June 2021 meaning all data processing with the EU/EEA will continue as it did before EU withdrawal.</p> <p>Non-compliance can only be identified if a breach actually occurs. The type of information breach is key - only if significant harm is likely to arise from the breach are fines expected to be punitive.</p> <p>Regulators can also issue enforcement action in the form of temporary or permanent bans on processing.</p> <p>Confidence level in accuracy of current risk assessment: medium.</p>	Karen Shepherd	26/10/2022

## Detailed Risk Information

Current Risk Rating	Risk Ref	Summary	Assigned To	Review Date
6	TECHAN01	<p>If there is an IT infrastructure failure i.e. data storage infrastructure, systems access or total loss of council data centre then this could affect the ability of RBWM to function normally.</p> <p>Several large consecutive and concurrent projects are scheduled for 22/23 and 23/24.</p> <p>Details are within the IT risk register of which this is a summary.</p> <p>Causes: External cyber threats e.g. distributed denial of service (DDOS) attacks. Loss/damage/denial of access to primary, secondary or hosted data centres. Accidental or deliberate loss of data or physical/logical failure to disk drive. Lapse of accreditation to Public Services Network. Physical or virtual server corruption or failure.</p> <p>This could lead to: - increased costs of downtime in the event of insufficient back up - expensive emergency service to rectify at short notice.</p> <p>Impacts are felt on three levels: operationally, as the council becomes unable to engage with residents; financially, as revenues are lost and remediation costs pile up; and reputationally, as people question the security of the data that's held about them.</p>	Nikki Craig	17/11/2022

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Risk Group	Corporate plan	Risk Ref.	Trend	Description	Financial IMPAC	Legislative IMPAC	Reputation IMPAC	Service delivery IMPAC	Leach hood	Inherent risk rating	Appetite	Control/implemented or ongoing	Compliance fully developed	Current risk rating	Target risk rating	Owner	Date of last review
Key strategic risk	Inspiring places	RES2	↔	<p>Maidenhead regeneration programme</p> <p>1. The large schemes do not commence delivery as planned leaving the town weakened as an offer with reduced football making it less likely investment will be attracted in the future. Potential impact on Council commercial interests as well.</p> <p>2. Changes in the economy, particularly influenced by Covid-19, could affect the benefits that can be realised e.g. a loss of consumer confidence, loss of office workers and rising build costs would affect the financial viability of schemes and could result in stalled development or completed development not being as attractive/successful as planned.</p> <p>3. Ensuring effective join up of sites and infrastructure delivery. With so many different sites being developed/planned there could be a long term issue of the town centre being a 'building site' so scheduling works and keeping businesses open will be critical. Similarly development of infrastructure needs to make sure it is delivered when (or before) need.</p> <p>4. Funding markets do not support the quantum of development leading to delay in commencing schemes.</p> <p>5. Impact on capital receipts.</p>	4	2	3	3	3	12	8	<p>1. CPO for the Landings granted and CPO for the Nicholson Centre due October.</p> <p>2. Regular engagement via PropCo with developers, tenants and business organisations.</p> <p>3. Planning and other regulatory functions are resourced and responding in a timely manner to need.</p> <p>4. Consideration with developers and funders of the current market conditions.</p> <p>5. PropCo and specialist legal team protecting the Council's direct interests.</p> <p>6. Consideration of the Council's place making role in driving or supporting delivery.</p> <p>7. Landings on site and progressing, good progress on Shanly and Countryside Schemes as well.</p> <p>8. Any signed contracts contain minimum land values and are actively managed. Further income (average) is not expected nor in MTFS.</p>		12	8	Adelle Taylor (as client)	05/10/2022
Key strategic risk	Quality infrastructure	HOF6	↔	<p>Historically, the council's financial strategy has not been effective in dealing with pressures. The CIPFA action plan along with a robust MTFS and improved budget management (as detailed in the last two budgets) have stabilised matters. Addressing the impact of several years of low CTax bills is a concern. It is expected the council should soon be in a position to boost its reserves.</p> <p>Confidence level: strong degree of confidence that the assessments accurately capture the current position in risk terms.</p> <p>Timescale: as at Spring 2022, our aim is that within 2-3 years the impact of our mitigations will result in sufficient resilience.</p> <p>- long term COVID pressures on income budgets e.g. parking, leisure.</p> <p>- inflation pressures. Possible inflation and/or interest impacts.</p> <p>- service pressures cannot be controlled or mitigated;</p> <p>- reduction in income due to recession - fees/charges/interests/severe income disparity across the borough;</p> <p>- savings plans not achieved;</p> <p>- cost of demand led services rises significantly beyond expectation;</p> <p>- reduced resilience for services meeting strategic challenges (for instance, demographic pressures;</p> <p>- increased number of child referrals and child specific placements.</p> <p>- impact of changes driven by Social Care Bill (a separate risk register entry and set of mitigations exist for this risk, ref: SDCIL22)</p> <p>- Local Government reform and funding</p>	4	1	3	4	4	12	8	<p>1. Full team of business partners by Sept 22. Chief accountant and senior business partner (finance) key roles in place.</p> <p>2. Robust MTFFP in place. Approved by Cabinet 22/07/21. Cabinet approved draft 22/23 budget Nov 21.</p> <p>3. Director of resources' annual assessment of the need to retain reserves based on the key risk register financial exposures.</p> <p>4. Budget manager bi monthly forecasts proving effective and reported to cabinet alongside the finance adjusted forecast figure.</p> <p>5. Finance management has a closely monitored corporate savings tracker noted monthly at CLT and reported bi monthly to Cabinet.</p> <p>6. Annual line by line base budget review.</p> <p>7. Increased focus on monitoring debt recovery programme.</p>		8	8	Andrew Vallance	20/07/2022
Key strategic risk	Quality infrastructure	TECHAN1	↔	<p>If there is an IT infrastructure failure i.e. data storage infrastructure, systems access or total loss of council data centre then this could affect the ability of RBWM to function normally.</p> <p>Impacts are felt on three levels: operationally, as the council becomes unable to engage with residents; financially, as revenues are lost and remediation costs pile up; and reputationally, as people question the security of the data that's held about them.</p> <p>Several large consecutive and concurrent projects are scheduled for 22/23 and 23/24.</p> <p>Details are within the IT risk register of which this is a summary.</p> <p>Causes:</p> <p>External cyber threats e.g. distributed denial of service (DDoS) attacks. Loss/damage/denial of access to primary, secondary or hosted data centres.</p> <p>Accidental or deliberate loss of data or physical/logical failure to disk drive. Lapse of accreditation to Public Services Network.</p> <p>Physical or virtual server corruption or failure.</p> <p>This could lead to:</p> <p>- increased costs of downtime in the event of insufficient back up</p> <p>- expensive emergency service to rectify at short notice.</p>	3	2	3	3	4	12	6	<p>1. Multiple data centres provides increased resilience.</p> <p>2. Line of business systems hosted either on local servers or on remote cloud hosted servers.</p> <p>3. Council networks are protected by multiple security layers using firewall and other control technologies.</p> <p>4. Modern Workplace Project completed with investment of new corporate devices to replace ageing infrastructure</p> <p>5. Physical Infrastructure controls access controls, remote access capability, environmental monitoring, generator and UPS.</p> <p>6. DDoS protection in place.</p> <p>7. Windows 10 device maintenance programme.</p> <p>8. Disk drives are configured to use RAID technology.</p> <p>9. Diverse routing of external network links supplied and supported by tier one UK network suppliers.</p>		6	6	Nikl Craig	05/10/2022



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Key strategic risk	Quality infrastructure	FOI3	<p>↔ (a) Serious external IT security breaches.</p> <p>↔ (b) Data loss or damage to data caused by inadequate information security leads to delays and errors in business processes.</p> <p>The prime threats reported to the National Cyber Security Centre over the past 12 months include ransomware, malware, social engineering and supply chain attacks.</p>	3	3	3	4	4	16	6	<ol style="list-style-type: none"> <li>1. Security awareness of officers and external service providers who use our IT.</li> <li>2. Secure remote working with computers, encrypted area for sensitive laptop data.</li> <li>3. Develop, publish and communicate information security policies.</li> <li>4. Audit use of all Council laptops and obtain management authorisation for their use.</li> <li>5. DPO/SIRO to check/take action if inappropriate external transmissions of data are reported.</li> <li>6. Mandatory annual security induction and training procedure embedded in HR procedures and the appraisal process.</li> <li>7. Disposal of confidential waste papers. Specific bins are in place to ensure such waste is locked and secure at all times.</li> <li>8. All data security breaches are investigated. Intel shared with organisational development team to weave into future learning.</li> <li>9. Exchange of data and information with other organisations. Policies, procedures and declarations available to increase security.</li> <li>10. HR complete ICT change form when an employee leaves triggers responses by system owners to close off access.</li> <li>11. Implement a robust exit strategy with accountabilities when staff leave the organisation or return surplus IT equipment.</li> </ol>	<ol style="list-style-type: none"> <li>1. Enhanced password policy to enforce industry best practice.</li> <li>2. Enable multi factor authentication on Microsoft cloud services.</li> </ol>	6	6	Nikki Craig	05/10/2022
Key strategic risk	Thriving communities	CMT40	<p>↔ Insufficient local community resilience which could lead to residents being without the necessary assistance and increased financial impact on RBWM should a critical event occur.</p> <p>↔ Underdeveloped and untested business continuity planning may reduce the ability of the council to provide critical functions in the event of emergency situation. COVID 19 has tested all sorts of BCP, and we have responded well to this pandemic emergency challenge.</p> <p>There is also the impact on RBWM from failures in our links with external networks and supply chains e.g. impact of local or global political unrest, any failure in the integrity for gas/electric/other utilities on which the council relies esp. re: vulnerable people.</p>	3	3	3	3	3	9	6	<ol style="list-style-type: none"> <li>1. Improve pool of EP silver or gold leaders</li> <li>2. Inter authority agreement in relation to JERU in place (RBWM, WBOC and BFBG) to provide resilience with experts in the field.</li> <li>3. Flood training undertaken by the CLT.</li> <li>4. Waste suppliers have confirmed their processes and arrangements in the event of severe weather.</li> <li>5. Ensure sufficient resilience for IT systems/back ups in emergencies for the 24/7 control room or EOC.</li> <li>6. Residential care homes have temporary alternative accommodation plans for vulnerable adults for use in emergency situations.</li> <li>7. The need for contractors to have BCPs in place is part of the commissioning and contracting process (but no testing process).</li> <li>8. The new generator at Tinkers Lane is extended to provide wider back up to support greater emergency use of the depot.</li> </ol>	<ol style="list-style-type: none"> <li>1. Progress an action plan for improving resilience by way of developing training plans on a regular routine way based on risk.</li> <li>2. Service BCPs continuing development. Original timeline disrupted by pandemic but this proved helpful to stress test the BCPs.</li> <li>3. JERU to run a BCP test in the form of a whole council exercise during 2023/2024.</li> <li>4. An effective means of testing plans is being put in place including, where possible, our key contractors.</li> <li>5. Develop and support community based EPs in conjunction with parish councils working in propriety order with communities</li> <li>6. JERU to run a prioritisation exercise to identify corporate/council wide service function priorities once all BCPs submitted.</li> </ol>	9	6	David Scott	01/08/22
Key strategic risk	Quality infrastructure	CORP5	<p>↔ Council owned companies or major contractors delivering statutory and discretionary services on behalf of the council fail and/or go out of business as a result of increased demand or poor performance.</p> <p>Leads to:</p> <ul style="list-style-type: none"> <li>Statutory services for children and adults not delivered.</li> <li>Resident facing community services, such as highways or waste collection, not delivered.</li> <li>Reputational damage to the council.</li> <li>Potential risks to public health.</li> <li>Vulnerable adults and children may be left more at risk.</li> <li>Problems in maintaining the streetscene to a safe level leading to highway injuries/claims against the statutory highway authority.</li> </ul>	4	2	2	4	3	12	4	<ol style="list-style-type: none"> <li>1. Robust governance arrangements at Member and officer levels in place and operating.</li> <li>2. Escalations, including financial penalties and "step in" procedures, in place for all contracts with clear triggers identified.</li> <li>3. Identified contract managers in place.</li> <li>4. Road categorisation project woven into HMMP.</li> <li>5. Change control mechanisms in place across all contracts.</li> <li>6. Tight contract monitoring quarterly and monthly contract meetings.</li> <li>7. Exit clauses/strategies negotiated and in place across all contracts.</li> <li>8. Clear vision and business plans for all companies, aligned to the Council Plan.</li> <li>9. Performance dashboard of key service and financial indicators reviewed monthly and quarterly.</li> <li>10. Published HMMP risk based as per 2018 Code of Practice to show our rationale in case of legal challenge.</li> </ol>	None	9	4	Andrew Durrant	01/08/22
Key strategic risk	Quality infrastructure	HSG6	<p>↔ 1. Lack of joint early planning between children's services, adult social care and health can potentially lead to children and young people with high needs, who will need to transition to adult services, not being identified early enough for their ongoing costs to be built into future planning/Medium Term Financial Strategy.</p> <p>↔ 2. Lack of early joint planning between children's and adult services may limit opportunities to prepare young people for adulthood and independence.</p> <p>↔ 3. Lack of sufficient accommodation in the borough often leads to young people being placed out of borough in expensive placements leading to higher costs and less of contact with their communities.</p> <p>The Children and Health Care Act 2014 contains requirement for education, health and care plans for 16-25 year olds.</p> <p>Inadequate cost effective placements along with the council being able to manage the expectations of children and young people, families, users of self directed support and personal budgets may compound this situation. There is likely to be a cohort of children who won't receive a comparable service in adulthood because their needs aren't eligible for any adult care service.</p> <p>Needs can change massively in adolescence and around the end of their association with children's services. It's important that all children have sufficient preparation for independent adult living.</p>	4	3	3	3	4	12	6	<ol style="list-style-type: none"> <li>1. Implementation of robust management controls in Optalis to manage funding packages and spend.</li> <li>2. New operational procedures in place to plan and manage transitions between children's and adult services.</li> <li>3. Adult social worker based in CYPDS to manage transition cases.</li> <li>4. Supported housing needs assessment completed in December 2021.</li> <li>5. Improved "forward look" of cases in place to inform future years' budget planning.</li> <li>6. Annual transitions census day to review each case of young people &gt;14 with additional needs to inform planning/commissioning.</li> </ol>	<ol style="list-style-type: none"> <li>1. Commissioning plan for supported housing being developed for 2022.</li> <li>2. Transitions Strategy being developed.</li> </ol>	8	6	Kevin McDaniel	21/08/22

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Report Title:	<b>Treasury Management Mid-Year Review 2022/23</b>
Contains Confidential or Exempt Information	No - Part I
Cabinet Member:	Councillor Hilton, Cabinet Member for Asset Management & Commercialisation, Finance, & Ascot
Meeting and Date:	Audit and Governance Committee – 20 October 2022
Responsible Officer(s):	Adele Taylor, Executive Director of Resources (s151 Officer)
Wards affected:	All

## **REPORT SUMMARY**

1. The purpose of this report is to:
  - a) Update Members on the delivery of the Treasury Management Strategy approved by Council on 22<sup>nd</sup> February 2022 and allow for any changes to be made depending on market conditions.
  - b) This report forms part of the monitoring of the treasury management function as recommended in the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice which requires that the Council receives a report on its treasury management activity at least twice a year.

Specifically, this report includes:

- a) a review of the Council's borrowing strategy in 2022/23;
- b) a review of the Council's financial investment portfolio for 2022/23 as at 30<sup>th</sup> September 2022;
- c) a review of compliance with the Council's Treasury and Prudential limits for the first 6 months of 2022/23; and
- d) an economic update for the financial year is included as Appendix B.

## **1. DETAILS OF RECOMMENDATION(S)**

### **RECOMMENDATION:**

**That the Audit and Governance Committee notes and approves the mid-year Treasury Management Mid-Year Review Report 2022/23.**

**2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED**

- 2.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy’s Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve treasury management mid-year and annual reports.
- 2.2 The Council’s treasury management strategy for 2022/23 was approved at the Council meeting on 22<sup>nd</sup> February 2022. When borrowing and investing money the Council is exposed to financial risks including the loss of invested funds and the revenue impact of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council’s treasury management strategy.

**3. KEY IMPLICATIONS**

- 3.1 A successful treasury management approach will ensure the security of the Council’s assets whilst meeting the liquidity requirements of the Council.

**Table 1: Key Implications**

<b>Outcome</b>	<b>Unmet</b>	<b>Met</b>	<b>Exceeded</b>	<b>Significantly Exceeded</b>	<b>2022/23 Actual</b>
No. of days that counterpart limits are exceeded	>0	<=0	N/A	N/A	0
No of days that the operational boundary for long-term debt is exceeded	>0	<=0	N/A	N/A	0

**4. FINANCIAL DETAILS / VALUE FOR MONEY**

**MID-YEAR REVIEW OF TREASURY MANAGEMENT ACTIVITY**

- 4.1 The treasury management position on 30<sup>th</sup> September 2022 and the change during the year to this date is shown in Table 2 below. Net borrowing has gone down since the start of the year due to cashflow, and fewer loans being arranged in advance of need to protect against future interest rate rises as higher rates have now been built in to offers.

