

## LONDON BOROUGH OF RICHMOND UPON THAMES

**COMMITTEE** Finance, Policy and Resources Committee

**DATE:** 28 February 2023

**REPORT OF:** Director of Resources

**TITLE OF DECISION:** Capital Programme and Funding Review

**WARDS:** All

**KEY DECISION?:** YES

**IF YES, IN FORWARD PLAN?:** YES

### 1. MATTER FOR CONSIDERATION

- 1.1. The Committee is asked to consider and approve the review of the current six year capital programme. The report looks at the programme approved in September 2022, outlines changes to budgets since then, provides details of new schemes, and looks at how the capital programme is funded.

### 2. RECOMMENDATIONS

- 1.1. The committee are recommended to view the capital programme and the changes being proposed
- 1.2. That the revised capital programme and its funding in Appendix A be recommended to Council for approval.
- 1.3. That the 2023/24 Capital Strategy in Appendix C be recommended to Council for approval.

### 3. BACKGROUND

- 3.1. Since 2018, the Council has spent £132m on the capital programme to support investment in the borough. The investments reflect the administration's priorities to invest in our schools including expanding SEN places, to support affordable housing projects and enable independent living, to invest in our public realm, to promote active travel and to reduce our carbon footprint. The current six-year programme was approved by Committee in September 2022. That programme included a potential need to borrow a further £52.5m which brought the Council's total underlying need for borrowing by the end of the programme to around £183m. The total expenditure for the six years approved by this report was £179.03m.
- 3.2. Since September 2022 the programme has been adjusted for:
- budget slippage and rephasing

- new schemes since approved by Members/under delegated authority
- the addition of new schemes and increases to budget
- removal of non-committed schemes
- changes to financing

#### 4. THE REVISED PROGRAMME

- 4.1. The main schemes in the revised six year capital programme relate to Twickenham Riverside, school expansion projects including the REEC sports hall provision, residential property acquisitions, Disabled Facilities Grant (DFG) housing grants and loans, street lighting and highways and pavement works. There is also provision for affordable housing schemes funded from Section 106 receipts from developers (assuming ongoing receipt of Section 106 contributions), expenditure on the Richmond Climate Emergency Strategy and redevelopment at Ham Close.
- 4.2. During the course of this year, various new approved schemes have been added to the programme under the appropriate approval process. A breakdown of these new schemes is shown below:

	£000	£000
<b>Capital Programme 2022/23 to 2027/28 (before in-year additions below)</b>		<b>179,029</b>
Additions to the budget during 2022/23:		Funded by:
Twickenham Riverside	45,000	Receipts & Borrowing
Richmond upon Thames School (REEC)	5,916	DfE grant
Inflation placeholder	2,791	Borrowing
AfC Critical IT investment	514	Receipts & Borrowing
Barn Elms Playing Fields Athletics Track	450	Contribution & Borrowing
		<hr/> 54,671
<b>6 Year Programme 2022/23 to 2027/28 (before changes proposed in this report)</b>		<b>233,700</b>

#### 5. REVIEW OF NEED TO SPEND

- 5.1. The Council has a significant borrowing requirement in future years and a need to continue the prudent management of finances in order to keep Council Tax increases to a minimum. It is therefore necessary to continue to keep all expenditure under review, including capital projects. Any significant increase in capital spend is likely to require new borrowing. To ensure that capital budgets remain appropriate to the priorities of the Council and the levels of funding available, cash flows have been amended to reflect the latest forecast of spending profiles and budgets have been rephased as a result. This provides a more realistic projection of the borrowing required to support the programme, and therefore the interest and repayment budgets needed which feed in to current and future forecasting and budgets.

- 5.2. The following table summarises the revised programme after a review of the existing programme:

<b>£000</b>	
<b>Current Programme 2022/23 to 2027/28 (before budget changes)</b>	<b>233,700</b>
Removal of budgets from programme financed by:	All budgets removed since September 2022 were under £40k and were in general to align budgets with forecast activity
Grant funding	(42)
Waste and Recycling Reserve	(9)
Contributions	(1)
<b>Revised Programme after budget changes</b>	<b>233,648</b>

## 6. NEW SCHEMES AND INCREASES TO BUDGET (NEW BIDS)

- 6.1. Appendix B details the new schemes and increases to existing budgets to be added to the capital programme. This is summarised below:

Year	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Committee	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Services, Health & Housing		1,363	1,363	1,363	1,363	3,433	8,885
Education & Children's Services	-	351	-	-	-	-	351
Environment, Sustainability, Culture & Sport	-			524		1,450	1,974
Finance, Policy & Resources	-	3,880	150	150		1,330	5,510
Transport & Air Quality	788	3,102	1,050	1,050	1,000	-	6,990
<b>Total new schemes and increases to budget</b>	<b>788</b>	<b>8,696</b>	<b>2,563</b>	<b>3,087</b>	<b>2,363</b>	<b>6,213</b>	<b>23,710</b>

