Capital Review Response – Runnymede Borough Council

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<tr><th>Item No:</th><th>Recommendation, context and proposed action:</th><th>Governance / Lead Officer / Next steps</th></tr>
<tr><td>1.</td><td> As part of the exercise to enhance its overall risk management arrangements, the council should develop a risk appetite statement, including specific elements for its commercial and regeneration portfolio and divestment opportunities, and formalise a moratorium on commercial investment.
It was established as part of the Annual Governance review for 2022/23 that the Council’s existing risk management arrangements would require review. Due to past staffing changes, support for risk management administration was provided by a third party under a temporary arrangement that would cease at the next contract renewal date (August 2023). Given the importance of risk management to the organisation, internal resource was identified to support the Assistant Chief Executive (s151) in ensuring a robust mechanism is in place to maintain current and appropriate risk registers and associated documentation, policies and procedures. Other staffing changes were implemented to ensure that sufficient capacity would be available within the Project Management Office (PMO) to provide this support, including recruitment to the post of Head of Procurement and a transfer of the Procurement team to report directly to the Assistant Chief Executive (s151). This freed up resource within the PMO as the Head of Business Planning, Projects and Performance had previously also been holding responsibility for the Procurement function. The Head of Procurement is now in post (as of 5 July 2023) and the PMO is actively working on a refresh of the Risk Management Framework.
A risk-mapping exercise has been undertaken to fully understand and map the existing processes and risk management measures taking place across the Council and identify any gaps. This will provide the evidence base to inform the risk management framework and to develop an action plan to address any weaknesses in existing processes. It is anticipated that the refreshed Risk Management Framework and overview of a revised Corporate Risk Register will be reported to Members in October 2023. This will align with the next full internal audit of risk management which is scheduled to be undertaken during September 2023. This action has been retained in the Annual Governance Statement as an on-going action to be progressed during 2023/24 given the significant groundwork that it is proposed to undertake to ensure the right processes are put in place.
As part of this exercise, the Council will look at developing a risk appetite statement, taking account of guidance in the Government’s Orange Book and including specific elements for its commercial and regeneration portfolio and divestment opportunities. Consideration will need to be given as to the best vehicle/s to set out and approve such risk appetite statements. It may be that the overarching Risk Management Framework contains the detailed risk appetite statement for each separately identified area of risk. Alternatively, the Risk Management Framework may set out an overarching risk appetite statement while the detail explanation of the risk appetite relating to specific areas of the Council are included in other relevant Strategy documents. For example, the detailed explanation of the risk appetite in relation to commercial property may sit best within either the Asset Management Strategy or the annual Capital and Investment Strategy. Wherever the risk appetite statements appear, the Council will ensure that all of these strategies tie together and are consistent throughout the documents. A mapping exercise will be undertaken to ensure that this is actioned.
Specifically in relation to commercial, regeneration and divestment risk appetite, it is proposed that this is taken forward for debate via the newly formed Property and Assets Task Force (please see response under item 5 for further details). Given that meetings of </td><td> Governance:
Corporate Management Committee / Full Council
Lead Officer:
Chief Executive / Assistant Chief Executive (s151)
Next Steps:
Review Risk Management Framework (Oct ‘23).
Develop risk appetite statement (Dec ‘23).