**Table 2: Treasury Management Summary**

	<b>31.3.22 Balance £m</b>	<b>Movement £m</b>	<b>30.9.22 Balance £m</b>	<b>30.9.22 Average Interest Rate</b>
Long-term borrowing	71.3	20.0	91.3	3.59%
Short-term borrowing	134.6	(9.2)	125.4	0.50%
<b>Total borrowing</b>	<b>205.9</b>	<b>10.8</b>	<b>216.7</b>	
Long-term investments	1.3	(1.3)	0.0	
Short-term investments	7.9	(0.8)	7.1	3.03%
Cash and cash equivalents	32.5	31.0	63.5	2.10%
<b>Total investments</b>	<b>41.7</b>	<b>28.9</b>	<b>70.6</b>	
<b>Net borrowing</b>	<b>164.2</b>	<b>(18.1)</b>	<b>146.1</b>	

### **Borrowing**

- 4.2 CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority.
- 4.3 PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield. The Authority intends to avoid this activity in order to retain its access to PWLB loans.

### **Borrowing Strategy and Activity**

- 4.4 As outlined in the treasury strategy, the Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.
- 4.5 Over the April-September period interest rates and therefore short term PWLB rates have risen dramatically in response to inflation fears and market uncertainty. PWLB rates increased to 6% but have now stabilised at 5%. This has significantly increased the costs of new borrowing available to the Authority.
- 4.6 Interest rates rose by over 2% during the period in both the long and short term. As an indication, the 5-year maturity certainty rate rose from 2.30% on

1st April to 5.09% on 30th September; over the same period the 30-year maturity certainty rate rose from 2.63% to 4.68%

- 4.7 At 30<sup>th</sup> September 2022 the Authority's total borrowing was £216.7m, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 30<sup>th</sup> September are summarised in Table 3 below.

**Table 3: Borrowing Position**

	<b>31.3.22 Balance £m</b>	<b>Net Movement £m</b>	<b>30.9.22 Balance £m</b>	<b>30.9.22 Weighted Average Rate %</b>
Public Works Loan Board	43	20	63	4.2
Banks (LOBO)	13	0	13	4.2
Local authorities (long-term)	15	0	15	0.6
Local authorities (short-term)	119	(10)	109	0.5
Funds held on behalf of LEP	16	1	17	2.3
<b>Total borrowing</b>	<b>206</b>	<b>11</b>	<b>217</b>	

- 4.8 The Authority has arranged a number of forward starting short-term loans during the period and has covered nearly all of its anticipated borrowing requirement for the current financial year. A balance has to be struck between taking out sufficient borrowing to cover need to secure rates whilst not overpaying in the short term if circumstances change.
- 4.9 Due to our actions, the recent interest rate rises will only have a minimal impact on the Authority's borrowing costs in the current financial year. However, the capital programme will be reviewed in light of these increases, and where appropriate reduced, in order to control the Authority's required level of borrowing going forward.
- 4.10 In addition, the capital programme has to be reviewed in terms of the underpinning individual business cases for spend to ensure that the outcomes can still be achieved given the increase in cost of capital.
- 4.11 In July 2022 following consultation with our treasury management advisors Arlingclose, £20m of PWLB borrowing was arranged during the period at a rate of 2.6% to reduce the Authority's exposure to future interest rate rises.
- 4.12 With short-term interest rates remaining much lower than long-term rates and with surplus of liquidity continuing to feature in the LA to LA market during the period, the Authority considered it to be more cost effective in the near term to take out most of the new borrowing it required as short-term loans.
- 4.13 The Council continues to hold £13m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either

accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the period.

## **TREASURY INVESTMENT ACTIVITY**

4.14 The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the period, the Authority's investment balances ranged between £13.5m and £78.8m due to timing differences between income and expenditure. The investment position is shown in Table 4 below.

**Table 4: Treasury Investment Position**

	<b>31.3.22 Balance £m</b>	<b>Net Movement £m</b>	<b>30.9.22 Balance £m</b>	<b>30.9.22 Income Return %</b>
<b>Banks</b>	<b>0.5</b>	<b>0.0</b>	<b>0.5</b>	<b>0</b>
<b>Money Market Funds</b>	<b>18.0</b>	<b>0.0</b>	<b>18.0</b>	<b>2.1</b>
<b>Debt Management Office</b>	<b>14.0</b>	<b>31.0</b>	<b>45.0</b>	<b>1.7</b>
<b>Loans to Associates</b>	<b>9.2</b>	<b>(2.1)</b>	<b>7.1</b>	<b>3.0</b>
<b>Total investments</b>	<b>41.7</b>	<b>(28.9)</b>	<b>70.6</b>	

4.15 Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

4.16 Due to the increases in Bank Rate over the period under review, and with the prospect of more increases to come, short-dated cash rates, which had ranged between 0.7% - 1.5% at the end of March, rose by around 1.5% for overnight/7-day maturities and by nearly 3.5% for 9-12 month maturities.

4.17 By the end of September, the rates on DMADF deposits ranged between 1.85% and 3.5%. The return on the Council's sterling low volatility net asset value (LVNAV) Money Market Funds ranged between 0.9% - 1.1% p.a. in early April and between 1.8% and 2.05% at the end of September.

4.18 The Authority maintains low levels of investments seeking to keep balances of cash and cash equivalents as low as possible while maintaining a sufficient balance to cover its working capital requirements.

## **NON-TREASURY INVESTMENTS**

- 4.19 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. As at 30/09/2022 the Council held £91.2m of such investments in investment properties. These investments generated £1.097m of investment income for the Authority during the period after taking account of direct costs, representing a rate of return of 1.2%.

## **COMPLIANCE**

- 4.19 The Executive Director of Resources (S151 Officer) reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy.
- 4.20 The performance against debt and counterparty limits is shown in Tables 5 and 6 below.

**Table 5: Debt Limits**

	<b>2022/23 Maximum</b>	<b>30.9.22 Actual</b>	<b>2022/23 Operational Boundary</b>	<b>2022/23 Authorised Limit</b>	<b>Complied?</b>
Borrowing	£217m	£217m	£286m	£311m	Yes

**Table 6: Counterparty Limits**

	<b>2021/22 Actual</b>	<b>2021/22 Target</b>	<b>Complied?</b>
No. of days that counterpart limits are exceeded	0	0	Yes

- 4.21 The Authority's interest rate exposure limit is set to control its exposure to interest rate rises by limiting the amount of short-term borrowing that it holds. The Authority complied with this limit as shown in Table 7 below:

**Table 7: Interest Rate Risk Indicator**

	<b>30.9.22 Actual</b>	<b>2021/22 Limit</b>	<b>Complied?</b>
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£0.9m	£2.25m	Yes
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£0.9m	£2.80m	Yes



4.22 The maturity structure of borrowing indicator is set to control the Authority’s exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing and compliance against these are shown in Table 8 below:

**Table 8: Maturity Structure of Borrowing**

	<b>30.9.22 Actual</b>	<b>Upper Limit</b>	<b>Lower Limit</b>	<b>Complied?</b>
<b>Under 12 months</b>	<b>59%</b>	<b>80%</b>	<b>0%</b>	<b>Yes</b>
<b>12 months and within 24 months</b>	<b>4%</b>	<b>80%</b>	<b>0%</b>	<b>Yes</b>
<b>24 months and within 5 years</b>	<b>7%</b>	<b>100%</b>	<b>0%</b>	<b>Yes</b>
<b>5 years and within 10 years</b>	<b>15%</b>	<b>100%</b>	<b>0%</b>	<b>Yes</b>
<b>10 years and above</b>	<b>15%</b>	<b>100%</b>	<b>0%</b>	<b>Yes</b>

4.23 Table 9 shows the Authority’s compliance with its limits for the amount of principal invested beyond year end. The purpose of this indicator is to control the Authority’s exposure to the risk of incurring losses by seeking early repayment of its investments.

**Table 9: Principal sums invested beyond year end**

	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
<b>Actual principal invested beyond year end</b>	£1.3m	£0m	£0m
<b>Limit on principal invested beyond year end</b>	£25m	£25m	£25m
<b>Complied?</b>	Yes	Yes	Yes

**5. LEGAL IMPLICATIONS**

5.1 In producing and reviewing this report the Council is meeting its legal obligations to properly manage its funds.

**6. RISK MANAGEMENT**

6.1 Table 8: Impact of risk and mitigation

Risk	Level of uncontrolled risk	Controls	Level of controlled risk
That a counterparty defaults on repayment of a loan resulting in a loss of capital for the Council	MEDIUM	Loans are only made to counterparties on the approved lending list. The credit ratings of counterparties on the lending list are monitored regularly Counterparty limits reviewed and reduced to limit individual exposure.	LOW
That funds are invested in fixed-term deposits and are not available to meet the council’s commitment to pay suppliers and payroll.	MEDIUM	A cashflow forecast is maintained and referred to when investment decisions are made to ensure that funds are available to meet the council’s commitment to pay suppliers and payroll.	LOW

**7. POTENTIAL IMPACTS**

- 7.1 Equalities. An Equality Impact Assessment is available as Appendix A.
- 7.2 Climate change/sustainability. None identified.
- 7.3 Data Protection/GDPR. None identified.

**8. CONSULTATION**

8.1 This section is not applicable.

**9. TIMETABLE FOR IMPLEMENTATION**

9.1 This section is not applicable.

## 10. BACKGROUND DOCUMENTS

10.1 This report is supported by two Appendices:

- Appendix A – Equality Impact Assessment
- Appendix B – Economic Update

## 11. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory:</i>		<i>Statutory Officers (or deputies)</i>	
Adele Taylor	Executive Director of Resources/S151 Officer	7/10/22	11/10/22
Emma Duncan	Director of Law and Strategy / Monitoring Officer	7/10/22	12/10/22
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)	Report Author	
Elaine Browne	Head of Law (Deputy Monitoring Officer)	7/10/22	
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)	7/10/22	10/10/22
<i>Other consultees:</i>			
<i>Directors (where relevant)</i>			
Tony Reeves	Interim Chief Executive	7/10/22	
Andrew Durrant	Executive Director of Place	7/10/22	
Kevin McDaniel	Executive Director of People	7/10/22	

Confirmation relevant Cabinet Member(s) consulted	Cabinet Member for Asset Management & Commercialisation, Finance and Ascot	Yes
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## REPORT HISTORY

Decision type:	Urgency item?	To follow item?
Audit and Governance Committee decision	No	No



## APPENDIX A - EQUALITY IMPACT ASSESSMENT

### Essential information

Items to be assessed: (please mark 'x')

Strategy	x	Policy		Plan		Project		Service/Procedure	
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Responsible officer	Andrew Vallance	Service area	Finance	Directorate	Resources
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<b>Stage 1: EqIA Screening (mandatory)</b>	Date created: 07/10/2022	<b>Stage 2 : Full assessment (if applicable)</b>	N/A
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**Approved by Head of Service / Overseeing group/body / Project Sponsor:**  
*"I am satisfied that an equality impact has been undertaken adequately."*

**Signed by (print):** Andrew Vallance

**Dated:** 07/10/2022

### Stage 1: Screening (Mandatory)

#### 1.1 What is the overall aim of your proposed strategy/policy/project etc and what are its key objectives?

To update Members on the delivery of the Treasury Management Strategy approved by Council on 22<sup>nd</sup> February 2022 and allow for any changes to be made depending on market conditions.

1.2 What evidence is available to suggest that your proposal could have an impact on people (including staff and customers) with protected characteristics? Consider each of the protected characteristics in turn and identify whether your proposal is Relevant or Not Relevant to that characteristic. If Relevant, please assess the level of impact as either High / Medium / Low and whether the impact is Positive (i.e. contributes to promoting equality or improving relations within an equality group) or Negative (i.e. could disadvantage them). Please document your evidence for each assessment you make, including a justification of why you may have identified the proposal as "Not Relevant".

<b>Protected characteristics</b>	<b>Relevance</b>	<b>Level</b>	<b>Positive/negative</b>	<b>Evidence</b>
<b>Age</b>	Not Relevant			
<b>Disability</b>	Not Relevant			
<b>Gender re-assignment</b>	Not Relevant			
<b>Marriage/civil partnership</b>	Not Relevant			
<b>Pregnancy and maternity</b>	Not Relevant			
<b>Race</b>	Not Relevant			
<b>Religion and belief</b>	Not Relevant			
<b>Sex</b>	Not Relevant			
<b>Sexual orientation</b>	Not Relevant			

**Outcome, action and public reporting**

<b>Screening Assessment Outcome</b>	<b>Yes / No / Not at this stage</b>	<b>Further Action Required / Action to be taken</b>	<b>Responsible Officer and / or Lead Strategic Group</b>	<b>Timescale for Resolution of negative impact / Delivery of positive impact</b>
<b>Was a significant level of negative impact identified?</b>	No			
<b>Does the strategy, policy, plan etc require amendment to have a positive impact?</b>	No			

If you answered **yes** to either / both of the questions above a Full Assessment is advisable and so please proceed to Stage 2. If you answered “No” or “Not at this Stage” to either / both of the questions above please consider any next steps that may be taken (e.g. monitor future impacts as part of implementation, re-screen the project at its next delivery milestone etc).

Arlingclose Economic Update

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

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

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

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

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

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

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

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



of long-dated gilts, albeit as a temporary measure, which has had the desired effect with 50-year gilt yields falling over 100bps in a single day.

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

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

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

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

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

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

**Credit review:**

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

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

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

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

institutions and durations on the Authority’s counterparty list recommended by Arlingclose remains under constant review.

**Arlingclose’s Economic Outlook for the remainder of 2022/23 (based on 26<sup>th</sup> September 2022 interest rate forecast)**

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

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

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

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

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

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

**Background:**

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

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

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

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

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

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

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

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

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Report Title:	<b>Draft Treasury Management Strategy &amp; Prudential Indicator Report 2023/24</b>
Contains Confidential or Exempt Information	No - Part I
Cabinet Member:	Councillor Hilton, Cabinet Member for Asset Management & Commercialisation, Finance, & Ascot
Meeting and Date:	Audit and Governance Committee – 20 <sup>th</sup> October 2022
Responsible Officer(s):	Adele Taylor, Executive Director of Resources (s151 Officer)
Wards affected:	All

## **REPORT SUMMARY**

1. In accordance with the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 and the CIPFA Prudential Code, the Council is required to approve a Treasury Management Strategy before the start of each financial year. This report fulfils that obligation.
2. The Draft Treasury Management Strategy 2023/24 as set out in section 4 of this report has been written to comply with the CIPFA Code of Practice. It sets out the parameters for the Council's planned treasury activity.
3. The Council's self-imposed limits on sustainable, affordable and prudent borrowing and investment, the Prudential Indicators that need to be approved by Full Council, are set out in Appendix C.
4. Due to the fast changing economic situation, the Treasury Management Strategy for 2023/24 will continue to be reviewed and amended as necessary prior to approval by Full Council in February 2023.

## **1. DETAILS OF RECOMMENDATION(S)**

**RECOMMENDATION:** That Audit and Governance Committee notes and comments on:

- i) **The Council's Treasury Management Strategy for 2023/24 as set out in section 4 of this report.**
- ii) **The Council's Prudential Indicators set out in Appendix C.**

**2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED**

2.1. The Authority has adopted the Chartered Institute of Public Finance and Accountancy’s Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of the financial year.

**3. KEY IMPLICATIONS**

3.1. There are currently significant economic changes, both nationally and worldwide, which have led to uncertainty with regards to interest rates. The recent substantial increase in interest rates and anticipated further increases have significantly increased the cost of borrowing available to the Authority.

3.2. In order to minimise this risk the Authority needs to review its capital programme and reduce the scale of this to control the impact of increased borrowing costs.

Table 1: Key Implications

<b>Outcome</b>	<b>Unmet</b>	<b>Met</b>	<b>Exceeded</b>	<b>Significantly Exceeded</b>	<b>Date of delivery</b>
No. of days that counterpart limits are exceeded	>0	<=0	N/A	N/A	March 2024
No of days that the operational boundary for long-term debt is exceeded	>0	<=0	N/A	N/A	March 2024

**4. FINANCIAL DETAILS / VALUE FOR MONEY**

**Draft Treasury Management Strategy 2023/24**

**Introduction**

4.1 Treasury management is the management of the Authority’s cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of

financial risk are therefore central to the Authority's prudent financial management.

- 4.2 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report complies with best practice and also fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code. The specific Treasury Management Policies are set out in **Appendix B**.
- 4.3 Acting as the Authority's self-imposed limits on sustainable, affordable and prudent borrowing and investment, the Prudential Indicators that need to be approved by Full Council are set out in **Appendix C**.
- 4.4 The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. Accordingly, members have been invited to attend a training session presented by Arlingclose explaining the roles and responsibilities of elected members and giving them an economic update.
- 4.5 The training needs of treasury management officers are reviewed periodically and senior officers attend seminars at least once a year. Since Covid-19 there have been more bite size webinars from various organisations, which are attended by Treasury officers regularly.
- 4.6 The Authority uses Arlingclose as its external treasury management advisors. The Authority recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of external providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.
- 4.7 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

## **Local Context**

- 4.8 There are currently significant economic changes, both nationally and worldwide, which have led to uncertainty with regards to interest rates. The recent substantial increase in interest rates and anticipated further increases have significantly increased the cost of borrowing available to the Authority.
- 4.9 On 31<sup>st</sup> March 2023 the Authority is projected to hold £206m of borrowing and £16m of treasury investments. Forecast changes in these sums are shown in the balance sheet analysis in **Table 2** below.