- 6.2. The additions include extra investment in our property across the borough to maintain the level of funding at 2022/23 levels, including an additional pot totalling £450,000 to invest in our parks pavilions plus additional funding to support a project to replace pitches at Teddington Sport Centre. Also we are funding the continuation of our decarbonisation projects alongside an extra £1m for the Climate Change Strategy. Highways and pavements are receiving an additional £1m per year from 2023/24 plus additional resources to refurbish the footbridges across the river at Teddington. The bids include an additional year of the schemes funded directly by grant such as affordable housing projects and Disabled Facilities Grant schemes.
- 6.3. In light of the real inflationary pressures being experienced, a capital inflation contingency pot of £2.791m was created to be drawn down on by currently approved projects, where needed. The additions include a further £600,000 funding for the inflation contingency pot. £350,000 of the inflation pot has been allocated to the Busen Martial Arts and Fitness Centre Reprovision, leaving £3.041m available for future needs.
- 6.4. £1.19m of bids recommended for approval are to be financed by the unallocated Richmond Climate Emergency Strategy fund and are listed at the bottom of Appendix

B. These schemes will draw down on the “Climate Change Strategy (RCES) – unallocated” budget within the existing programme, as no new funding will be added to the programme these bids have been excluded from the table in Paragraph 6.1. An additional £1m bid has been added to the RCES fund for 2027/28, and in total, including this new budget, there is £3.4m available for future climate projects.

- 6.5. In addition to the approved programme there is a known “pipeline” of potential schemes which includes Kingston Lane supported living facility, the investment required as part of the Leisure Strategy, and decarbonisation schemes. Funding for these will be added into the programme as schemes are agreed. Members should bear this pipeline in mind when considering adding other schemes to the capital programme as, ultimately, available resources are limited.
- 6.6. Below is a breakdown of the changes to the Council’s Capital Programme as a result of the new schemes noted above:

							<b>£000</b>
							<b>179,029</b>
	Grants & Contributions	CIL & S106	Revenue Funding	Earmarked Reserves	Receipts	Borrowing	Total
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Current Programme 2022/23 to 2027/28 (Approved September 2022)</b>							<b>179,029</b>
Budgets removed (para 5.2)	(43)	-	-	(9)	-	-	<b>(52)</b>
Added in year (para 4.2)	6,266	-	-	-	25,006	23,399	<b>54,671</b>
New bids (para 6.1)	5,159	1,742	1,432	400	1,000	5,096	<b>14,829</b>
Recurring bids (para 6.1)	2,101	-	-	-	-	6,780	<b>8,881</b>
<b>Total in this report</b>	<b>13,483</b>	<b>1,742</b>	<b>1,432</b>	<b>391</b>	<b>26,006</b>	<b>35,275</b>	<b>78,329</b>
<b>Proposed Capital Programme 2022/23 to 2027/28 (Appendix B)</b>							<b>257,358</b>

## 7. FINANCING

- 7.1. The below table summarises the updated borrowing position following the changes proposed in this report:

	<b>£000</b>	<b>£000</b>
<b>Current Financing Requirement 2022/23 to 2027/28 (before changes proposed in this report)</b>		<b>52,536</b>
In-year additions to the capital programme financed from borrowing (Paragraph 4.2)	23,399	
Add in-year refinancing	954	
Add new bid schemes funded by borrowing (para 6.6)	5,096	
Add recurring spend	6,780	
<b>Proposed Capital Programme 2022/23 to 2027/28 Financing Requirement</b>		<b>88,765</b>