Statement formalising a moratorium on new debt-funded commercial asset investment included within annual Capital and Investment Strategy (Dec ‘23).</td></tr>
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	the Task Force commence in September 2023, and scheduled reporting of the updated Risk Management Framework is early October 2023, a two-stage approach will be required whereby the report on the RMF will include further actions for the on-going review and enhancement of the framework, including full Member engagement with the setting of risk appetite statements. The Council uses template reports for all of its formal reporting to Members, which includes a section on risk. The Council has refreshed these templates and is conducting sessions with its senior leadership team during August and September 2023 to reinforce best practice when completing the template, including having due regard to risk and risk mitigation. Once the revised RMF is rolled out, and when risk appetite statements are in place, report writing guidance will refer report authors to these documents, so that, where relevant, reference can be made to show consistency between the recommendations within reports and the appropriate risk appetite statement. The Council already has a strong focus on project management, facilitated by the PMO and annual Service Area Plans have a mandatory section on risk, where service risk registers and risk assessments are updated, and risks are reviewed for inclusion within the Corporate Risk Register as appropriate. All budget growth or additional spend requests during the year, are required to be accompanied by a full business case (over a de minimis threshold). The business planning cycle for 2024/25 has been reviewed following feedback from the Senior Leadership Team (SLT) last year, to dovetail with the budget planning process and emphasise the importance of both risk identification and mitigation and the requirement for appropriate business cases. The Council's Asset Management Strategy was approved by Full Council in March 2023 following consideration by Corporate Management Committee (CMC) Agenda pack Corporate Management Committee 23/02/2023. The Strategy, and the polices appended to it, cover both commercial investment assets and the Council's operational buildings, but exclude housing stock managed under the Housing Revenue Account The documents set out the processes and procedures governing the management of the Council's operational and commercial property portfolio and form an integral part of the Council's corporate governance system, alongside other key documents such as the Corporate Business Plan and annual Capital and Investment Strategy. The strategy also identifies the circumstances when the Council will acquire or dispose of assets either for operational or regeneration purposes. Governance of the Strategy was initially anticipated to be through the officer Assets and Regeneration Group (standing members of the group are the Corporate Head of Assets and Regeneration, the Property Portfolio Manager, the Corporate Head of Finance and all members of the Corporate Leadership Team (CLT)) and onwards to meetings of all Service Committee Chairs and subsequently to Corporate Management Committee and/or Full Council as appropriate. These governance arrangements have been further strengthened by the implementation of the new Property and Assets Task Force, to allow for greater focus and scrutiny on property matters. See item 5 for more detail on the Task Force and item 4 for composition of CLT. The Asset Management Strategy covers not only the day-to-day running and satisfactory maintenance of Runnymede's property portfolio but seeks to ensure that it is fit for purpose over the longer term, advocating a challenge mentality to our continued ownership of assets, and has been developed to provide a clear and coherent framework for decision-making about the utilisation of the Council's estate. The Investment Update section of the Strategy highlights the number and value of investment properties held by the Council, and in which market sector, the current market outlook, and levels of risk the Council needs to consider as part of holding property as a major investment. Sitting behind the Investment Update are the asset management plans for each individual investment which are	

	updated quarterly. These will form the basis of the on-going reviews of the property portfolio, taking a risk-based approach considering time to lease break/expiry, level of income, condition of property, sector exposure, alternative use, etc (see response under item 5 for further details). The Acquisition and Disposal Policy (Appendix 5 of the Strategy) sets out how acquisitions will be limited in nature and are likely to be linked to schemes identified in the Corporate Business Plan, for purposes other than for direct commercial investment. Under-utilised land and building assets will always be considered for housing in order to assist with housing targets, although they will not always be suitable or viable. Disposals may be incidental, major or Community Asset Transfers and the policy sets out all the disposal methods and the criteria for Community Asset Transfers. In respect of the recommendation to formalise a moratorium on commercial investment, the following statement is included in the now approved Acquisition and Disposal Policy: *"Under an approved Property Investment Strategy, RBC invested loans from the Public Works Loans Board in prudent property purchases; not just for income generation but also for regeneration, business growth and the ability to provide much needed affordable housing in the Borough. **Borrowing for purely income generation reasons has now ceased and the investment property portfolio has moved into the 'asset management' phase."