4.10 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The Authority has an increasing CFR due to the capital programme but has minimal investments. Gross borrowing is expected to increase to a peak of £258m at the end of 2024/25, before reducing to £217m at the end of 2025/26. The Authority's forecast of its capital cashflow that will determine its CFR is shown in **Appendix D**.

**Table 2: Treasury balances summary and forecast**

	<b>31.3.22 Actual £m</b>	<b>31.3.23 Estimate £m</b>	<b>31.3.24 Forecast £m</b>	<b>31.3.25 Forecast £m</b>	<b>31.3.26 Forecast £m</b>
<b>Capital Financing Requirement</b>	<b>225.3</b>	<b>247.5</b>	<b>278.4</b>	<b>292.2</b>	<b>247.4</b>
Long term borrowing	71.3	90.3	88.3	71.3	69.3
Short term borrowing	134.6	116.0	152.2	186.6	147.8
<b>Gross borrowing</b>	<b>205.9</b>	<b>206.3</b>	<b>240.5</b>	<b>257.9</b>	<b>217.1</b>
Working capital	(32.5)	(9.2)	(10.0)	(10.0)	(10.0)
Loans to partners*	(9.2)	(7.1)	(7.3)	(7.3)	(7.3)
<b>Net borrowing</b>	<b>164.2</b>	<b>190.0</b>	<b>223.2</b>	<b>240.6</b>	<b>199.8</b>

\*loans to Achieving for Children and RBWM Property Company

4.11 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. **Table 2** above shows that the Authority expects to comply with this recommendation during 2023/24.

### **Liability Benchmark**

4.12 The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

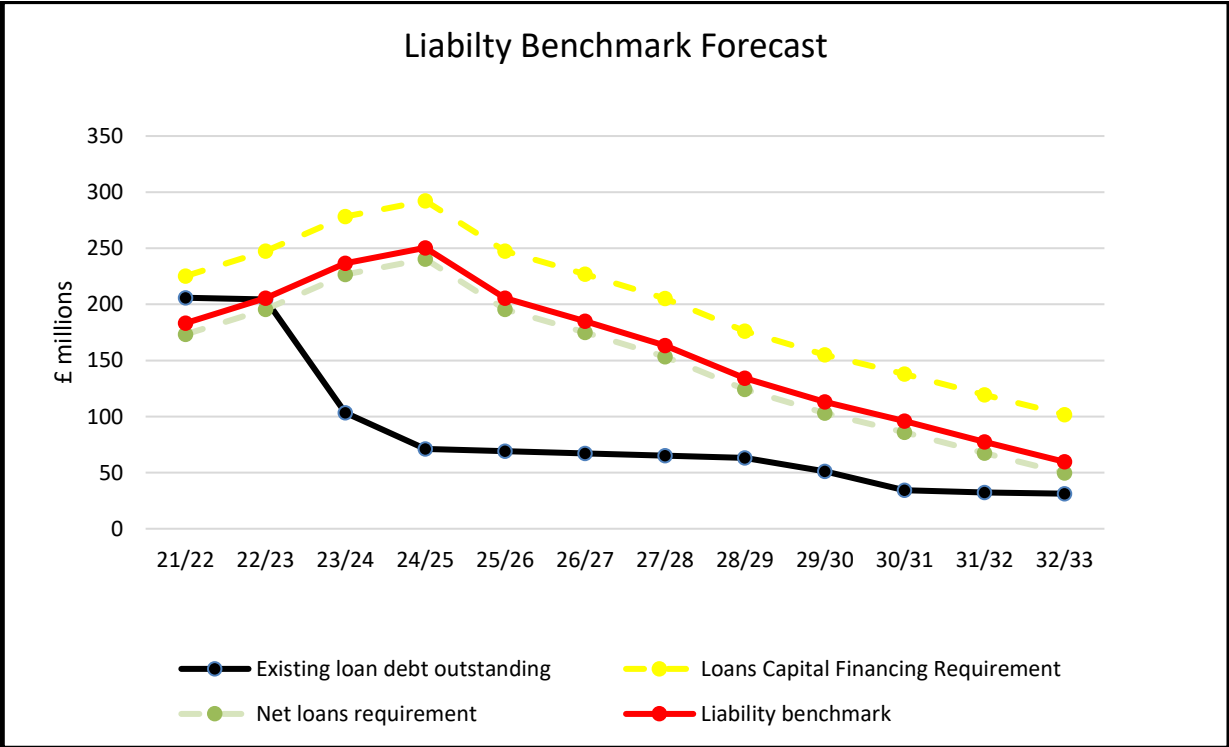


**Table 3: Prudential Indicator: Medium-term liability benchmark**

	31.3.22 Actual £m	31.3.23 Estimate £m	31.3.24 Forecast £m	31.3.25 Forecast £m	31.3.26 Forecast £m
<b>Existing loan debt outstanding</b>	<b>205.9</b>	<b>204.3</b>	<b>103.3</b>	<b>71.3</b>	<b>69.3</b>
Loans Capital Financing Requirement	225.3	247.5	278.4	292.2	247.4
Net loans requirement	173.4	195.6	226.6	240.4	195.6
<b>Liability benchmark</b>	<b>183.4</b>	<b>205.6</b>	<b>236.6</b>	<b>250.4</b>	<b>205.6</b>

4.13 **Table 3** above shows the forecast medium-term liability benchmark for the Authority and **Chart 1** below shows its forecast long-term liability benchmark. The difference between the liability benchmark (the red line in Chart 1) and the existing loan debt outstanding (the black line in Chart 1) represents additional borrowing that the Authority will be required to arrange to meet its borrowing requirement.

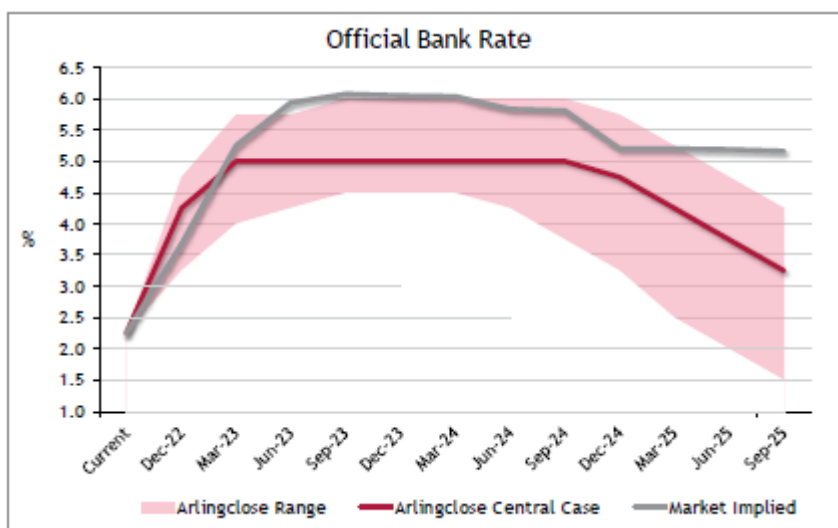
**Chart 1: Long-term liability benchmark**



## BORROWING STRATEGY

- 4.14 At 31 March 2023, the Authority is forecast to hold £206 million of loans, a slight increase compared to the previous year. Borrowing is projected to increase over the next two years peaking at £258m at the end of 2024/25, after which it is projected that capital receipts will be used to reduce the Authority’s borrowing requirement.
- 4.15 Due to rapid changes in the economic and political situation in the UK there is currently a high level of uncertainty with regards to interest rates. The recent substantial increase in interest rates and anticipated further increases in these has significantly increased the cost of new borrowing available to the Authority.
- 4.16 The base rate was at 0.75% at the beginning of 2022/23 and is now projected to rise to 5% by the beginning of 2023/24. Please see the interest rate forecast from Arlingclose in **Chart 2** below:

**Chart 2: Arlingclose interest rate forecast as at 26/09/2022**



- 4.17 **Table 4** below shows the Authority’s current projection for interest rates for the medium-term together with its forecast borrowing costs based on the latest capital cashflow forecast.

**Table 4: Projected interest rates and borrowing costs**

	31.3.22 Actual	31.3.23 Estimate	31.3.24 Forecast	31.3.25 Forecast	31.3.26 Forecast
Average interest rate %	0.19	2.56	5.00	4.62	3.00
Borrowing costs (£m)	2.874	3.988	8.621	10.931	8.050

- 4.18 In light of these increases the Authority will review and where appropriate reduce its capital programme taking into account the underlying business cases as well as overall affordability. With interest rates at 5% a £10m

reduction in capital expenditure would result in a reduction in annual borrowing costs of £500,000. There would also be MRP savings.

## **Objectives**

- 4.19 The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

## **Strategy**

- 4.20 The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.
- 4.21 By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2023/24 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 4.22 The Authority will consider obtaining further long-term loans from the PWLB and other sources including banks, pensions and local authorities. It will also investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.
- 4.23 Alternatively, the Authority may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. In addition, the Authority may borrow short-term loans to cover unplanned cash flow shortages.

## **Sources of funding:**

- 4.24 The approved sources of long-term and short-term borrowing are:
- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
  - any institution approved for investments (see below)
  - any other bank or building society authorised to operate in the UK

- any other UK public sector body
- UK public and private sector pension funds
- capital market bond investors
- the UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

4.25 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

4.26 The UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

4.27 The Authority holds £13m LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. The lenders of the LOBO loans are Barclays (£5m) and Dexia (£8m). Barclays have withdrawn their option to change the rate so this is now effectively a fixed rate loan. Dexia have retained their option which can be taken every 5 years on the 25th January, with the next option date being 25 January 2028. With interest rates having risen recently, there is now a reasonable chance that Dexia could exercise their option. If they do, the Authority will consider the option to repay the loan to reduce refinancing risk in future years. Total borrowing via LOBO loans will be limited to £13m.

4.28 Short-term and variable loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below.

### **Debt rescheduling**

4.29 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

## **TREASURY INVESTMENT STRATEGY**

- 4.30 The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's treasury investment balance has ranged between £7.4 and £78.0 million.

### **Objectives**

- 4.31 The CIPFA Code requires the Authority to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Authority aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

### **Strategy**

- 4.32 As demonstrated by the liability benchmark above, the Authority expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. In conjunction with its treasury advisors the Authority will continue to regularly review its approved counterparties and limits to ensure they allow the appropriate balance between risk and return.

### **ESG policy**

- 4.33 Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Authority's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

### **Business models**

- 4.34 Under the IFRS 9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

### **Approved counterparties**

4.35 The Authority may invest its surplus funds with any of the counterparty types in **Table 4** below, subject to the limits shown.

**Table 4: Treasury investment counterparties and limits**

<b>Sector</b>	<b>Time limit</b>	<b>Counterparty limit</b>	<b>Sector limit</b>
The UK Government	3 years	Unlimited	n/a
Local authorities & other government entities	3 years	£5m	Unlimited
Secured investments *	3 years	£5m	Unlimited
Lloyds Bank – (the Authority's bankers)	13 months	£7.5m	£7.5m
Other Banks (unsecured) *	13 months	£5m	Unlimited
Building societies (unsecured) *	13 months	£5m	Unlimited
Money market funds *	n/a	£5m	Unlimited
Achieving for Children	n/a	£11.7m	£11.7m
Aegon (previously Kames Capital)	n/a	£1m	£1m
Legal and General Trust	n/a	£1.5m	£1.5m
Flexible Home Improvement Loans Ltd	n/a	£0.5m	£0.5m
RBWM Property Company	n/a	£1.5m	£1.5m
Leisure Focus Trust	n/a	£0.35m	£0.35m

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

**\* Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account. For entities without published credit ratings, investments may be made where external advice indicates the entity to be of similar credit quality.

**Government:** Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit

risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 3 years.

**Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

**Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

**Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

**Operational bank accounts:** The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £7.5m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity. The Authority's current bank account provider is Lloyds Bank.

### **Risk assessment and credit ratings:**

- 4.37 Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,
  - any existing investments that can be recalled or sold at no cost will be, and
  - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 4.38 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

### **Other information on the security of investments:**

- 4.39 The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.
- 4.40 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

### **Liquidity management:**

- 4.41 The Authority produces a detailed cash flow forecast to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. The Authority will



spread its liquid cash over at least three providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

## TREASURY MANAGEMENT INDICATORS

### Interest rate exposures

- 4.42 This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£2m
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£2m

### Maturity structure of borrowing:

- 4.43 This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	80%	0%
12 months and within 24 months	80%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

### Long-term treasury management investments:

- 4.44 The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2022/23	2023/24	2024/25

Limit on principal invested beyond year end	£25m	£25m	£25m
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## Related Matters

- 4.45 The CIPFA Code requires the Authority to include the following in its treasury management strategy.

### Financial derivatives

- 4.46 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 4.47 The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 4.48 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit. In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

### External Funds

- 4.49 The Authority holds funds on behalf of the Local Enterprise Partnership and a number of small trusts. It pays these organisations interest at the Bank of England base rate on the balance of their funds that it holds.

### Markets in Financial Instruments Directive:

- 4.50 The Authority has opted up to professional client status with some of its providers of financial services, including its Money Market Funds and brokers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities with these organisations the Chief Financial Officer believes this to be the most appropriate status.

## **Financial Implications**

- 4.51 The forecast for investment income in 2023/24 is £918,000, based on an average investment portfolio of £17.3 million at an interest rate of 5.3%. The forecast for debt interest paid in 2023/24 is £8.6 million, based on an average debt portfolio of £223 million at an average interest rate of 3.92%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

## **CAPITAL FINANCING STRATEGY**

- 4.52 The current (“Prudential”) System of capital controls allows the Authority to determine its own level of capital investment. However, the Authority must demonstrate that its capital programme is affordable, prudent and sustainable. In the short-term the proposed capital programme will be financed from external borrowing. Any delays in receiving cash from anticipated receipts will be covered through the temporary use of unsupported short-term borrowing.
- 4.53 Although the capital programme is planned with reference to the total level of resources available to finance capital expenditure, the method of financing individual capital schemes will be determined by the s151 Officer at the end of the financial year. The order of use of sources of finance for the capital programme is:
1. Capital Grants
  2. Capital Contributions from outside bodies e.g. Section 106 / CIL
  3. Capital Receipts
  4. Direct Revenue Contributions – mainly for short life assets
  5. Draw down from accumulated investments (set aside to repay debt)
  6. Prudential Borrowing (unsupported) to finance ‘invest to save’ schemes and pending the arrival of future known capital receipts
  7. Leasing will also be considered if more cost effective.
- 4.54 Capital Grants and external contributions are likely to have been received for specific schemes and therefore cannot be used for any other purpose. For other schemes, capital receipts are to be used in preference to revenue contributions or borrowing.
- 4.55 Capital Receipts will be fully applied in the year in which they are received if possible, to reduce the level of Minimum Revenue Provision (MRP) i.e. the monies that the Authority sets aside for debt repayment.
- 4.56 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority’s main objective when borrowing is to strike a balance between securing low interest rates and achieving cost certainty over the period for which funds are required. This position provides short-term savings with the flexibility to secure longer dated loans as and when financial forecasts indicate that external borrowing rates may increase.