- 7.2. **Borrowing**: The Council's potential underlying need to borrow to fund the proposed approved programme (current programme plus new bids) would therefore increase to £88.8m from the currently assumed position of £52.5m (Paragraph 7.1 above). This borrowing requirement represents 34% of the budget in the proposed six year programme. Whilst the Council does not hold a significant balance of available capital resources, these will be used to replace borrowing in the programme as they become identified. Council officers will continue to proactively pursue additional external funding to reduce the Council's need to borrow.
- 7.3. Where possible the Council will use internal borrowing, utilising cash-backed earmarked reserves. The debt charge on internal borrowing is the loss of interest earned from reducing balances invested, which is (almost always) lower than external borrowing rates. In addition to paying interest charges on any debt it must also create a "minimum revenue provision" (MRP) budget to contribute to paying down this debt. This is similar in concept to paying off the capital on a mortgage. Internal borrowing has been an attractive alternative to external borrowing in recent years as investment rates have been considerably lower than the borrowing rates. This position will be kept under review and appropriate financing undertaken. If external borrowing is financially advantageous, this will normally be advanced via the Public Works Loan Board (PWLb).
- 7.4. **Capital Receipts**: At the start of 2022/23, the Council held a balance of £4.573m of capital receipts which have been committed to the approved capital programme. In addition, the Council held a balance of £0.973m capital receipts relating to Riverside House held as ring-fenced to fund capital spend on Orleans House Gallery and York House – these have therefore been drawn upon to finance the £1m York House refurbishment new bid to be approved in this paper.
- 7.5. **Community Infrastructure Levy**: As detailed in the table below, at 31<sup>st</sup> December 2022, a balance of £5.74m of Strategic Borough CIL had been received and not spent. In agreeing the new capital programme (and/or in financing the final outturn for the current year) the Council may decide to either:
- (i) Refinance existing schemes via the use of CIL and thereby reduce the cost of the existing capital programme to the taxpayer;
  - (ii) Introduce new schemes to be funded from CIL (including those linked to the environmental priorities of the Council);
  - (iii) Retain the unallocated CIL receipts for future years; or
  - (iv) A combination of the above.

**Richmond Strategic CIL Statement as at 31st December 2022**

	£		
<b>Total Cash Received as at 31st December 2022</b>	<b>-16,059,839</b>		
	<b>SCIL Budget Committed</b>	<b>Expenditure Incurred to date</b>	<b>Net Remaining Budget</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Projects to be funded by SCIL</b>			
Completed SCIL projects as at 31/12/22	9,639,190	9,639,190	0
Elleray Hall redevelopment	528,000	404,447	123,553
Lock Cut Footbridge	130,000	0	130,000
Richmond Community Fund (round 4)	40,000	31,180	8,820
Teddington Suspension footbridge	410,000	30,240	379,760
Traffic Improvements	250,000	209,597	40,403
<b>Total Approved SCIL Funded projects</b>	<b>10,997,190</b>	<b>10,314,653</b>	<b>682,537</b>
<b>Value of SCIL Receipts under Committed to date</b>	<b>-5,062,649</b>		
Forecast of further CIL receipts by 31.3.2025	-3,350,864		
<b>Forecast Value of SCIL Receipts Uncommitted b</b>	<b>-8,413,513</b>		
<b>Balance remaining unspent as at 31st December 2022</b>		<b>-5,745,186</b>	

7.6. **Affordable Housing Section 106 Receipts:** The affordable housing capital programme supports affordable housing delivery in the borough and is funded in the first instance from Section 106 affordable housing receipts. As shown in the table below a total of £28.476m is currently unallocated within the capital programme, however £18.658m of this is attributable to planning permission related income not yet received so the balance currently available is £9.818m. Further work is continuing to estimate the timing and profile of these potential future Section 106 affordable housing receipts, particularly for larger sites, however the timing or receipt of future payments cannot be guaranteed as they are dependent on whether individual developments progress and whether they hit key trigger points and milestones. This is subject to regular monitoring from the S106 Team within the Environment and Community Services Directorate and the Affordable Housing Team within the Housing and Regeneration Directorate, in conjunction with the Director of Resources.

	£000	£000
Affordable Housing S106 opening balance 2022/23		17,146
Received in the year to date	698	
Committed to existing capital schemes	(6,873)	
Committed to revenue	(1,153)	
<b>Affordable Housing S106 currently available</b>		<b>9,818</b>
Secured in planning permissions (not yet received)	18,658	
<b>Unallocated within the capital programme</b>		<b>28,476</b>

7.7. The approved capital programme includes a Residential Acquisitions Programme of £12.5m approved at Adult Social Services, Health and Housing Committee in

February 2022, with the objective of purchasing up to 30 homes in the borough. This project utilises £3m of Greater London Authority (GLA) grant, £3.6m of affordable housing section 106 receipts and £5.9m of borrowing. All agreements with the GLA and Richmond Housing Partnership have now been signed and acquisitions are proceeding at pace.