*** In addition, the approved Capital and Investment Strategy 2023/24 - 2026/27 demonstrates that the Council takes capital investment decisions in line with service objectives, taking account of stewardship, value for money, prudence, sustainability, and affordability. The Capital Strategy also 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. Specifically, paragraph 4.4 of the Strategy sets out how regeneration is a key element of the Corporate Business Plan and how in the past such projects have largely been funded by a combination of borrowing and the use of capital receipts. During construction, such schemes do not generate income, and indeed in some cases they reduce income as car parks are closed and existing Council-owned, income generating assets are demolished to make way for new buildings. For that reason, the Council approved a Property Investment Strategy in 2014/15 which sought to acquire assets which would generate income to fund borrowing costs and replace the lost income during these developments. The five-year Property investment Strategy ended in March 2020, however, the Council still wishes to continue its regeneration strategy, to provide employment, economic benefit and housing to the local area and will now, where possible, seek alternative methods to fund these projects. In line with existing Public Works Loan Board (PWLB) lending terms, the Council has submitted a high-level description of its capital spending and financing plans for the following three years including planned use of the PWLB and has confirmed its intention not to buy investment assets primarily for yield at any point during that period. The above examples demonstrate the Council's commitment to continue, as it has done since March 2020, to not add to its property portfolio by borrowing to invest purely for profit. As noted however, it may be that in future regeneration schemes some purchases of property will be required as part of the scheme itself and may be used to generate an income until such time as the scheme is underway. A further statement formalising a moratorium on new debt-funded commercial asset investment will be included within the next iteration of the Council's annual Capital and Investment Strategy, which will be considered by full Council in December 2023. As noted in the report from Cipfa, this restriction would still allow for 'force majeure' or certain categories of desirable economic	

	intervention, so that purchases necessary for site assembly for regeneration schemes, for example, would still be allowable (subject to affordability, debt levels etc). As already noted, the Council has borrowed monies in compliance with PWLB terms in support of service delivery, housing and economic regeneration, for example, and the current capital programme assumes that the remaining borrowing requirement anticipated for the Magna Square development (£12.6m) and the Housing new build programme (£10m) are still available. Should this not be the case, the Capital Programme will need to be revisited and adjustments made in line with the prioritisation methodology set out in the Capital & Investment Strategy to ensure the programme remains affordable. The current Capital Programme is also supported by the expectation of capital receipts from planned sales of assets that have previously been agreed (£15.5m over the two years 2023/24 & 2024/25). Should the timing or amount of the receipts vary from that expected, this will have a direct impact on the deliverability of existing plans and again will necessitate adjustments to the Programme or, where spending is essential under health and safety matters for example, may put pressure on the requirement to borrow. The Council is investing in a number of condition surveys for a range of Council assets, such as its operational buildings, to better understand, and plan for, essential maintenance and repair work. The outcomes of these surveys are not yet known but will inevitably raise issues that will need to be programmed into a longer-term review of Council-assets and their management, with associated costs. The Council's Waste Collection Depot, for example, requires a significant level of essential health and safety works to ensure a viable, well-functioning and safe workplace for this essential service. Survey works are currently being undertaken to assess the likely costs of these works which are anticipated to exceed the original budget estimate. In addition, the Council is working closely with the Leisure Trust which operates its Leisure Centre. The Trust, like many other Leisure providers has suffered significantly through the pandemic and continues to struggle with its financial recovery. The Council is in discussion with the Trust about investment in the site to ensure the continuation of this service. If capital works are required, this would need to be factored into future spending plans and will add pressure to the need for borrowing. The Council is also under obligations to improve its Housing Stock condition to meet Decent Homes Standards and to move forward on decarbonisation of its estate. Wherever possible the Council is seeking grant funding to support these measures, but in the absence of sufficient external funding, or due to requirements for match-funding of grants, this will create pressures on borrowing in the Housing Revenue Account. A better understanding of how borrowing for the HRA is included within the metrics for assessing the Council's indebtedness, would be helpful. The Council will respond separately to these issues under the Government's consultation on the financial risk metrics coming forward in the Levelling Up and Regeneration Bill. In addition the Council is under-borrowed by around £63,800,000, making use of reserves and working capital to fund cashflows. However, as these cash reserves are utilised, there will be a need for this internal borrowing to be replaced by external borrowing.	

	While the Council is committed to working with DLUHC to restrain and, over time, reduce its borrowing, some flexibility will be required in the short term to address these existing commitments and near-term essential spending on its assets (e.g. for health and safety) which may see a short-term increase in borrowing before longer-term measures to address the level of debt take effect. This short-term flexibility will be crucial as any commercial asset divestment will need to be done at the right time to ensure that value for money is achieved from any sales and that the loss of rental income does not adversely affect the delivery of core services. Given that a number of Surrey authorities will potentially be looking at asset divestment, a partnership approach, pooling expertise and market knowledge, and ensuring the timing of sales across the area is managed so as not to distort the local market or have a significantly adverse effect on achievable values, could be a useful way forward. Runnymede would be happy to host such an arrangement, with support from DLUHC, to lead partnership working to co-ordinate such disposals, should appetite exist across Surrey councils.	