## **MINIMUM REVENUE PROVISION (MRP) POLICY**

- 4.57 Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 ('the 2003 Regulations') requires local authorities to 'charge to a revenue account a minimum revenue provision (MRP) for that year'. The minimum revenue provision is an annual amount set aside from the General Fund to meet the cost of capital expenditure that has not been financed from available resources, namely: grants, developer contributions (e.g. s.106 and community infrastructure levy) revenue contributions, earmarked reserves or capital receipts.
- 4.58 Setting aside MRP is sometimes referred to as setting aside monies for borrowing, implying that this is setting aside money for repaying external borrowing. In fact, the requirement for MRP set aside applies even if the capital expenditure is being financed from the Authority's own cash resources and no external borrowing or new credit arrangement has been entered into.
- 4.59 Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended (Statutory Instrument 3146/2003) requires full Authority to approve a Minimum Revenue Provision (MRP) Statement setting out the policy for making MRP and the amount of MRP to be calculated which the Authority considers to be prudent. This statement is designed to meet that requirement. It also ensures that the Authority continues to comply with the Guidance.
- 4.60 In setting a prudent level of MRP local authorities are required to "have regard" to guidance issued from time to time by the Secretary of State for Housing, Communities and Local Government. The latest version of this guidance (version four) was issued by Ministry of Housing, Communities and Local Government (MHCLG) in February 2018.
- 4.61 In setting a level which the Authority considers to be prudent, the Guidance states that the broad aim is to ensure that debt is repaid over a period reasonably commensurate with that over which the capital expenditure provides benefits to the Authority.
- 4.62 The Guidance sets out four "possible" options for calculating MRP, as set out below:

<b>Option</b>	<b>Calculation method</b>	<b>Applies to</b>
1: Regulatory method	Formulae set out in 2003 Regulations (later revoked)	Expenditure incurred before 1 April 2008
2: CFR method	4% of Capital Financing Requirement	Expenditure incurred before 1 April 2008
3: Asset life method	Amortises MRP over the expected life of the asset	Expenditure incurred after 1 April 2008

4: Depreciation method	Charge MRP on the same basis as depreciation	Expenditure incurred after 1 April 2008
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- 4.63 Two main variants of Option 3 are set out in the Guidance: (i) the equal instalment method and (ii) the annuity method. The annuity method weights the MRP charge towards the later part of the asset's expected useful life and is increasingly becoming the most common MRP method for local authorities.
- 4.64 The Guidance also includes specific recommendations for setting MRP in respect of finance lease, investment properties and revenue expenditure which is statutorily defined as capital expenditure under the 2003 Regulations (also referred to as revenue expenditure funded from capital under statute or REFCUS). Examples of REFCUS include: capitalised redundancy costs, loans or grants to third parties for capital purposes, and the purchase of shares in limited companies.
- 4.65 Other approaches are not ruled out however they must meet the statutory duty to make prudent provision each financial year.
- 4.66 Having regard to current Guidance on MRP issued by MHCLG and the "options" outlined in that Guidance and to even out the financing costs of assets over their anticipated life, on 3<sup>rd</sup> December 2019 Full Council approved the following MRP Statement to take effect from 1 April 2019:
- for all capital expenditure, MRP will be based on expected useful asset lives (Option 3 – asset life), calculated using the annuity method;
  - asset lives will be arrived at after discussion with valuers, but on a basis consistent with depreciation policies set out in the Authority's annual Statement of Accounts, and will be kept under regular review.
- 4.67 The annuity method is a similar approach to a repayment mortgage where the principal repayments increase through the life of the asset in comparison to a straight-line method which repays the same amount of principal each year. This will result in the Authority paying less for its capital financing costs over the medium-term than it otherwise would have under the old methodology, although principal repayments will increase as interest rate payments reduce over the life of the asset. An approach now being taken by most large authorities as more accurately reflecting the value of the asset.
- 4.68 MRP for finance leases and service concession contracts shall be charged over the primary period of the lease, in line with the Guidance,
- 4.69 For expenditure capitalised by virtue of a capitalisation direction under section 16(2)(b) of the Local Government Act 2003 or Regulation 25(1) of the 2003 regulations, the 'asset' life should equate to the value specified in the statutory Guidance.

In applying 'Option 3':

- MRP should normally begin in the financial year following the one in which the expenditure was incurred. However, in accordance with the statutory guidance, commencement of MRP may be deferred until the financial year following the one in which the asset becomes operational;
- the estimated useful lives of assets used to calculate MRP should not exceed a maximum of 50 years except as otherwise permitted by the guidance (and supported by valuer's advice);
- if no life can reasonably be attributed to an asset, such as freehold land, the estimated useful life should be taken to be a maximum of 50 years;

## 5. LEGAL IMPLICATIONS

- 5.1 This report assists the Authority in fulfilling its statutory obligation to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy for the coming year setting out the Authority's policies for managing its borrowing and investments and giving priority to the security and liquidity of those investments.

## 6. RISK MANAGEMENT

<b>Risks</b>	<b>Uncontrolled Risk</b>	<b>Controls</b>	<b>Controlled Risk</b>
That a counterparty defaults on repayment of a loan resulting in a loss of capital for the Council	MEDIUM	Loans are only made to counterparties on the approved lending list. The credit ratings of counterparties on the lending list are monitored regularly Counterparty limits reviewed and reduced to limit individual exposure.	LOW
That funds are invested in fixed-term deposits and are not available to meet the council's commitment to pay suppliers and payroll.	MEDIUM	A cashflow forecast is maintained and referred to when investment decisions are made to ensure that funds are available to meet	LOW

<b>Risks</b>	<b>Uncontrolled Risk</b>	<b>Controls</b>	<b>Controlled Risk</b>
		the council's commitment to pay suppliers and payroll.	

## **7. POTENTIAL IMPACTS**

- 7.1 Equalities. An Equality Impact Assessment is available as Appendix A
- 7.2 Climate change/sustainability. None identified
- 7.3 Data Protection/GDPR. None identified.

## **8. CONSULTATION**

- 8.1 Not applicable

## **9 TIMETABLE FOR IMPLEMENTATION**

- 9.1 The strategy will be used from 1 April 2023 in line with the commencement of the 2023/24 budget.

## **10 ANNEXES**

- 10.1 This report is supported by four appendices:

- Appendix A Equality Impact Assessment
- Appendix B Treasury Management Policies
- Appendix C Prudential Indicators
- Appendix D Capital Cashflow

## **11 BACKGROUND DOCUMENTS**

- 11.1 None

## 12 CONSULTATION (MANDATORY)

13 Name of consultee	Post held	Date sent	Date returned
<i>Mandatory: Statutory Officers (or deputies)</i>			
Adele Taylor	Executive Director of Resources/S151 Officer	7/10/22	11/10/22
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer	7/10/22	10/10/22
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)	Report Author	
Elaine Browne	Head of Law (Deputy Monitoring Officer)	7/10/22	
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)	7/10/22	7/10/22
<i>Other consultees:</i>			
<i>Directors (where relevant)</i>			
Tony Reeves	Interim Chief Executive	7/10/22	
Andrew Durrant	Executive Director of Place	7/10/22	
Kevin McDaniel	Executive Director of People	7/10/22	

Confirmation relevant Cabinet Member(s) consulted	Cabinet Member for Asset Management & Commercialisation, Finance and Ascot	Yes
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## REPORT HISTORY

<b>Decision type:</b> Council decision	<b>Urgency item?</b> No	<b>To Follow item?</b> Not applicable
Report Author: Andrew Vallance, Head of Finance.		



## APPENDIX A - EQUALITY IMPACT ASSESSMENT

### Essential information

Items to be assessed: (please mark 'x')

Strategy	x	Policy		Plan		Project		Service/Procedure	
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Responsible officer	Andrew Vallance	Service area	Finance	Directorate	Resources
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<b>Stage 1: EqIA Screening (mandatory)</b>	Date created: 07/10/2022	<b>Stage 2 : Full assessment (if applicable)</b>	N/A
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**Approved by Head of Service / Overseeing group/body / Project Sponsor:**  
*"I am satisfied that an equality impact has been undertaken adequately."*

**Signed by (print):** Andrew Vallance

**Dated:** 07/10/2022

### Stage 1: Screening (Mandatory)

#### 1.1 What is the overall aim of your proposed strategy/policy/project etc and what are its key objectives?

To provide effective management of the Authority's cash flows, borrowing and investments, and the associated risks.

1.2 What evidence is available to suggest that your proposal could have an impact on people (including staff and customers) with protected characteristics? Consider each of the protected characteristics in turn and identify whether your proposal is Relevant or Not Relevant to that characteristic. If Relevant, please assess the level of impact as either High / Medium / Low and whether the impact is Positive (i.e. contributes to promoting equality or improving relations within an equality group) or Negative (i.e. could disadvantage them). Please document your evidence for each assessment you make, including a justification of why you may have identified the proposal as "Not Relevant".

<b>Protected characteristics</b>	<b>Relevance</b>	<b>Level</b>	<b>Positive/negative</b>	<b>Evidence</b>
<b>Age</b>	Not Relevant			
<b>Disability</b>	Not Relevant			
<b>Gender re-assignment</b>	Not Relevant			
<b>Marriage/civil partnership</b>	Not Relevant			
<b>Pregnancy and maternity</b>	Not Relevant			
<b>Race</b>	Not Relevant			
<b>Religion and belief</b>	Not Relevant			
<b>Sex</b>	Not Relevant			
<b>Sexual orientation</b>	Not Relevant			

### **Outcome, action and public reporting**

<b>Screening Assessment Outcome</b>	<b>Yes / No / Not at this stage</b>	<b>Further Action Required / Action to be taken</b>	<b>Responsible Officer and / or Lead Strategic Group</b>	<b>Timescale for Resolution of negative impact / Delivery of positive impact</b>
<b>Was a significant level of negative impact identified?</b>	No	Recommendations made as per the audit report will be actioned in future years accounts	Andrew Vallance/Ryan Stone	Its on-going
<b>Does the strategy, policy, plan etc require amendment to have a positive impact?</b>	No	Recommendations made as per the audit report will be actioned in future years accounts	Andrew Vallance/Ryan Stone	Its on-going

If you answered **yes** to either / both of the questions above a Full Assessment is advisable and so please proceed to Stage 2. If you answered “No” or “Not at this Stage” to either / both of the questions above please consider any next steps that

may be taken (e.g. monitor future impacts as part of implementation, re-screen the project at its next delivery milestone etc).

## APPENDIX B - TREASURY MANAGEMENT POLICIES

### 1. INTRODUCTION

1.1. In the preparation of this Treasury Management Strategy a number of key areas are considered to be fundamental to our treasury management activity. They are listed below and covered in more detail in the body of this strategy.

- Risk Management
- Performance Measurement
- Decision-making and analysis
- Approved instruments, methods and techniques
- Organisation, clarity and segregation of responsibilities, and dealing arrangements
- Reporting requirements and management information arrangements
- Budgeting, accounting and audit arrangements
- Cash and cash flow management
- Money laundering
- Training and qualifications
- Use of external service providers
- Corporate governance

#### 2.1. General Statement

2.1.1. The S151 Officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk and will report annually to Cabinet on their adequacy and suitability. Any actual or likely difficulty in achieving the organisation's objectives will be reported to Cabinet in accordance with the procedures set out in Section 7: *Reporting Requirements and Management Information Arrangements*.

#### 2.2. Credit and Counter Party Risk Management

2.2.1. The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counter party limits reflect a prudent attitude towards organisations with whom it trades. It also recognises the need to have and maintain a formal counter party policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

#### 2.3. Liquidity Risk Management

2.3.1. The Council will ensure it has adequate cash resources, borrowing arrangements, overdraft or standby facilities to enable it to have the necessary level of funds available for the achievement of its business / service objectives.

- 2.3.2. The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current Capital Programme or to finance future debt maturities.

#### 2.4. Interest Rate Risk Management

- 2.4.1. The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, in line with the amounts provided in its budget.
- 2.4.2. It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues. At the same time retaining a degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates.
- 2.4.3. Any decision will be subject to the consideration of this strategy and, if required, approval of Cabinet or Council.

#### 2.5. Exchange Rate Risk Management

- 2.5.1. The Council will manage any exposure to fluctuations in exchange rates, in order to minimise any detrimental impact on its budgeted income/ expenditure levels.

#### 2.6. Refinancing Risk Management

- 2.6.1. The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented. The maturity profile of the monies raised will be managed with a view to obtaining terms for refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.
- 2.6.2. It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

#### 2.7. Legal and Regulatory Risk Management

- 2.7.1. The Council will ensure that all of its treasury management activities comply with its statutory powers. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities.
- 2.7.2. The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

## 2.8. Fraud, Error and Corruption, and Contingency Management

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

## 2.9. Market Risk Management

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

3.1. The Council is committed to the pursuit of value in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in the Council's Treasury Management Strategy.

3.2. Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation's stated objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements.

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

5.1. The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the Treasury Management Strategy.

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

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

6.3. If and when the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the S151 Officer will ensure that

the reasons are properly reported in accordance with Section 7 Reporting Requirements and Management Information Arrangements, and the implications properly considered and evaluated.

- 6.4. The S151 Officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The S151 Officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out.
- 6.5. The S151 Officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.
- 6.6. The S151 Officer will fulfil all such responsibilities in accordance with the policy statement.
- 7.1. The Council will ensure that regular reports are prepared and considered on the implementation of its Treasury Management Policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.
- 7.2. As a minimum Cabinet will receive:
  - An annual report on the strategy and plan to be pursued in the coming year;
  - Mid-year and annual reports on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed, and on any circumstances of non-compliance with the organisation's Treasury Management Policy Statement.
- 8.1. The S151 Officer will prepare, and the Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with *Sections 2 Risk management, 3 Performance measurement, and 5 Approved Instruments, Methods and Techniques*. The S151 Officer will exercise effective controls over this budget and will report upon and recommend any changes required in accordance with *Section 7 Reporting requirements and management information arrangements*.
- 8.2. The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.
- 9.1. Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the S151 Officer and will be

aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the S151 Officer will ensure that these are adequate for the purposes of monitoring compliance with Section 2 Liquidity Risk Management.

- 10.1. The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions and will ensure that staff involved in this are properly trained.
- 11.1. The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The S151 Officer will recommend and implement the necessary arrangements.
- 11.2. The S151 Officer will ensure that members of the Audit and Performance Review and Corporate Overview and Scrutiny Panels have access to training relevant to their needs and responsibilities
- 11.3. Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.
- 12.1. The Council recognises that the responsibility for treasury management decisions remains with the Council at all times. It recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure that it does so for reasons which have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review. It will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed.
- 13.1. The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.
- 13.2. The Council has adopted and has implemented the key principles of the Code. This, together with the other arrangements detailed in the Treasury Management Strategy, are considered vital to the achievement of proper corporate governance in treasury management, and the S151 Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.



**PRUDENTIAL INDICATORS 2021/22 TO 2025/26**

The actual figures for 2021/22 and the estimates for four further years are shown below. These prudential indicators are prepared in accordance with the CIPFA Prudential Code for Capital Financing in Local Authorities

The figures set out below include this council's share of the old Berkshire County Council debt that is now managed by the Royal Borough.

	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
<b>Capital Expenditure (£m)</b>	£26.4m	£74.0m	£42.4m	£30.6m	£30.5m
<b>Ratio of financing costs to net revenue stream</b>					
- Non-loan financed	12.0%	31.1%	18.5%	14.2%	14.0%
- Loan financed	5.4%	5.9%	10.3%	12.9%	10.5%
<b>Capital Financing Requirement (£m)</b>	225.3	265.9	286.1	298.3	310.1

In respect of its external debt, the Council approves the following authorised limits for its external debt gross of investments for the next three financial years.

	2021/22	2022/23	2023/24	2024/25	2025/26
<b>Authorised limit for external debt (£m)</b>	£291m	£303m	£345m	£366m	£380m

The Council also approves the following boundary for external debt for the same period.

	2021/22	2022/23	2023/24	2024/25	2025/26
<b>Operational boundary for external debt (£m)</b>	£267m	£277m	£318m	£339m	£351m

The proposed operational boundary for external debt is based on the same estimates as the authorised limit but reflects the Head of Finance's estimate of the most likely, prudent but not worse case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements, and equates to the maximum of external debt projected by this estimate. It include both long and short term (i.e. less than 365 day) borrowing.

## Major Capital Cashflows - Proposed & Agreed

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	£'000
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Projected short term interest rate	2.56%	5.00%	4.62%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	
<b>Capital Receipts</b>														
Developer & reserves income	4,586	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	-	45,286
Residential receipts	5,068	7,424	5,950	50,944	23,932	24,666	32,161	24,168	20,312	21,455	20,693	19,562	24,381	280,716
Commercial receipts	13,950	-	-	-	-	-	-	-	-	-	-	-	-	13,950
<b>Total Capital Receipts</b>	<b>23,604</b>	<b>11,124</b>	<b>9,650</b>	<b>54,644</b>	<b>27,632</b>	<b>28,366</b>	<b>35,861</b>	<b>27,868</b>	<b>24,012</b>	<b>25,155</b>	<b>24,393</b>	<b>23,262</b>	<b>24,381</b>	<b>339,952</b>
<b>Capital Expenditure</b>														
Annual Capital Programme Schemes	13,002	13,675	5,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	131,677
Residential Schemes	30,115	1,742	2,177	10,450	500	250	500	500	500	-	-	-	-	46,734
Commercial Schemes	7,180	13,756	10,231	-	-	-	-	-	-	-	-	-	-	31,167
Capitalised debt charges	570	476	-	-	-	-	-	-	-	-	-	-	-	1,046
Capital Programme slippage in	9,852	12,144	8,359	5,153	5,121	3,124	2,675	2,635	2,627	2,625	2,525	2,505	2,501	61,846
Forecast Capital Programme slippage out	(12,144)	(8,359)	(5,153)	(5,121)	(3,124)	(2,675)	(2,635)	(2,627)	(2,625)	(2,525)	(2,505)	(2,501)	(2,500)	54,494
<b>Total Capital Expenditure</b>	<b>48,575</b>	<b>33,434</b>	<b>20,613</b>	<b>20,483</b>	<b>12,497</b>	<b>10,699</b>	<b>10,540</b>	<b>10,508</b>	<b>10,502</b>	<b>10,100</b>	<b>10,020</b>	<b>10,004</b>	<b>10,001</b>	<b>217,975</b>
<b>Borrowing</b>														
L.T. debt at the start of the year	71,265	90,265	88,265	71,265	69,265	67,265	65,265	63,265	51,265	34,265	32,265	31,265	26,265	
Increases/reductions in debt	19,000	(2,000)	(17,000)	(2,000)	(2,000)	(2,000)	(2,000)	(12,000)	(17,000)	(2,000)	(1,000)	(5,000)	0	
Total debt at year end	90,265	88,265	71,265	69,265	67,265	65,265	63,265	51,265	34,265	32,265	31,265	26,265	26,265	
Average level of L.T. debt	85,040	89,363	79,834	70,371	68,369	66,363	64,366	54,981	43,602	33,368	31,563	28,689	26,265	
Net ST debt at start of year	134,598	116,000	152,152	186,643	147,827	133,361	117,428	94,054	88,683	92,170	79,115	65,742	57,484	
Increases/Reductions in Debt	(18,598)	36,152	34,491	(38,816)	(14,466)	(15,933)	(23,374)	(5,371)	3,487	(13,055)	(13,373)	(8,258)	(14,380)	
Total S.T debt at year end	116,000	152,152	186,643	147,827	133,361	117,428	94,054	88,683	92,170	79,115	65,742	57,484	43,104	
Average Level of S.T. debt	111,441	133,977	169,327	167,128	140,490	125,296	105,639	93,652	89,589	85,539	72,630	61,688	50,294	
<b>Total Debt</b>	<b>206,265</b>	<b>240,416</b>	<b>257,907</b>	<b>217,091</b>	<b>200,625</b>	<b>182,692</b>	<b>157,318</b>	<b>139,947</b>	<b>126,435</b>	<b>111,380</b>	<b>97,006</b>	<b>83,748</b>	<b>69,368</b>	
Capitalised debt interest on specific projects	(570)	(476)	0	0	0	0	0	0	0	0	0	0	0	
Interest on L.Term Debt	3,110	3,231	3,129	3,036	2,984	2,940	2,880	2,450	1,951	1,531	1,480	1,348	1,232	
Revenue cost of S.T. debt interest	878	5,389	7,802	5,014	4,215	3,759	3,169	2,810	2,688	2,566	2,179	1,851	1,509	
Broker Fees	105	144	175	168	141	126	106	94	90	86	73	62	50	
Interest charge per MTFP	3,524	8,288	11,105	8,218	7,340	6,825	6,156	5,354	4,729	4,183	3,731	3,261	2,791	
MRP	3,020	3,163	3,469	3,735	3,754	3,643	3,560	3,469	3,363	3,183	3,085	3,088	3,101	
<b>Total cost of Capital Finance</b>	<b>6,543</b>	<b>11,451</b>	<b>14,574</b>	<b>11,953</b>	<b>11,094</b>	<b>10,468</b>	<b>9,716</b>	<b>8,823</b>	<b>8,092</b>	<b>7,366</b>	<b>6,817</b>	<b>6,349</b>	<b>5,892</b>	

Report Title:	<b>Draft Capital Strategy 2023/24</b>
Contains Confidential or Exempt Information	No - Part I
Cabinet Member:	Councillor Hilton, Cabinet Member for Asset Management & Commercialisation, Finance, & Ascot
Meeting and Date:	Audit and Governance Committee – 20 <sup>th</sup> October 2022
Responsible Officer(s):	Adele Taylor - Executive Director of Resources and Section 151 Officer
Wards affected:	All

## **REPORT SUMMARY**

1. This report sets out the draft Capital Strategy for the Royal Borough of Windsor and Maidenhead for 2023/24 – 2027/28.
2. The final Capital Strategy will be approved as part of the Budget in February 2023.
3. Due to the fast-changing economic situation the Capital Strategy for 2023/24 will continue to be reviewed and amended as necessary prior to approval by Full Council in February 2023.
4. The Committee is invited to comment on the draft strategy.

## **1. DETAILS OF RECOMMENDATION(S)**

**RECOMMENDATION:** That Audit and Governance Committee notes and comments on:

- i) **The Council's Draft Capital Strategy for 2023/24 as set out in Appendix B.**

## **2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED**

- 2.1 This report sets out the draft Capital Strategy for the Royal Borough of Windsor & Maidenhead for 2023/24 – 2027/28. The final Capital Strategy will be approved as part of the Budget in February 2023.

**3. KEY IMPLICATIONS**

- 3.1 Due to rapid changes in the economic situation in the UK there is currently a high level of uncertainty with regards to interest rates. The recent substantial increase in interest rates and anticipated further increases have significantly increased the cost of borrowing available to the Authority. This significantly impacts capital spending plans for the foreseeable future.
- 3.2 In order to minimise this risk, the Authority needs to review its capital programme and reduce the scale of this to control the impact of increased borrowing costs.

Table 1: Key Implications

<b>Outcome</b>	<b>Unmet</b>	<b>Met</b>	<b>Exceeded</b>	<b>Significantly Exceeded</b>	<b>Date of delivery</b>
Capital expenditure is agreed within an approved strategy	Fails to meet Council objectives and service needs	Meets Council objectives and service needs	n/a	n/a	From 1 April 2023

**4. FINANCIAL DETAILS / VALUE FOR MONEY**

**Draft Capital Strategy 2023/24**

**Introduction**

- 4.1 The draft Capital Strategy for 2023/24 to 2027/28 is attached as **Appendix B**.
- 4.2 The Capital Strategy provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services; along with an overview of how associated risk is managed and the implications for future financial sustainability.
- 4.3 It should align with the Council’s corporate strategy, medium-term financial strategy and treasury management strategy.
- 4.4 Due to rapid changes in the economic and political situation in the UK there is currently a high level of uncertainty with regards to interest rates. The recent substantial increase in interest rates and anticipated further increases have significantly increased the cost of borrowing available to the Authority.

- 4.5 In order to minimise this risk the Authority needs to review its capital programme and reduce the scale of this to control the impact of increased borrowing costs.

## 5. LEGAL IMPLICATIONS

- 5.1 None

## 6. RISK MANAGEMENT

- 6.1 Failure to adopt a Capital Strategy linked to the Medium Term Financial Strategy and the Treasury Management Strategy could lead to poor investment decisions, failure to deliver services and Council policies, and unforeseen revenue consequences.

## 7. POTENTIAL IMPACTS

- 7.1 **Equalities.** A full EQIA will be undertaken on the final budget and capital strategy submitted to Council in February 2023. A draft EQIA is attached as Appendix A
- 7.2 **Climate change/sustainability.** The potential impact of capital expenditure recommendations will be considered once details of budget submissions are published.
- 7.3 **Data Protection/GDPR.** None identified.

## 8. CONSULTATION

- 8.1 The draft budget, including capital expenditure plans, to be approved by Cabinet in November 2022, will be fully consulted on before final proposals are made to Cabinet and Council in February 2023.

## 9 TIMETABLE FOR IMPLEMENTATION

- 9.1 The strategy will be used from 1 April 2023 in line with the commencement of the 2023/24 budget.

## 10 APPENDICES

- Appendix A Equality Impact Assessment
- Appendix B Capital Strategy

## 11 BACKGROUND DOCUMENTS

11.1 None

## 12 CONSULTATION (MANDATORY)

13 Name of consultee	Post held	Date sent	Date returned
<i>Mandatory: Statutory Officers (or deputies)</i>			
Adele Taylor	Executive Director of Resources/S151 Officer	7/10/22	11/10/22
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer	7/10/22	10/10/22
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)	Report Author	
Elaine Browne	Head of Law (Deputy Monitoring Officer)	7/10/22	
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)	7/10/22	11/10/22
<i>Other consultees:</i>			
<i>Directors (where relevant)</i>			
Tony Reeves	Interim Chief Executive	7/10/22	
Andrew Durrant	Executive Director of Place	7/10/22	
Kevin McDaniel	Executive Director of People	7/10/22	10/10/22

Confirmation relevant Cabinet Member(s) consulted	Cabinet Member for Asset Management & Commercialisation, Finance and Ascot	Yes
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## REPORT HISTORY

<b>Decision type:</b> Audit and Governance Committee for comment	<b>Urgency item?</b> No	<b>To Follow item?</b> Not applicable
Report Author: Andrew Vallance, Head of Finance.		

## APPENDIX A - EQUALITY IMPACT ASSESSMENT

### Essential information

Items to be assessed: (please mark 'x')

Strategy	x	Policy		Plan		Project		Service/Procedure	
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Responsible officer	Andrew Vallance	Service area	Finance	Directorate	Resources
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<b>Stage 1: EqlA Screening (mandatory)</b>	Date created: 07/10/2022	<b>Stage 2 : Full assessment (if applicable)</b>	Date created : N/A
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**Approved by Head of Service / Overseeing group/body / Project Sponsor:**

*"I am satisfied that an equality impact has been undertaken adequately."*

**Signed by (print):** Andrew Vallance

**Dated:** 07/10/2022

## Guidance notes

### What is an EqlA and why do we need to do it?

The Equality Act 2010 places a 'General Duty' on all public bodies to have 'due regard' to:

- Eliminating discrimination, harassment and victimisation and any other conduct prohibited under the Act.
- Advancing equality of opportunity between those with 'protected characteristics' and those without them.
- Fostering good relations between those with 'protected characteristics' and those without them.

EqlAs are a systematic way of taking equal opportunities into consideration when making a decision, and should be conducted when there is a new or reviewed strategy, policy, plan, project, service or procedure in order to determine whether there will likely be a detrimental and/or disproportionate impact on particular groups, including those within the workforce and customer/public groups. All completed EqlA Screenings are required to be publicly available on the council's website once they have been signed off by the relevant Head of Service or Strategic/Policy/Operational Group or Project Sponsor.

### What are the "protected characteristics" under the law?

The following are protected characteristics under the Equality Act 2010: age; disability (including physical, learning and mental health conditions); gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation.

### What's the process for conducting an EqlA?

The process for conducting an EqlA is set out at the end of this document. In brief, a Screening Assessment should be conducted for every new or reviewed strategy, policy, plan, project, service or procedure and the outcome of the Screening Assessment will indicate whether a Full Assessment should be undertaken.

### Openness and transparency

RBWM has a 'Specific Duty' to publish information about people affected by our policies and practices. Your completed assessment should be sent to the Strategy & Performance Team for publication to the RBWM website once it has been signed off by the relevant manager, and/or Strategic, Policy, or Operational Group. If your proposals are being made to Cabinet or any other Committee, please append a copy of your completed Screening or Full Assessment to your report.

### Enforcement

Judicial review of an authority can be taken by any person, including the Equality and Human Rights Commission (EHRC) or a group of people, with an interest, in respect of alleged failure to comply with the general equality duty. Only the EHRC can enforce the specific duties. A failure to comply with the specific duties may however be used as evidence of a failure to comply with the general duty.



**Stage 1: Screening (Mandatory)**

**1.1 What is the overall aim of your proposed strategy/policy/project etc and what are its key objectives?**

This report sets out the draft Capital Strategy for the Royal Borough of Windsor and Maidenhead for 2023/24 – 2027/28.

A full EQIA will be undertaken on the final budget and capital strategy submitted to Council in February 2023.

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1.2 What evidence is available to suggest that your proposal could have an impact on people (including staff and customers) with protected characteristics? Consider each of the protected characteristics in turn and identify whether your proposal is Relevant or Not Relevant to that characteristic. If Relevant, please assess the level of impact as either High / Medium / Low and whether the impact is Positive (i.e. contributes to promoting equality or improving relations within an equality group) or Negative (i.e. could disadvantage them). Please document your evidence for each assessment you make, including a justification of why you may have identified the proposal as “Not Relevant”.

Protected characteristics	Relevance	Level	Positive/negative	Evidence
<b>Age</b>	N/A	N/A	N/A	<p>Key data: The estimated median age of the local population is 42.6yrs [Source: <a href="#">ONS mid-year estimates 2020</a>].</p> <p>An estimated 20.2% of the local population are aged 0-15, and estimated 61% of the local population are aged 16-64yrs and an estimated 18.9% of the local population are aged 65+yrs. [Source: ONS mid-year estimates 2020, taken from <a href="#">Berkshire Observatory</a>]</p>
<b>Disability</b>	N/A	N/A	N/A	
<b>Gender re-assignment</b>	N/A	N/A	N/A	
<b>Marriage/civil partnership</b>	N/A	N/A	N/A	
<b>Pregnancy and maternity</b>	N/A	N/A	N/A	
<b>Race</b>	N/A	N/A	N/A	<p>Key data: The 2011 Census indicates that 86.1% of the local population is White and 13.9% of the local population is BAME. The borough has a higher Asian/Asian British population (9.6%) than the South East (5.2%) and England (7.8%). The forthcoming 2021 Census data is expected to show a rise in the BAME population. [Source: 2011 Census, taken from <a href="#">Berkshire Observatory</a>]</p>
<b>Religion and belief</b>	N/A	N/A	N/A	<p>Key data: The 2011 Census indicates that 62.3% of the local population is Christian, 21.7% no religion, 3.9% Muslim, 2% Sikh, 1.8% Hindu, 0.5% Buddhist, 0.4% other religion, and 0.3% Jewish. [Source: 2011 Census, taken from <a href="#">Berkshire Observatory</a>]</p>

<b>Sex</b>	N/A	N/A	N/A	<i>Key data: In 2020 an estimated 49.6% of the local population is male and 50.4% female. [Source: ONS mid-year estimates 2020, taken from <a href="#">Berkshire Observatory</a>]</i>
<b>Sexual orientation</b>	N/A	N/A	N/A	

### Outcome, action and public reporting

<b>Screening Assessment Outcome</b>	<b>Yes / No / Not at this stage</b>	<b>Further Action Required / Action to be taken</b>	<b>Responsible Officer and / or Lead Strategic Group</b>	<b>Timescale for Resolution of negative impact / Delivery of positive impact</b>
<b>Was a significant level of negative impact identified?</b>	N/A	N/A	N/A	N/A
<b>Does the strategy, policy, plan etc require amendment to have a positive impact?</b>	N/A	N/A	N/A	N/A

If you answered **yes** to either / both of the questions above a Full Assessment is advisable and so please proceed to Stage 2. If you answered “No” or “Not at this Stage” to either / both of the questions above please consider any next steps that may be taken (e.g. monitor future impacts as part of implementation, re-screen the project at its next delivery milestone etc).

**Stage 2 : Full assessment**

2.1 : Scope and define

**2.2 : Information gathering/evidence**

**2.2.1 What secondary data have you used in this assessment?** *Common sources of secondary data include: censuses, organisational records.*

N/A

**2.2.2 What primary data have you used to inform this assessment?** *Common sources of primary data include: consultation through interviews, focus groups, questionnaires.*

N/A

Eliminate discrimination, harassment, victimisation

<b>Protected Characteristic</b>	<b>Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)</b>	<b>If yes, to what level? (High / Medium / Low)</b>	<b>Negative impact : Does the proposal disadvantage them (Yes / No)</b>	<b>If yes, to what level? (High / Medium / Low)</b>	<b>Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.</b>
Age	N/A	N/A	N/A	N/A	N/A
Disability	N/A	N/A	N/A	N/A	N/A
Gender reassignment	N/A	N/A	N/A	N/A	N/A
Marriage and civil partnership	N/A	N/A	N/A	N/A	N/A
Pregnancy and maternity	N/A	N/A	N/A	N/A	N/A
Race	N/A	N/A	N/A	N/A	N/A
Religion and belief	N/A	N/A	N/A	N/A	N/A
Sex	N/A	N/A	N/A	N/A	N/A
Sexual orientation	N/A	N/A	N/A	N/A	N/A

Advance equality of opportunity

<b>Protected Characteristic</b>	<b>Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)</b>	<b>If yes, to what level? (High / Medium / Low)</b>	<b>Negative impact : Does the proposal disadvantage them (Yes / No)</b>	<b>If yes, to what level? (High / Medium / Low)</b>	<b>Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.</b>
Age	N/A	N/A	N/A	N/A	N/A
Disability	N/A	N/A	N/A	N/A	N/A
Gender reassignment	N/A	N/A	N/A	N/A	N/A
Marriage and civil partnership	N/A	N/A	N/A	N/A	N/A
Pregnancy and maternity	N/A	N/A	N/A	N/A	N/A
Race	N/A	N/A	N/A	N/A	N/A
Religion and belief	N/A	N/A	N/A	N/A	N/A
Sex	N/A	N/A	N/A	N/A	N/A
Sexual orientation	N/A	N/A	N/A	N/A	N/A

Foster good relations

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<b>Protected Characteristic</b>	<b>Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)</b>	<b>If yes, to what level? (High / Medium / Low)</b>	<b>Negative impact : Does the proposal disadvantage them (Yes / No)</b>	<b>If yes, to what level? (High / Medium / Low)</b>	<b>Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.</b>
Age	N/A	N/A	N/A	N/A	N/A
Disability	N/A	N/A	N/A	N/A	N/A
Gender reassignment	N/A	N/A	N/A	N/A	N/A
Marriage and civil partnership	N/A	N/A	N/A	N/A	N/A
Pregnancy and maternity	N/A	N/A	N/A	N/A	N/A
Race	N/A	N/A	N/A	N/A	N/A
Religion and belief	N/A	N/A	N/A	N/A	N/A
Sex	N/A	N/A	N/A	N/A	N/A
Sexual orientation	N/A	N/A	N/A	N/A	N/A

**2.4 Has your delivery plan been updated to incorporate the activities identified in this assessment to mitigate any identified negative impacts? If so please summarise any updates.**

*These could be service, equality, project or other delivery plans. If you did not have sufficient data to complete a thorough impact assessment, then an action should be incorporated to collect this information in the future.*

N/A



# Draft Capital Strategy 2023/24 to 2026/27

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



Royal Borough  
of Windsor &  
Maidenhead

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## 1. Introduction

### 1.1 Overview

CIPFA's Prudential Code requires Councils to have a capital strategy. The Code states that "In order to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, authorities should have in place a capital strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

### 1.2 Objectives

The purpose of the strategy as per the Code is that it is "intended to give a high-level overview of how capital expenditure, capital financing and treasury management activity contributes to the provision of services, along with an overview of how associated risk is managed and what the implications might be for future financial sustainability."