2.	**The Council should update the MTFP to reflect different scenarios in savings delivery, in the relationship of stock condition findings to MRP, and in commercial income performance.** The Council's Medium-Term Financial Strategy 2022/23 – 2025/26, presented to Corporate Management Committee in December 2022, included high, low and mid-case scenarios for the General Fund revenue budget summary and working balances, based on a range of assumptions around pay levels, revenue growth, income assumptions and funding streams. It is intended to include further "stress-testing" around the Medium-Term Financial Forecast when it is considered later this year. Prior to the commencement of this engagement with DLUHC and Cipfa, the Council's Chief Financial Officer had conversations with the Local Government Association's Finance Improvement and Sustainability Adviser, to support development of the MTFF in this regard, and to discuss best practice in the sector for development of additional sensitivity analysis. The Council is happy to resume these conversations to support this work. A report was considered by Corporate Management Committee and Full Council in July 2023 on the process for identification, delivery and monitoring of savings and a programme of Service Reviews. While the majority of recommendations were approved by Full Council, it was felt that Service Committees, whose remit covered the service being reviewed, should have a greater role in the process. A further report will subsequently be presented to the Corporate Management Committee to address this point. This aptly demonstrates the governance and oversight that a committee system may add to such a process, by ensuring that Members most closely aligned to a particular service delivery area, are able to fully contribute to the review process. It is intended that a cross-party Service Transformation Working Party will consider the findings of each Service Review in depth, before making recommendations to the appropriate Committee. The other essential element of the process is a specific role for Overview and Scrutiny Select Committee in monitoring the overall progress of the delivery of savings, efficiencies and income generation. All of this will feed into on-going iterations of the Medium-Term Financial Strategy (MTFS) and Forecast (MTFF) to aid transparency and effective decision-making and will all be in place in the current financial year. The July Committee report also provided an update on the actions set out in the last iteration of the MTFS, which are pertinent to the response here, as they demonstrate the Council's commitment to driving forward a range of financial sustainability actions.	**Governance:** Service Committees / Corporate Management Committee / Overview & Scrutiny Committee / Full Council **Lead Officer:** Assistant Chief Executive (s151) **Next Steps:** • Convene Service Transformation Working Party (Sep '23). • Incorporate industry benchmarking into Assets & Regeneration performance reporting (Mar '24). • Prepare revised MTFF incorporating

	Commercial income performance will be subject to oversight by the new Property Task Force as well as being subject to new quarterly reporting requirements, alongside the existing officer Assets and Regeneration group which includes all members of CLT. Performance data is being improved by the introduction of industry benchmarking from a leading provider of such services. This will enhance decision-making and support the identification of risk. A greater focus will be given within the MTFF to the part that commercial income plays in the finances of the Council. This has begun with the stripping out of commercial income from the service provision lines of the General Fund Summary, reported as part of the quarterly budget monitoring reports to Members. This data now sits as its own heading, alongside the Financial and Investment income section of the summary, making the net returns from our property portfolio more transparent within our internal reporting, and reflecting the greater emphasis given to this income stream within government statistical returns, such as the Revenue Outturn returns. As the Council's borrowing is all long-term fixed rate debt, the recent increases in borrowing rates via the PWLB have not affected the Council's finances and have not therefore required sensitivity analysis within the MTFF, as existing interest costs are fixed and certain. The Council follows statutory MRP guidance and is making all relevant provision for the repayment of debt in the general fund. The Council's MRP methodology is an annuity method, meaning that the amount to be set aside annually increases each year, with the assumption that income increases will keep pace and therefore have no net effect on Council finances. The Council recognises the inherent risk in this approach and will look to provide additional mitigation by way of restructuring/repayment of debt where appropriate and making voluntary, additional MRP payments when it can. However, this needs to be addressed alongside the delivery of savings to meet the projected budget shortfall and to allow sufficient headroom to make additional provision. This means that this may not be an affordable measure in the short term, but one that will be reviewed on an on-going basis and given greater focus within the MTFF. In both the HRA and the Companies' business plans, additional assumptions about repayment of debt have been modelled and included in long-term financial forecasts. The outcome of stock condition surveys will also be factored into the MTFF.	stress-analysis (Dec '23).