The Council must demonstrate that it takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability giving due consideration to both risk and reward and the impact on outcomes.

The strategy aims to balance capital expenditure needs and expectations (e.g., replacement of business-critical IT systems) with the scarcity of available resources to enable the identification and optimisation of all sources of capital funding and also be flexible enough in order to respond to emergencies and changes in priorities.

The Capital Strategy is a collective document involving various departments within the organisation. It is not purely a finance function; all the relevant officers should review this document periodically and update it accordingly.

### 1.3 Capital Strategy Framework

The strategy maintains a strong and current link to the Council's priorities and to other key strategy documents such as








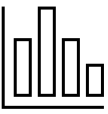



- Treasury Management Strategy (Including strategies on Investments and Borrowings)
- RBWM Property Company Business Plan
- Asset Management Strategy





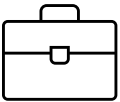



## 2. The Royal Borough

2.1 The Royal Borough of Windsor and Maidenhead covers an area of 76.6 square miles. Located in the heart of the Thames Valley, the borough is rich in areas of natural beauty and green space. The River Thames flows through the borough for 25 miles, forming a significant landscape feature and wildlife corridor. Distinct towns and villages, each with their own identity and character but all related by an attractive countryside, create a high-quality environment in which to live, work and visit. Our unique and long association with the Crown has also gifted the borough with a rich portfolio of heritage assets, attractions, and world-class events.

2.2 Situated less than 30 miles from the west of Central London, and close to Heathrow Airport, the borough is on the M4 corridor and is served by a combination of main line and branch line rail services. Our location is a key factor in attracting businesses to invest in the borough, and we are part of a dynamic regional economy. The borough is home to an impressive range of local, national, and international businesses and our residents are able to take advantage of employment opportunities across the Thames Valley region and in the capital.

## 2.3 Some key facts

Icon image	People: Description
	In <b>2020</b> an <b>estimated 151,273</b> people live in the borough. <i>(ONS MYE 2020)</i> . By <b>2043</b> this is estimated to be <b>155,348</b> (ONS projections 2018-based edition)
	In <b>2020</b> an estimated: <b>20.1%</b> of the local population are <b>aged 0-15</b> . (2043 estimate: 17.4%) <b>61%</b> are <b>aged 16-64</b> . (2043 estimate: 56.1%) <b>18.9%</b> are <b>aged 65+</b> . (2043 estimate: 26.5%). <i>(ONS)</i>
	In 2020 the <b>estimated median age</b> of the local population is <b>42.6</b> , an increase on 2001 estimates (38.69) <i>(ONS)</i> .
	The 2011 Census indicates <b>86.1%</b> of the local population is <b>White</b> and <b>13.9%</b> is <b>BAME</b> . The Royal Borough has a higher Asian/Asian British population (9.6%) than the South East (5.2%) and England (7.8%). The forthcoming 2021 Census data is expected to show rise in the BAME population.
	In <b>2020</b> an estimated: <b>5,131</b> people aged 18-64 have <b>impaired mobility</b> (predicted to rise to <b>5,323</b> by 2030). <b>2,129</b> people aged 18-64 have a <b>learning disability</b> (predicted to decrease to <b>2,093</b> by 2030). <i>(PANSI)</i>
	In 2020 there is an estimated <b>770 people per sq.km</b> , a 13.2% increase since 2001 (680 people per sq.km) <i>(ONS)</i>
	<b>Life expectancy</b> at birth is <b>81.8 (males)</b> $\uparrow$ <i>SE average (80.6) and England average (79.4)</i> <b>Life expectancy</b> at birth is <b>84.7 (females)</b> $\uparrow$ <i>SE average (84.1) and England average (83.1) (2018-20, ONS)</i>
	The Royal Borough has a <b>Score of 8.4</b> on the <b>Index of Multiple Deprivation (IMD 2019)</b> $\downarrow$ <i>SE (15.5) and England (21.7) (MHCLG)</i> . However, the borough has some areas ranked as <b>most deprived</b> (scores 1-4)
	The Royal Borough has <b>70 parks</b> , open spaces and play areas, covering a total area of around 295 hectares  <b>25 miles</b> of River Thames
	Over <b>950 Listed Buildings</b> , <b>17 Scheduled Monuments</b> (including Windsor Castle) <b>12 registered historic parks and gardens</b> , and world-class attractions and events
	<b>27 Conservation Areas</b>  <b>11 sites</b> designated by Natural England as very best wildlife and geological sites in the country

Icon image	People: Description
	<b>66</b> state schools
	<b>6</b> leisure centres (externally managed)
	<b>11</b> libraries
	<b>10,785</b> active businesses (IDBR, 2020) Highest proportion ( <b>24.6%</b> ) of local businesses are in the <b>professional, scientific, and technical industry</b> (2021, ONSIDBR)
	<b>82% economic activity rate</b> ↑ SE (80.8%) and ↑ England (78.7%) <b>77.5%</b> of economically active <b>employed</b> ↓ SE (77.6%) and ↑ England (75.1%) <b>3.6%</b> of economically active <b>unemployed</b> ↓ SE (3.8%) and England (4.5%) (Dec-21, APS, ONS)
	<b>58.6%</b> of <b>working population</b> educated to <b>NVQ4 level and above</b> ↑ SE (45.1%) and England (43.1%) (Dec-21, APS, ONS)
	<b>£32,240 median annual salary</b> for all workers (excluding self-employed) ↑ SE (£28,200) and England (£26,192) (ONS, ASHE 2021)
	<b>£515,000 median price of a property</b> ↑ SE (£365,000) and England (£285,000) (ONS, Dec-21)

2.4 The Royal Borough delivers essential services to the community: the residents, businesses and partners of Windsor and Maidenhead every day. Services range from those that the Royal Borough is required to carry out by law (statutory duties) such as street cleaning, waste collection, planning and building control, education and social care, through to discretionary services, such as sport and leisure, tailored to local priorities and needs.

2.5 Adults and Children's services are managed on behalf of the Borough by Optalis Ltd and Achieving for Children (AFC) respectively. The Council shares ownership of these organisations with other partner authorities and group accounts are prepared annually including the Council's share of these joint ventures.

2.6 Everything we do has to be provided within the challenge of reduced central grant to local government and increasing demand on service areas as the population grows and ages.

2.7 Our commitment to delivering high quality services is rooted in our commitment to providing value for money. Outside of London the Royal Borough has the lowest level of Council Tax in England.

2.8 Council Tax is 39% below the national average (including adult social care and parish precepts (Band D) as well as significantly below neighbouring Berkshire councils. This presents challenges to service provision.

- 2.9 As a council we measure how well we are performing through a range of indicators as well as our residents' survey. Everything we do has to be provided within the challenge of reduced central grant to local government and increasing demand on service areas as the population grows and ages.
- 2.10 The Royal Borough is committed to providing high quality services that offer value for money. Our corporate priorities guide our spending, alongside our statutory roles looking after the most vulnerable people in society and protecting the environment. Our capital strategy must balance the growing demands for services such as adult social care and children's services with our commitment to protect the environment and promote a buoyant and diverse economy.
- 2.11 An increasing proportion of our expenditure is being spent on services that support individual and vulnerable people. In all the services we either commission or deliver we will strive to achieve the best outcomes for our residents achieving the best value for money.
- 2.12 Our low council tax means our expenditure spent on all services, but in particular non-statutory services provided to our community, is under particular pressure. The Royal Borough has committed to a significant savings programme and is continually working to ensure that the services it delivers are subjected to rigorous value for money testing. We will continue to seek out opportunities to deliver efficiencies, savings and ways to increase our income.
- 2.13 The Royal Borough has an on-going transformation plan, which will aid delivery of the increased efficiencies and savings requirement.

### 3. Corporate Plan

- 3.1 The Corporate Plan articulates the Royal Borough's priorities for the period 2021-2026 and sets the strategic direction in order to ensure efforts and resources are directed to the right areas. This is particularly important given the scale of financial challenge and resource constraint, and in the face of challenges facing the borough as highlighted in the previous section. The overarching aim of the Corporate Plan is to create a sustainable Borough of innovation and opportunity.
- 3.2 A key driver of the Capital Strategy is our Corporate Plan 2021-26, which was adopted by Full Council in November 2021 with a headline vision of "Creating a sustainable borough of opportunity and innovation". The Plan sets three overarching objectives: thriving communities, inspiring places and a council trusted to deliver its promises. These include 50 related goals for achievement in the period 2021-2026.
- 3.3 The Council has included in its priorities for the next five years, a ladder of housing opportunity, to support better life chances for all.
- Over 3,000 new homes by 2026, of which at least 1,000 will be affordable housing (of mixed tenures and affordable housing types).
  - 2,000 households helped into new and existing affordable homes, prioritising social and affordable rent.
  - More people with learning disabilities to live in their own homes or with their families, increasing the proportion by 10 percent points by 2025.
  - A decrease in the number of households living in temporary accommodation to less than 100 by April 2025 with 80% or more living in the borough.
  - Ensure that no one sleeps rough in the borough through necessity.
- 3.4 Inspiring Places is one of the fundamental goals of the Corporate Plan and includes: -
- Supporting the borough's future prosperity and sustainability
  - An increase in the number of new and surviving businesses within the borough, including the expansion of Creative industries.

- An increase in footfall in Windsor between 2021-2026, and in Maidenhead, following its regeneration.
- An increase in the proportion of women and girls who feel safe in the Borough, including through a safe, thriving night-time economy.
- Undertake a master planning exercise for central Windsor by 2023 and submit a business case for Government funding for identified improvements along Ascot High Street.
- Quality infrastructure that connects neighbourhoods and businesses and allows them to prosper
- Deliver new transport infrastructure to support growth, including completing Phase 1 of Maidenhead Housing Enabling works and the remaining junction improvements.
- Investment along the A308 corridor to deliver on the recommendations of the corridor study.
- An increase in full fibre to 95% of properties by 2025; eliminate 4G “not-spots” in rural areas; and establish a test-bed and small cell roll out for 5G.
- Deliver new and enhanced community and youth facilities, including at Blackamoor Lane, Larchfield and Windsor.
- Increase walking and cycling by 50% by 2025, including investing in new cycle infrastructure through the North-South Green Spine in Maidenhead, and improved cycle ways in Ascot, Sunningdale, Sunninghill and Windsor.
- Deliver the Windsor Public Realm project, transforming Castle Hill into a pedestrian first zone, and growing the local economy and increasing numbers of local jobs.
- Increase the passenger satisfaction and the number of bus journeys per head of population to close the gap with neighbouring Berkshire authorities as well as establishing trials to deliver better rural bus service connectivity.
- Enable delivery of the key social, physical and green infrastructure to support new development at the Desborough / South West Maidenhead site (AL13 in the BLP), including strategic highway improvements, public transport, cycling and walking infrastructure, new primary and secondary schools, community facilities and open space.
- Review the collection of Community Infrastructure Levy and Section 106 funding, in order to increase developer investment in sustainable, community infrastructure.

3.5 Taking action to tackle climate change and its consequences and improving our natural environment will be achieved by:

- A decrease in the borough and council’s own emissions by 50% by 2025 – and net zero by 2050, at the latest.
- The Council commits to spend £1 million on reducing emissions through energy efficiency improvements over the period and will seek external funding to accelerate the plans.
- Achieve the National Air Quality Objective (AQO) across all Air Quality Management Areas (AQMAs) by 2025.
- Increase the percentage of residents who enjoy the borough’s green spaces on a regular basis and feel that they are able to access quality green spaces easily.
- Drive energy efficiency improvements through our social housing providers, increasing the proportion of homes at EPC rating C to 100% by 2030.
- Adopt a new, best practice Supplementary Planning Document (SPD) to drive forward our climate and environmental goals in all new developments.
- Enable an increase in renewable energy generation in the Borough, by 10 fold by 2026 (from a baseline of 13,067 MWh in 2018).
- Enable the delivery of electric vehicle charging infrastructure to meet growing demand through a new EV implementation plan.
- Increase biodiversity across the borough, supporting the Berks, Bucks and Oxfordshire Wildlife Trust vision for 30% of land for nature by 2030. We will ensure a minimum of 10% biodiversity net gain through the planning system and new Suitable Alternative Natural Greenspaces (SANGs) to mitigate the impact of new developments on the Thames Basin Heath Special Protected Area (SPA).
- Increase recycling to 50% of waste by 2025, and to 65% by 2035, with an overall reduction in waste generated.

- Invest £10m on flooding prevention within Datchet, Horton and Wraysbury, and Old Windsor wards, working in partnership with the Environment Agency. Alongside further investment, borough-wide, in protection against surface water flooding as part of delivering our climate adaptation plan.

#### 4. Strategic Direction of the Royal Borough

- 4.1 Through our Corporate Plan, we have identified a number of priorities for the Borough, these will be built into the capital programme as the years proceed and funding streams become available.
- 4.2 The Royal Borough's Capital Strategy forms the basis for long-term planning of capital investment. It builds upon processes implemented for the delivery of the Royal Borough's varied and aspiring capital programme. Thorough asset and resource planning has further facilitated the making of informed decisions.
- 4.3 Local authorities continue to face financial pressures with the impact of high inflation and interest rates continuing to exacerbate the economic situation post-covid. The Royal Borough is also required to take a balanced approach when assessing affordability and service needs.
- 4.4 Looking ahead, together with our partners, we will continue to improve our Borough's infrastructure with ambitious regeneration planned in the forthcoming years.
- 4.5 We will ensure that the Royal Borough employs sufficiently qualified and experienced staff to be able to deliver our Capital Strategy, including asset managers, development managers, legal and accountancy support staff.
- 4.6 In conjunction with the Medium-Term Financial Plan, Treasury Management Policy and the Borough's Strategic plans, the Capital Strategy paves the way for making infrastructure improvements across the Borough.

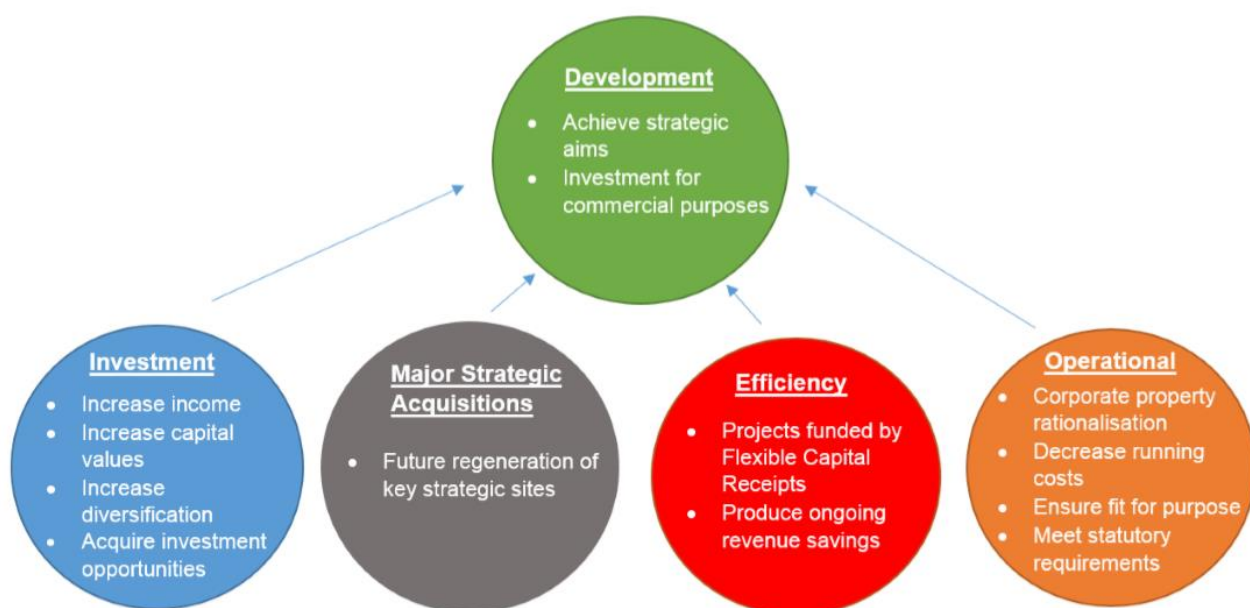
#### 5. The Royal Borough's Priorities

- 5.1 The Royal Borough's priorities are paramount to the capital strategy. The Corporate Plan was approved by Council in November 2021. The Plan recognises that we must make choices about where we focus resources, and it is a key component of good governance. Setting strategic direction in order to ensure efforts and resources are directed to the right areas is particularly important given the scale of financial challenge and resource constraint, and in the face of challenges facing the borough, including:
- climate change
  - the recovery from the Covid-19 pandemic and wider changes in the shape of the economy
  - a growing and ageing population
  - persistent pockets of deprivation and inequalities
  - and the high costs of housing in the borough.