3.	**The Finance and the Asset Teams should work together to determine the appropriate scale of the sinking fund to the extent that the sinking fund can cover income and repairs risk.** The Council holds two funds to support the income stream from its commercial property portfolio. One to cover works to properties to maintain them in a suitable condition to maximise potential lettings and one to cover fluctuations in income due to lease events such as break clauses or lease end dates, where loss of income may occur due to void periods or the awarding of rent-free periods to incentivise tenants. A regular annual contribution to both of these reserves is included in the MTFF, currently standing at £750k for each fund from 2023/24 onwards (£1.5m in total annually). In 2022/23, the forecast transfers to these reserves totalled £2.1m but further advantage was taken of underspends at the year end to boost these reserves by an additional £1m. The two funds now stand	**Governance:** Corporate Management Committee / Overview & Scrutiny Committee / Full Council **Lead Officer:** Assistant Chief Executive (s151)

	at £4.745m and £5.95m respectively at the start of 2023/24. The Council recognises that a more robust approach to determining the required level for these reserves, linked to risk, would be advantageous and will work towards developing such a model. While recognising that the Council has already put in measures to improve its governance and risk framework, it is committed to continuous improvement and adopting best practice in this area. The benchmarking and performance data referred to under recommendation 2, anticipated to be available later in 2023/24, should enhance understanding of risk in the Property Portfolio and feed into the development of the sinking fund model. This should provide a continuous feedback loop, which can be utilised in updating and enhancing the model over the next few years. The is likely to include the Weighted Average Unexpired Lease term (WAULT) data that is already feeding into the Asset Management Strategy alongside additional sensitivity analysis.	**Next Steps:** • Develop initial model for calibrating suitable scale of sinking funds (Dec '23).
4.	**RBC should develop and monitor capacity and capability to support priority areas** The Council is fully committed to developing its staff, with its Organisation Development Strategy sitting as one of the five key themes in the Corporate Business Plan. The Council's new Chief Executive, Andrew Pritchard, commenced employment on the 1st August 2023, bringing a host of new skills and experience from a variety of local government and other public sector roles and having steered Somerset West and Taunton Council in its journey towards the new Unitary, Somerset Council. Andrew brings additional insight gathered through his role on LGA Peer reviews. Andrew is already embedding a culture of People, Equipment, Training and Sustainment, where having the right people, supported by the right equipment and training, leads to a sustainable delivery model. This builds on the solid foundations built by the previous Chief Executive, Paul Turrell over his 14 years at Runnymede. Capacity and skills were considered as part of the MTFS, which included an action to recruit a second Assistant Chief Executive to increase the strategic capacity of the organisation. This action has been delivered, with Phil Turner taking up this post on 17th July 2023, having worked for a number of District and Borough Councils as well as undertaking a secondment to central government in respect of homelessness prevention. The posts above, together with the Assistant Chief Executive/s151 officer and the Council's Monitoring officer, form the new Corporate Leadership Team, supported by eight Corporate Heads of Service, leading functional service areas. Project Management principles lie at the heart of how we deliver for our residents. Improvements have been made to the capacity of the Project Management Office (PMO), who support the delivery of major projects, provide project management training, monitor and report performance and manage the Council's business planning cycle. This capacity has been created by moving the Procurement team out of the PMO, to report a new Head of Procurement, who ultimately reports to the Assistant Chief Executive/s151. This Head of Procurement post has been successfully recruited to during July, again with the appointment of a very experienced and qualified officer. The Procurement team (3 permanent staff) will be instrumental in continuing to deliver value for money services for the Council and its residents and will be looking in particular at drawing together procurement from across the Council, to gain from	**Governance:** Corporate Management Committee / Overview & Scrutiny Committee / Full Council **Lead Officer:** Chief Executive **Next Steps:** • Stand-up and embed Procurement team (Q4 '23). • Restructure of Assets & Regeneration team in line with revised framework (Mar '24). • Staffing review of Legal services (Q4 '23).

	economies of scale, and advertise larger, more attractive tenders, but also to work across Surrey councils, to seek out collaborative procurement opportunities. Vacancies in the Finance team have now been filled, through a combination of external appointments and internal promotion. Those coming from outside the organisation have come, not from other local authorities, but from the private sector, bringing with them a fresh perspective on how the Council operates its financial processes. Successful internal promotions are a testament to the succession planning, training opportunities and investment in our staff. This is also borne out by the apprenticeship programme which has been heavily promoted this year, with a range of apprenticeships across the Council and participation in the LGA's National Graduate Development Programme. Additional resource has also been put into our Counter Fraud service, delivered by colleagues at Reigate and Banstead Borough Council, with a Fraud Action Plan being presented to Standards & Audit Committee to promote awareness of the service and the impact of fraud on the wider public purse. Internal staff resources have also been redirected to Climate Change activity, demonstrating how the Council is able to adapt to new challenges by utilise existing skills from across the Council, to support priority areas, rather than always relying on increasing the establishment. One area of resource pressure is within our Assets and Regeneration team, which struggles with recruitment in a highly specialised and competitive market. Full Council approved a growth item as part of the 2023/24 budget process to ensure this team has the right skills and capacity to support the organisation. Development of the restructure plans has been in part dependent on the outcome of this review, but a draft structure plan has been formulated for initial consideration by CLT in August, to be progressed over the next few months. Further support to the Assets and Regeneration team will be provided through a contract for the drawing down of specific sector expertise, e.g., marketing specialists for office sector, in a timely manner, as required. This framework is expected to be in place by September 2023. Legal services is another area with difficulties in recruitment. The Service is currently being managed via a combination on in-house and external support, while recruitment to key posts is progressed. A review of the staffing position will be carried out during this financial year. As part of the Savings, efficiencies and income generation process, and in light of the underspend reported against the 2022/23 budget, the Council has approved a transfer of £1m to an earmarked reserve, to support invest-to-save initiatives. This will provide pump-priming for initiatives that will reduce the Council's future net spend and address the underlying budgetary gap. Where required, this budget may also be used to provide additional capacity to drive Service Reviews, through the provision of expert advice, additional project support or financial business case support. Improvements are being implemented to workforce monitoring data, including encouraging the completion of exit interviews to enhance understanding of reasons for leaving the organisation and determine if any patterns exist. The current Corporate Head of Human Resources and Organisational Development is leaving the organisation in the Autumn and recruitment has commenced for a	

	replacement. This role will play a key part in the on-going Service Review process, to support transformation of the way we work and developing the capacity and capability of our staff. The Council is proud of its partnership working and has a number of long-running partnership arrangements both with other local councils and with health partners. Its Step-Down service, Meals at Home, Care Alarm and Community Transport services all provide services that prevent costs elsewhere in the wider public sector system and are valued by residents. Runnymede also delivers a number of CCTV contracts for local partners and has most recently explored a shared Procurement Service (which did not proceed) and is currently working on the business case for a shared Building Control Partnership with another authority. The report from Cipfa suggests further pooling of resource across our local authority neighbours. While Runnymede has long since demonstrated its willingness to enter such arrangements, and will continue to explore these further, other local resource may well be constrained by the difficulties faced at a number of our local counterparts, which are likely to be taking up scarce resource at County level, for example. Other collaboration is taking place through a variety of Surrey-wide groups, such as Leaders and Chief Executives, Surrey Treasurers, Surrey Procurement hub, Revenues and Benefits group etc. Learning and Development needs form part of the annual appraisal process and an IT skills audit was recently caried out to inform training requirements in this essential area. There has also been a renewed focus on Member training during the year, with the provision of a wide range of training sessions and briefings held throughout the year. For example, two Treasury Management sessions took place, having been made mandatory for members of both Corporate Management Committee and Overview and Scrutiny Select Committee, consisting of an in-house introductory session run by officers and a further technical session provided by the Council's Treasury Adviser. Sessions have also been held on budget issues leading up to the annual budget preparation, the Council Tax Support Scheme, the River Thames Scheme, Flood Modelling and Climate change, and other key topics. Specific Committees also have mandatory training requirements (Planning, Licensing). A more comprehensive review of Member training will take place in 2023/24 to ensure adequate training is provided, especially on current issues. For example, a report was taken to Corporate Management Committee in April 2023 to approve the rollout of a series of carbon literacy training for both officers and Members to support delivery of the Council's climate change ambitions. This report was approved, with the relevant training being delivered during June – July 2023.	