The Plan also sets out our approach to achieving change. The Capital Strategy will help support informed decision making in the delivery of Corporate Plan.

- 5.2 Finance is both the enabler that allows the Royal Borough to deliver these key priorities and the constraint that the Royal Borough needs to work within as it makes tough decisions between those priorities.
- 5.3 The Royal Borough's capital programme is prioritised into five key areas: Development, Investment, Major Strategic Acquisitions, Efficiency and Operational.





## 6. Service Priorities for Investments

6.1 The Royal Borough's service priorities for investment over the lifetime of this strategy are set out by directorate for ease of reference, in the table below: -

Directorate	Service priorities	Related statutory or other plan	Related to the Council priority/Corporate Plan
<b>Resources</b>	Maintenance and improvement of existing accommodation provision for the Council and its tenants to ensure statutory requirements met and rental income is maintained and enhanced.	Asset Management Plan	
	Improvement in energy efficiency to reduce environmental impact.	Environment and Climate strategy	Values and Taking Action on Climate
	Continued investment in use of mobile technologies to enabling the workforce to deliver in efficient and effective ways	IT strategy (currently being updated)	Make most effective use of resources
	Investment in telephony solutions that realise benefits of mobile devices.	IT strategy (currently being updated)	Make most effective use of resources
	Investment in network redesign and replacement.	IT strategy (currently being updated)	Make most effective use of resources
	Investment for improvements in library buildings and facilities to support a sustainable and resilient Library Service	Library transformation strategy	Inspiring Places
<b>Place</b>	Investment in essential highways infrastructure, including bridges and footpaths	Local Transport Plan	Quality infrastructure that connects

Directorate	Service priorities	Related statutory or other plan	Related to the Council priority/Corporate Plan
			neighbourhoods and businesses and allows them to prosper
	Investment in “Active Travel” and alternative transport linked to climate change	Local Transport Plan Local cycling and walking infrastructure plan	Quality infrastructure that connects neighbourhoods and businesses and allows them to prosper and Taking Action on Climate
	Investment in road safety, where clear evidence identifies intervention required	Local Transport Plan	
	Electric Vehicle Charging infrastructure to support transition to electric vehicles and tackle transport emissions	Environment and Climate Strategy and Local Transport Plan.	Taking Action on Climate
	One off pump priming investment in digital and communications infrastructure.	Berkshire Recovery and Renew	Quality infrastructure that connects neighbourhoods and businesses and allows them to prosper
	Maintain & improve accessibility to our community assets that have a measurable and direct positive impact on residents Health & Wellbeing		
	Town Centre enhancements as part of local master planning exercises that supports vision charters across Maidenhead & Windsor, with a business case developed for identified improvements along Ascot High Street, which leverage external investment		Quality infrastructure that connects neighbourhoods and businesses and allows them to prosper
<b>Adults, Health &amp; Housing</b>	New accommodation provision for vulnerable people.	Adult Social Care Transformation Programme	
	Modern care record and online care account system for all users of Adult social care		

Directorate	Service priorities	Related statutory or other plan	Related to the Council priority/Corporate Plan
	Increased property provision for use as temporary housing to augment the wider housing development		
<b>Children's Services</b>	<p>Education: Mainstream and SEND capacity to keep up with growth in population in partnership with all state schools.</p> <p>£3.7m investment in new/improved SEND/AP provision from the High Needs Provision Capital Allocation.</p> <p>New special school on the land west of Windsor.</p> <p>£2.2m investment in the five oil boiler replacement schemes, part funded by the Public Sector Decarbonisation Scheme.</p>	Inclusion Strategy	Healthy, skilled and independent residents
	Education: maintenance of community and voluntary controlled school buildings, including investment in carbon reductions.		Well managed resources, delivering value for money
	Social Care: 18-25 supported accommodation for care leavers and those with additional needs.	Council Transformation Strategy	
	Social Care: 5-10 residential children's home places to challenge the marketplace.	Sufficiency Strategy	
	Office accommodation for services.		
	Modern technology platform for mobile and partnership working.		Well managed resources, delivering value for money

6.2 The Royal Borough also needs to be flexible enough to respond to opportunities to lever in additional external funding or grant that could partially fund an additional project alongside some capital investment from the Royal Borough.

## 7. Capital Strategy

### 7.1 Scope

Capital expenditure is strictly defined by statute and accounting principles and is principally expenditure incurred in buying, constructing or improving assets such as land, buildings, vehicles, plant, machinery and intangibles (e.g. computer software). It also includes grant and advances to be used for capital purposes, such as Disabled Facility Grants.

The Royal Borough's policy on capitalisation in accordance with the Royal Borough's approved accounting policies and procedures, is that expenditure on land, buildings, vehicles, plant, machinery, and intangibles over £20,000 will be capitalised, expenditure under these limits is deemed to be a revenue cost.

Ideally, the Royal Borough aims to cover recurring spending from its Revenue Budget and fund short life assets from external income sources. Borrowing is used to fund spending on longer life assets e.g. buildings and infrastructure.

The Capital Strategy sets out the Council's approach to:

- Working with partners
- Asset management planning
- RBWM Property Company Business Plan
- Risk appetite
- Governance and decision making
- Capital financing & affordability
- Invest to Save
- Managing borrowing
- Leasing
- Monitoring & project evaluation
- Capital investment in 2022/23 to 2026/27

## **7.2 Working with Partners**

The Royal Borough is committed to work with its partners to carry out its objectives. Given the financial challenges faced by the Royal Borough, it is particularly important that it works closely with regional and other local authority partners to deliver investment across the Borough which otherwise would not be deliverable or affordable. This is through central government grants and town council/Parish contributions or through delivering schemes in partnership with neighbouring authorities. The Partners have the freedom to propose and identify the schemes but those will need the approval from the members on the basis of council priorities and affordability.

## **7.3 Community Engagement**

The Royal Borough engages with residents and the local community when making decisions that impact capital investment. Examples include Highway consultations, the Residents' survey 2022 and the Active Travel consultations.

The future SEND and AP Capital Strategy consultation will guide capital investment in new and improved provision for children and young people with EHCPs and/or in Alternative Provision.

## **7.4 Asset Management Planning**

The Royal Borough has the responsibility for a range of assets. The asset management strategy establishes the priorities for asset management planning. It is essential to understand the need, utilisation, condition, income generating potential and the investment and operating cost requirements of assets, whether owned or leased. The Council has a Capital Review Board in place to make appropriate decisions and ensure that proper practices are followed.

The core asset management programme which deals with General Fund assets is now supplemented with additional budget as a result of a review of the condition of the Royal Borough's General Fund assets. This revealed that after years of under investment that significant funding would be required to ensure that assets are maintained at an acceptable standard to allow the Royal Borough to continue to deliver its services.

## **7.5 RBWM Property Company Business Plan**

This function is carried out by the RBWM Property Company. Further details are set out in the table:

<b>To help develop and regenerate the Council's assets to create a Borough of Opportunity and Innovation by:</b>
Identifying and helping to deliver low carbon solutions on all new projects wherever possible
Facilitating the delivery of new homes, indirectly with the Council and Joint Venture partners and directly investing as the Prop Co in residential development.
Ensuring greater access to quality affordable housing for those in housing need.
Support the regeneration of the Borough's Town Centres and 'Place Making', working alongside Council colleagues and Stakeholders at an early stage of development to ensure optimal outcomes.
To grow Prop Co as an asset of value for the Council with a portfolio of residential, retail, and commercial properties.
To provide the Council with cost savings, a dividend on its investment and/or other value towards the cost-of-service provision, both financial and social.

## 7.6 IT

Utilising IT solutions for local authority service delivery and digital enablement is crucial for the Royal Borough.

Following the rollout of Windows 10 laptop devices IT Services have been able to promote remote working for staff and leverage the investment of the Microsoft Office 365 Suite. As Office 365 is cloud-based, the full-featured experience can be accessed from anywhere, on any device, as long as staff are online, allowing them to create, collaborate and communicate more efficiently and effectively. Microsoft Teams is now a fundamental part of the organisation allowing staff to instant 'chat' message, collaborate on files and create/attend audio and video meetings with internal colleagues and external partners. This has reduced costs associated with corporate telephony and legacy conference calling facilities.

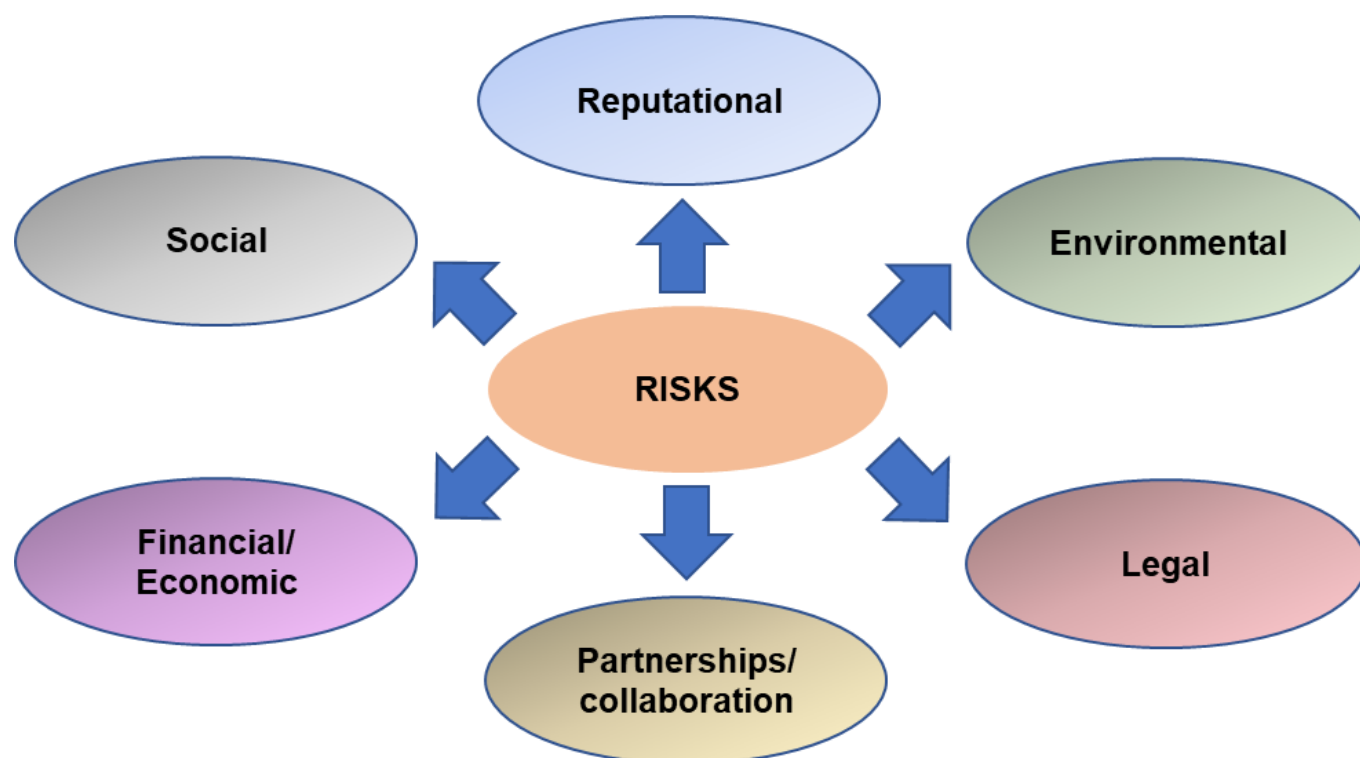
Additional Microsoft Teams phone system licenses were also introduced in 2021 to give staff the ability to utilise Microsoft Teams as a fully functional softphone via their devices. This allows calls to be made and received via existing council direct dial extension and service numbers and ceased the costly and traditional ISDN lines and PBX solution.

Future IT projects includes work on the network redesign and broadband which will further improve business continuity as well as investigations of enhancements to the Teams Cloud Telephony solution to migrate additional services over to this solution. These works will form part of the Corporate IT and Digital Strategy that is being developed. Major systems replacements of the Adult Social Care and Children's IT systems are also planned.

The IT strategy is currently under development. Investment in IT to allow business continuity forms part of the capital plans and further investment is planned during 2023/24.

## 7.7 Risk Appetite

Any new proposed capital scheme should be supported by a sound business case/options appraisal and should include a full evaluation of risk:



This should have regard to the whole life costing methodology, “the systematic consideration of all relevant costs and revenues associated with the acquisition and ownership of an asset.” In practical terms this means that any appraisal will need to consider not just the initial outlay, but all costs/income associated with the project that are likely to occur in future years, including possible replacement. This is vital to ensure that the Royal Borough is not committing itself to future liabilities that are unsustainable.

### 7.8 Governance & Decision Making

It is important that those charged with governance understand the long-term context in which investment decisions are made and the financial risks to which the Royal Borough is exposed. The strategy should therefore contain sufficient detail to allow members and officers to understand how stewardship, value for money, prudence, sustainability and affordability will be achieved.

In common with other local authorities, The Royal Borough is facing a challenging financial climate and it is therefore essential that systems are in place to ensure that scarce resources are allocated in the most effective possible way and therefore expenditure needs to be prioritised:

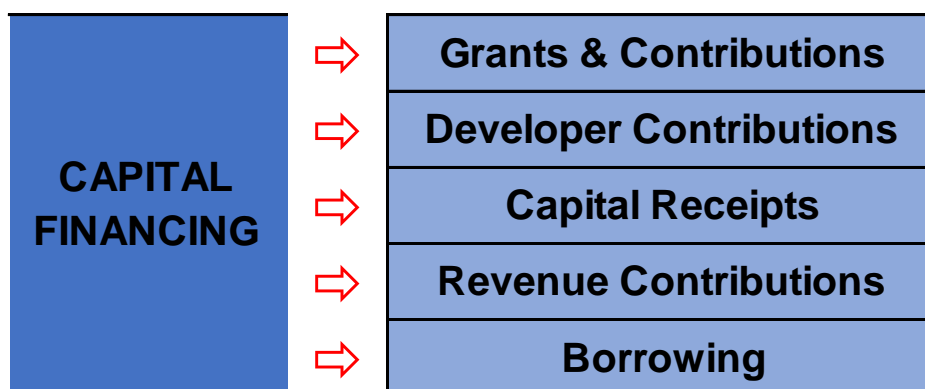
Priority	Type of Projects to deliver strategic outcomes as per the Royal Borough’s vision
Highest Priority  to Lowest Priority	Unavoidable capital expenditure due to an emergency such as one affecting service continuity or business critical infrastructure
	Projects necessary to deliver statutory, mandatory and legal/contractual obligations
	Projects that give rise to revenue savings or income generation. These can be developed as invest to save projects
	Projects attracting additional external funding
	Projects which improve the Royal Borough assets and reduce the need for revenue maintenance

### 7.9 Capital Financing & Affordability

The Royal Borough will need to assess the overall affordability of any new scheme, having regard to the availability of resources, existing financial commitments and the projected level of balances forecast in the medium-term financial strategy.

The prudential code requires ‘the local authority shall ensure that all of its capital and investment plans and borrowing are prudent and sustainable.’

**Capital expenditure can be funded in a variety of ways:**



Grants and developer contributions are generally used to fund specific capital schemes linked to the conditions imposed by the relevant grant or contribution. There is little, if any, latitude in the way grant funding can be applied. Capital receipts are derived from the sale of the Royal Borough’s non-assets. The Royal Borough’s asset management planning identifies all the opportunities available for capital receipts, However, asset disposals are infrequent.

Revenue contributions are a flexible source of funding, but they put an immediate strain on the General Fund balance and can therefore only be used to a limited extent.

Borrowing spreads the cost over a number of years but loan servicing costs and the overall level of debt exposure both need to be considered and clearly flagged in a business case including the impact of minimum revenue provision requirements.

### 7.10 Invest to save

Invest to save is investment now to transform and reshape services to reduce running costs/generate efficiency savings or earn income to pay back the initial outlay. Priority should be given to these projects providing that they are supported by a sound business case and financial appraisal.

### 7.11 Managing Borrowing

The Royal Borough will have £206m of total current borrowing both long term and short term as at 31 March 2023. This is funded from Public Works Loan Board (PWLB), other local authorities and financial institutions for a number of schemes/projects previously approved by members. It should be noted that due to the cost of borrowing in the current economic climate and outstanding debt liabilities, the Royal Borough should only consider it as a last resort after all other sources of financing have been exhausted. At the time of writing, the cost of local authority borrowing from the Public Works Loan Board (PWLB) has increased significantly. This follows the recent financial uncertainty.

Due to being linked to gilt yields, interest rates have significantly increased. The PWLB sets its rates at a margin that is above the government's cost of borrowing, causing the interest rates to move in line with gilts. Investors have demanded a much higher return for investing in government bonds, which have caused some to halve in value. As a result, PWLB interest rates have increased. This unprecedented situation will be closely monitored by officers and cost of borrowing projections updated before the final 2023/24 budget is approved by members at February 2023 Council.

The rapid changes in the economic and political situation currently in the UK has caused a high level of uncertainty with regards to interest rates. The recent substantial increase in interest rates and anticipated further increases has significantly increased the cost of borrowing available to the Authority. This significantly impacts capital spending plans for the foreseeable future.

### 7.12 Leasing

Leasing obligations are similar to borrowing as they have an ongoing revenue budget commitment. Leasing will be considered following due diligence over the life of the asset, comparing the financial and non-financial benefits and risks compared to the Council owning such asset itself.

By 1 April 2024, the Royal Borough is required to implement IFRS 16 (International Financial Reporting Standard), although it has an option to implement earlier. This accounting standard sets out the guidelines for recognising and disclosure requirements for accounting for leases and will replace previously in place requirements under IAS 17 (International Accounting Standard). This means from this date the way the Royal Borough accounts for assets it leases from third parties will change as assets will be shown on the Royal Borough's Balance Sheet as Right to Use Asset with a corresponding liability.

The definition of a lease has been adapted for the public sector as being 'a contract, or part of a contract, that conveys the right to use an asset for a period of time.'

The Royal Borough currently leases some assets including land, buildings, vehicles and photocopiers.

Under these changes these right of use assets will be disclosed on the balance sheet except for leases with a term of 12 months or less or if the asset is of low value. The accounting standard does not include intangible assets (e.g. computer software licences) or where a contract contains use of an asset but the supplier has the ability to substitute alternative assets throughout the period (e.g. hygiene bins).

When the asset is recognised in the balance sheet a corresponding liability is then created, representing the obligation to make lease payments. When the Royal Borough makes a lease payment rather than it showing as an expense against the relevant cost centre, it is split between paying off this liability and interest payments. The asset is depreciated in the same way as similar assets of that class, usually over the life of the lease unless the asset useful life is lower.

In preparation, a data gathering exercise has already been undertaken to record all the leases the Royal Borough has, including those at peppercorn/nil consideration (where the Royal Borough pays little or no rental payments at any point during the duration of the lease). The Royal Borough is required to evidence to its external auditors that it is prepared for these changes. The accounting policies will be amended to



reflect the move to IFRS 16 and the threshold for low value will be determined in the year of its implementation.

Finance should be consulted on all new leases and contracts which includes the use of an asset (whether this is directly by the Royal Borough or by the contractor) to deliver obligations under a contract so that it can be assessed to see if the contract contains an embedded lease.

### 7.13 Treasury Management

The Royal Borough undertakes borrowing for two main purposes:

- Meeting its daily cashflow commitments, and
- Financing its capital programme

Treasury Management is the management of the Royal Borough's borrowing, investments and cashflows and is essential in particular when accessing the affordability of a capital project, the Treasury Management Strategy includes:

- The borrowing strategy
- The authorised limit for external debt

Where capital expenditure has been incurred without a specific funding stream to meet the expenditure, there will be an increase in the Royal Borough's Capital Financing Requirement (CfR) which is a determinant of the Royal Borough's underlying need to borrow. The Royal Borough is required to make a prudent provision for the repayment of historic capital expenditure from its revenue budget, this known as minimum revenue provision (MRP). CFR is calculated below:

Opening CFR
+
Capital expenditure for the year
-
Grants, contributions, reserves, capital receipts funding new capital expenditure
-
Minimum Revenue Provision and other debt repayment
=
Closing CFR

At 31 March 2022, the Royal Borough's CFR was £225.3m, subject to audit, compared to its total borrowing of £206.6m reflecting under borrowing of £18.7m.

### 7.14 Monitoring & Project evaluation

It is the responsibility of the relevant budget holder and their team to manage costs and to provide explanations for any variations or slippages from the approved budget as soon as they become known. Budget monitoring statements are presented to senior management and to Cabinet regularly through the bi-monthly Financial Update report.

Major capital projects are reviewed at the Capital Review Board meetings throughout the project. The board has representation from across the services teams including Finance. These meetings discuss progress, including cost projections.

A post project evaluation is required to be undertaken to measure delivery against required project outcomes, not just time and cost. It is again the responsibility of the budget holder to undertake this review. This will help the Royal Borough for the future as lessons learned can be transferred to new projects and help with such things as benchmarking.

## **8. National Financial Context**

- 8.1 Over recent years all local authorities have faced significant reductions in government funding because of austerity measures put in place. This has had a significant impact on major investment decisions. The financial sustainability of local government has faced successive challenges, including increased demand for services, notably social care and the Covid-19 pandemic. Current economic developments that have caused inflationary pressures and a significant increase in interest rates will further impact the Borough significantly.
- 8.2 Government capital grants for funding capital projects have been materially reduced over the years. This leaves councils in an unenviable position to finance essential capital schemes using debt where other funding options have been exhausted.
- 8.3 Material pressures on revenue budgets mean that councils are finding it much harder to meet significant borrowing costs stemming from capital investment.
- 8.4 Council budgets have come under significant pressure resulting in some councils capitalising certain spending. This has allowed them to borrow to spread the cost of this spending over a number of years and ease the immediate pressure on the revenue budget e.g., capitalising debt interest in respect of specific capital developments.
- 8.5 Some councils have taken a more commercial approach to their assets. For example, building or expanding car parking to generate additional ongoing income to support the council budget or purchased property for a purely financial return.
- 8.6 In past years, unprecedented low interest rates have enabled councils to borrow cheaply to fund new capital investment. However, the situation has recently reversed causing significant pressures to council finances nationwide. To address the issue of councils borrowing purely for commercial investment, PWLB lending terms have been modified to limit a council's liability to borrow purely for investment purposes.
- 8.7 Many councils have also benefited from capital receipts from asset sales to offset the cost of new capital investment. As with most other councils, the Royal Borough has an asset disposal plan in place.

## **9. The Royal Borough Financial Context**

- 9.1 The Royal Borough has the advantage of substantial and valuable land and buildings holdings. In compliance with its asset management plan, the Borough continues to be pro-active and innovative in using these holdings to generate capital receipts for new investment.
- 9.2 As a general principle, land no longer required for its existing use is declared surplus so that options for its future use or sale can be considered by the Property Services team and members of the Capital Review Board prior to proceeding for a formal decision.
- 9.3 Capital receipts are used to finance capital expenditure. In future, capital receipts will also be utilised for debt redemption in accordance with the Royal Borough's Minimum Revenue Provision (MRP) Policy.
- 9.4 Where appropriate, the Royal Borough has used the capital receipts generated from the closure of a facility to largely fund its replacement. Disposals can only take place once the new facility is built, which means that

- The Royal Borough needs to borrow to fund the new facility initially
- The Royal Borough carries the risk of holding and disposing of the previous asset.

9.5 In other cases, the Royal Borough has been able to use s106 & Community Infrastructure Levy contributions to offset the cost of certain capital investment, where this is consistent with the terms of the development agreement.

9.6 The Royal Borough has also invested in its assets to generate income to support its Revenue Budget. This has included:

- Converting and investing in the Royal Borough land to generate additional income from car parking provision.
- Modest investment in commercial property to maintain a revenue income stream.

9.7 In addition, the Royal Borough has invested in building and enhancing assets for residents, including the secondary schools expansions programme, libraries and leisure centres. This has resulted in significant capital investment in recent years. The Royal Borough's borrowing is projected to be £241m by 31 March 2024.

9.8 When building the Capital Programme for 2023/24 the cost of borrowing will be kept as low as possible by investing in essential schemes only. For 2023/24 debt financing costs, including MRP, are estimated at £11.4m. Short-term borrowing rates are expected to increase to 5% in 2023/24 which places considerable financial pressure on the Council's revenue budget. To minimise this financial burden, the treasury management team will consider the best borrowing options between short and long-term borrowing. An asset disposal plan to reduce debt is in place, however, most capital receipts are projected to be received after this turbulent period which places additional pressure on Council finances.

9.9 Officers are currently undertaking an urgent review of approved capital schemes with a view to reducing capital expenditure where possible. This is necessary given the recent steep increase in interest rates.

9.10 Overall, the Royal Borough has sought to keep Council tax levels to a minimum. This has meant that it has tightly controlled spending within its Revenue Budget, which in turn has had consequences for its capital budget, such as needing to:

- Fund significant spending on refurbishing assets from borrowing rather than funding this from within its Revenue Budget
- Use capital to fund a number of short-life asset replacements e.g. Software.
- Prioritise spending that generates future income to contribute to its Revenue Budget.

9.11 In the short term this has helped to spread the cost of this investment over a number of years and reduce the impact on the Revenue Budget.

However, in the longer term as borrowing and interest rates increase, more and more pressure is placed on the Revenue Budget, through increasing the level of debt financing costs. Interest rates were at 0.75% at the beginning of 2022/23, and are now projected to rise to 5% by the beginning of 2023/24.

## 10. Developing Capital Plans

10.1 Decisions around future capital investment should not be taken lightly as this often involves significant sums of public spending, which has a significant future impact on the Royal Borough's finances.

10.2 The Royal Borough faces some tough choices against competing priorities and therefore always needs to balance the immediate benefit of investing in a new capital asset against the future financial sustainability of council finances. One of these tough choices will be whether to borrow to develop the Royal Borough assets to create long term revenue streams or whether to dispose of assets to help to reduce borrowing costs.

10.3 To strike this tough balance the Royal Borough will:

- Have clear capital investment priorities for all of its key services – this will allow it to balance the needs of individual services against one another.
- Develop clear business cases for major projects – so that there is a clear understanding about the benefits that the project will deliver and whether these are worth the level of investment required.
- Set clear objectives – for example it needs to be clear about the payback period it expects from commercial invest to save schemes.
- Develop a pipeline of projects that fit in with the longer-term plan for capital investment.

10.4 This prioritisation will be assisted by having:

- Surveys of all the Royal Borough assets that set out maintenance requirements over time
- Clear replacement strategies – that show when assets need to be replaced and updated e.g., IT equipment and systems.

10.5 Given the long-term nature of capital investment, the Royal Borough should be able to plan effectively and avoid the need for capital schemes to emerge at the last minute.

10.6 Above all, there is a need for an effective process to assess competing capital priorities and develop more long-term capital plans.

## **11. Delivering Capital projects**

11.1 All capital projects over £100,000 are subject to a gateway process that requires them to set out:

- A procurement Strategy for the project
- A project timetable and delivery plan
- An updated financial assessment including the revenue implications, both immediate and ongoing
- A clear assessment of project benefits and how these will be delivered and assessed.

11.2 The Royal Borough has established a Capital Review Board (CRB) which oversees the delivery of the capital programme. CRB is an officer working group. It is an advisory / monitoring body and takes any decision-making power from the delegated authority of officers attending as set out in the scheme of delegation and the financial procedure rules within the Royal Borough's Constitution. It makes decisions where priorities and budgets are already agreed within the Council's Policy and Budget Framework. Any proposal that is outside the approved Policy and Budget framework will be referred to Cabinet and/or the Royal Borough in accordance with the Constitution. The following summarises the terms of reference of the board:

### **Membership**

- Executive Director of Place
- Managing Director, RBWM Property Company Limited
- Head of Finance (Chair)
- Head of HR, Corporate projects and IT
- Head of Infrastructure, Sustainability and Economic Growth
- Head of Neighbourhood Services
- Head of Capital Projects and Asset Management, RBWM Property Company Limited
- School Places and Capital Team Leader

- Corporate Accountant (Capital)

### Support to the Board

- Project Manager – Corporate Projects
- Executive Assistant to Executive Director of Place

### Frequency

- CRB normally meets every 2 months but more frequently as required e.g. in the lead up to budget setting.

### Overall Responsibilities

- Advise on the Royal Borough's Capital Strategy in line with the Council's priorities.
- Ensure the effective development and delivery of the Capital Programme in line with the Royal Borough's Capital Strategy and Council priorities.
- Identify and monitor the resources available to fund the Capital Programme in the most efficient way.
- Oversee the gateway process for the Capital Programme.
- Monitor the progress of the Capital programme and key variances between plans and performance.
- Encourage and enable the development of learning, skills and capacity in the management of capital projects across the organisation.

### 11.3 Priority Outcomes

- An effective Capital Strategy and Capital Programme that optimises the resources available to deliver the Council's priorities.
- Continuous improvement in the development and delivery of the capital programme and that strategic capital investment is planned and delivered in the most efficient and effective way.
- Review completed of the previously approved Capital Programme in light of the 'new normal' environment the Council will operate in.
- Better management of capital projects, in line with best practice, ensuring benefits are realised.
- Effective bidding for external capital funding.
- Enhanced cross-service strategic working and partnerships with other organisations on the development and management of capital projects.
- That the Capital Strategy and Programme is funded in the most efficient way and fully integrated into the Medium-Term Financial Strategy of the Council.
- That lessons are learnt from capital projects undertaken by the Council.

11.4 The Working Group is able to approve the delivery of all projects up to £250,000, while projects above this level will be subject to approval by Cabinet.

11.5 Cabinet receives a report on the delivery of capital schemes which is included within the regular Financial Update.

## 12. Financial Risks

Planning for the future can never be an exact science. There are many factors that the Royal Borough cannot control, the war in Ukraine and recent economic developments being prime examples. External factors have been shown to have a significant impact on costs and the viability of future capital plans.

Interest rates were at 0.75% at the beginning of 2022/23 and are now projected to rise to 5% by the beginning of 2023/24. In light of these expected increases the Authority will review and, where appropriate, reduce its capital programme. With interest rates at 5% a £10m reduction in capital expenditure would result in a reduction in annual borrowing costs of £500,000.

- Revenue Budget – ultimately the cost of borrowing to fund capital investment has to be met by the revenue budget. This means that the sustainability of the revenue budget as set out within the Budget Strategy is a key risk factor that impacts on the affordability of capital spending.
- Government Grants – although Government Grants have reduced over time this still makes a significant contribution towards the cost and viability of major schools and highways schemes. This may improve further should the government award additional capital grant for infrastructure in future years.
- Interest Rates – Rising interest rates will impact on the affordability and viability of key future capital projects.
- Project Creep - projects delivered over a period of time are inherently risky. Tight cost control is needed to ensure that the project keeps within the spending envelope.
- Contractual Risk – the cost of major projects can be heavily dependent on the level of competition that influences bids to deliver the scheme.

12.1.1 Capital Projects are inherently risky. There are significant risks that the costs of capital schemes can exceed the original capital programme allocation. There is also a delivery risk that projects can be late. Effective project planning and due diligence, project management and budget control are essential in mitigating delivery risks along with the selection of skilled delivery partners.

12.2 Funding capital investment represents a significant pressure on the Revenue Budget. It is essential that the Royal Borough understands fully the revenue impact of capital investment and the extent to which the project:

- Meets the Royal Borough’s objectives
- Is self-funding
- Delivers a realistic pay back in the case of invest to save schemes

### **13. Summary and Conclusion**

13.1 Capital investment decisions involve substantial sums of money and represent a long-term plan, which can extend well beyond the term of the existing Council.

13.2 Decisions on future capital investment therefore need to balance a range of different long-term priorities, often within tight financial constraints.

13.3 The strategy sets out some clear criteria for determining capital spending and deciding on the competing priorities.

13.4 The strategy also sets out a key delivery mechanism designed to deliver effective implementation of capital plans.

13.5 Increasing interest rates will result in a pause or discontinuation of some capital projects. This is under continuous review and the final outcome will be included in the February 2023 budget report.

13.6 Due to the fast-changing economic situation the Capital Strategy for 2023/24 will continue to be reviewed and amended as necessary prior to approval by Full Council in February 2023.

**Appendix 1 - Summary of Capital Programmes**

This will be published in the draft budget papers to November cabinet.

**Appendix 2 – Capital Expenditure & Financing 2023/24 to 2026/27**

This will be published in the draft budget papers to November cabinet.

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## WORK PROGRAMME – AUDIT AND GOVERNANCE COMMITTEE

<b>DIRECTORS</b>	<ul style="list-style-type: none"> <li>• Tony Reeves (Interim Chief Executive)</li> <li>• Adele Taylor (Executive Director of Resources and S151 Officer)</li> <li>• Emma Duncan (Monitoring Officer and Director of Law &amp; Governance)</li> </ul>
<b>LINK OFFICERS &amp; HEADS OF SERVICES</b>	<ul style="list-style-type: none"> <li>• External Auditors – Deloitte</li> <li>• Internal Auditors - SWAP</li> <li>• Steve Mapple (Insurance &amp; Risk Manager)</li> <li>• Andrew Vallance (Head of Finance)</li> <li>• Karen Shepherd (Head of Governance)</li> </ul>

### MEETING: 16<sup>th</sup> FEBRUARY 2023

<b>ITEM</b>	<b>RESPONSIBLE OFFICER</b>
Internal Audit Progress Report	<b>Internal Auditors</b>
Internal Audit Plan 2023/24	<b>Internal Auditors</b>
Work Programme	Panel clerk

### ITEMS SUGGESTED BUT NOT YET PROGRAMMED

<b>ITEM</b>	<b>RESPONSIBLE OFFICER</b>
Climate Governance Audit	<b>Lisa Fryer, South West Audit Partnership</b>
Statement of Accounts 2020/21	<b>Deloitte</b>
Statement of Accounts 2021/22	<b>Deloitte</b>

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