5.	**The Council should work to elevate the profile of and focus on Commercial and Regeneration priorities in formal decision-making and oversight** As demonstrated during the review, the Council had sound governance in place during the acquisition phase of its Commercial Strategy, with clear lines of decision-making and involvement of Members. Now that the investment property portfolio has moved into an asset management phase, the Council has introduced its new Asset Management Strategy, as referred to under recommendation 1. This sets out clear policies on the management of the Council's assets, both commercial and operational; defines the role of the "corporate landlord" to give clear guidance on the interaction between operational services and the Assets and Regeneration team and identifies the circumstances when the Council will acquire or dispose of assets either for operational or regeneration purposes. This Strategy was approved both at Corporate Management Committee, who hold the remit for both property and finance, and full	**Governance:** Corporate Management Committee / Full Council **Lead Officer:** Assistant Chief Executive (s151)

	Council. The Strategy included recommendations on the level of various delegations to officers which, following in-depth debate, was amended, retaining a greater level of oversight at the Member level. In addition, Full Council approved in July, the creation of a Property and Assets Task Force, an advisory group to the Corporate Management Committee on a wide range of property matters. This group has been constituted as a Task Force rather than a sub-Committee, as under constitutional rules, a sub-Committee can only be drawn from Members sitting on the relevant Committee (in this case, Corporate Management Committee). The Task Force therefore ensures maximum potential participation across the entire Councillor base as membership is not restricted to any one Committee and in addition, all Members are able to attend Task Force meetings and contribute to the debate. Terms of reference for the Task Force have been agreed by all parties and are included in the Council's constitution. Whilst this is not a decision-making body, it enables a wider debate on property issues, and affords the time for Members to build their understanding of the detailed issues that arise in this area. The Task Force will make recommendations to the Corporate Management Committee for their consideration, or onward recommendation to Council. The first meeting of the Task Force is set for 7th September, to appoint a Chair of the Group from the cross-party membership and agree a work programme for the remainder of the year. The work programme will include a focus on the potential disposal of assets, as one of the ways that could assist the Council to reduce its level of borrowing, and on how the Council will take forward regeneration plans in its area in order to still deliver improvements in the Borough, while restraining the need for further borrowing. To this end, additional revenue funding was set aside in the general fund in the 2023/24 budget for feasibility works only, for a limited number of regeneration projects, so that the Council commits its spending in stages and understands fully the financial implications of such projects before proceeding. A similar approach has been taken in the HRA, where funds are committed for the viability stages of a significant regeneration and stock replacement project, which will require close scrutiny once complete, to determine how to move the project forward. The Council is already engaged with Homes England on this project. At the officer level, additional oversight of property issues has been in place for some time, with the revamp of the previous officer Commercial Income Group, to focus on wider property issues. This group consists of the whole of CLT, the Corporate Head of Assets and Regeneration, the Property Portfolio Manager and the Corporate Head of Finance. The PMO have built on previous dashboard reporting and have developed a Business Planning Tool, within Microsoft Teams, accessible to Senior Leadership Team and Project leads, to collate live data in order to monitor and report project progress This is in "proof of concept" stage and is currently being populated and trialled alongside the existing project delivery processes. It is intended that the tool will be fully live by October 2023 and will provide management information and performance data for use at all levels (i.e., within service areas, at corporate leadership level team level, at Member level). The tool is able to produce a range of dashboards similar to those already used for Key Performance Indicators and project reporting. As mentioned previously, the use of WAULT data and external benchmarking expertise, will enhance discussions at all levels including the Property Task Force, alongside quarterly reporting to Corporate Management Committee and to Overview and Scrutiny Select Committee. The new format quarterly reporting for 2023/24 for both Committees will commence in September 2023, with feedback from those Committees used to inform improvements moving forward.	**Next Steps:** • Convene Property & Assets Task Force (Sep '23) • Roll out of Business Planning Tool (Oct '23) • Develop additional non-executive director roles for RBC subsidiary Companies (Mar '24)

	The Council has undertaken two significant regeneration projects in Addlestone and Egham (Addlestone One and Magna Square developments). Magna Square having recently been competed, has been nominated for a number of prestigious industry awards. Given the size of these projects, and to inform any future regeneration works, it is best practice to consider a post-project review and capture any lessons learnt. This oversight has now taken place on the Addlestone One project, reporting to Corporate Management Committee in July, in response to a request from a committee member, while a report on the Magna Square Development is included in the current Committee forward plan. The Council has three subsidiary companies: • RBC Investments (Surrey) Limited, (RBCI) was formed in January 2015,to hold investments in residential property around the borough and act as the holding company of RBC Services (Addlestone One) Limited. The Council owns 100% of the shares in RBCI. • RBC Services (Addlestone One) Limited, (RBCS). The Council owns 1% of the shares in the company with the remaining 99% owned by RBCI. RBCS was set up to publicise and promote the Addlestone One development and to carry out its ongoing maintenance, landscaping, cleaning, residential concierge services, gritting, loading, and security (including CCTV). • RBC Heat Company Limited, (RBCH). RBC is 100% owned by RBCS and provides heat and hot water to all the residential properties within the Addlestone One development and any commercial properties that wish to take it. The Board of Directors for each Company includes the Council's Corporate Head of Assets & Regeneration (acting as Managing Director), the Senior Accountant: Housing and Commercial (acting as Finance Director) and one Councillor acting as a Non-Executive Director. The Companies' Business Plan, presented to the Council as shareholder (via CMC) in April 2023 included a commitment to review these governance arrangements and seek to enhance the skills, experience and capability of the Board through the appointment of additional non-executive directors, subject to the Companies' Articles of Association. This is to be taken forward during the current financial year. A clear delineation between Company roles and Runnymede Borough Council roles is maintained. The format of the Council's financial reporting has also been amended to separately identify the income stream for commercial investments, to provide greater transparency on this key income stream, while many of the measures already mentioned in the response, such as setting out the Council's risk appetite, specifically in relation to its commercial and regeneration portfolio, and greater sensitivity analysis in the MTFF, will also strengthen the Council's understanding and oversight on this key area of business. An introductory session on the Council's companies has been included as part of the induction process for new Members since 2016 and was most recently provided as part of the Members induction session on finance earlier this year, with a further session to be held for all Members in the Autumn, which will drill down into greater detail on the risks and benefits of the property portfolio, and how these are managed. Risk management will also have a renewed focus following the revision to the Risk Management Framework, due for Member consideration in October, which will provide a further route for Member oversight.	

6.	**Improve reporting on investment performance and expected returns** The responses to this recommendation have largely been included elsewhere in the response, so a summary of those actions is provided here. • A revenue growth bid was approved in the current budget to engage external benchmarking support from a leading provider. The procurement has been finalised and the project is at data entry stage. The output from the benchmarking data will inform the Asset Management Plans, provide data for the Property and Assets Task Force and for inclusion in formal Member reporting, and may be used as a performance management tool. • Quarterly reporting to Corporate Management Committee and Overview and Scrutiny Select Committee will include the following data: Investment property income (variance form target), vacancy rates (as a percentage of total portfolio area), tenant retention (renewals completed, breaks not exercised), proportionality of income (income returns as a percentage of all general fund income), Capital return (change in annual capital values). • Additional sensitivity analysis to be included in MTFF • Development of a more sophisticated model to assess the minimum levels required to be maintained in sinking funds to support the commercial property portfolio	