- 7.8. There are some significant affordable housing schemes already in the pipeline that may draw down on these unallocated Section 106 affordable housing receipts estimated in the region of £6.2 to £8.2m, including Council led developments such as Twickenham Riverside and Ellera Hall, and to support the provision of additional affordable housing as part of the Ham Close regeneration being led by Richmond Housing Partnership.
- 7.9. Further schemes are being worked up by officers and further funding will be committed as and when contributions are received and proposals are approved by Members. However, S106 affordable housing receipts are only one source of funding for any such schemes and the Council could utilise grants from other organisations such as the GLA if available. Additionally, Council borrowing can be used to top up available funding if necessary and where a business case is made and objectives align with the housing aims and objectives of the Council, as was the case with the property acquisition programme.
- 7.10. The Development Delivery Agreement is an agreement between the Council and Richmond Housing Partnership to combine available funding resources to improve and increase the delivery of affordable housing in the borough. The Council utilises funds held both under the Trust Account Deed (which is built up as a result of Richmond Housing Partnership receipts from disposals of transferred assets) and from section 106 affordable housing receipts. The scheme was originally approved in September 2019. The first call on supporting funding in the Development Delivery Agreement will generally come from the Trust Account, with Council funding utilised in later years although this will be adjusted where necessary. The intention of the Delivery Development Agreement is to enable Richmond Housing Partnership to deliver additional homes beyond those already in its pipeline. One scheme at Bucklands has been approved, with the first tranche of funding due to be paid to Richmond Housing Partnership in 2022/23.
- 7.11. Final decisions on financing will be brought to this Committee for approval as part of future reports.

## **8. PROPOSED CAPITAL PROGRAMME**

- 8.1. Following all the proposals in this programme, the revised six year capital programme will have total expenditure of £257.358m. The most significant sources of financing are borrowing (£88.8m), grants (£75.4m), capital receipts (£38.7m) and Affordable Housing Section 106 receipts (£35.3m), however opportunities are taken to make use of ringfenced sources of funding to minimise borrowing, where possible.
- 8.2. A summary of the full capital programme is shown in the table below, along with how the programme is financed. Full details of the capital programme are available in Appendix A.

Year	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Committee	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Services, Health & Housing	16,143	5,440	3,901	3,801	2,635	27,144	59,064
Education & Children's Services	8,541	27,285	3,009	1,478	1,451	0	41,764
Environment, Sustainability, Culture & Sport	2,818	3,235	871	1,400	1,450	0	9,774
Finance, Policy & Resources	18,120	18,009	27,346	21,916	7,916	500	93,807
Transport & Air Quality	11,880	12,014	1,895	1,750	1,700	0	29,239
New Bids	788	8,696	2,563	3,087	2,363	6,213	23,710
<b>Total Capital Programme</b>	<b>58,290</b>	<b>74,679</b>	<b>39,585</b>	<b>33,432</b>	<b>17,515</b>	<b>33,857</b>	<b>257,358</b>

Financed By							
Grants	20,361	36,948	8,054	7,247	7,825	2,101	82,536
S106 & CIL	1,386	3,078	50	50	0	0	4,564
Affordable Housing S106	3,650	445	1,700	978	100	28,476	35,349
Contributions	898	2,270	0	0	0	0	3,168
Revenue Funding	110	0	0	0	0	0	
Earmarked Reserves	3,181	987	0	0	0	0	4,168
Capital Receipts	1,814	8,277	9,440	18,000	1,167	0	38,698
Borrowing	26,890	22,674	20,341	7,157	8,423	3,280	88,765
<b>Total Financing</b>	<b>58,290</b>	<b>74,679</b>	<b>39,585</b>	<b>33,432</b>	<b>17,515</b>	<b>33,857</b>	<b>257,358</b>

## 9. FINANCE AND EFFICIENCY IMPLICATIONS

- 9.1. The timing and funding of capital expenditure has a direct impact on the level of Council cash balances and the level of borrowing. Therefore, any changes to the Programme will have an impact on the Treasury Management position.
- 9.2. The current approved programme relies on an estimated £88.8m of borrowing, which if externally borrowed (over 25 years using the forecast PWLB rate) would require around £6.1m of annual revenue spend to support it. The annual revenue cost for the additional £36.2m borrowing recommended for approval in this paper (paragraph 7.1) would be £2.5m (assuming external borrowing over 25 years using the forecast PWLB rate). For future years' additions, Members will need to be mindful of the ongoing uncertainty around central Government funding and ongoing demand pressures on revenue budgets, particularly as there are already some further large capital schemes that are under development, as detailed in paragraph 6.3.

## 10. CAPITAL STRATEGY

- 10.1. The Council's Capital Strategy has been written using the guidance in the CIPFA Prudential Code and is attached as Appendix C for approval.



## **11. PROCUREMENT IMPLICATIONS**

11.1. None in specific relation to this report

## **12. LEGAL IMPLICATIONS**

12.1. None specifically in relation to this report

## **13. RISK ASSESSMENT**

13.1. The key risks associated with this report are the cost of financing the potential demands on the Council's capital programme at a time when public sector funding is severely constrained, and that borrowing costs rise significantly above the current projections. These should be set against the risk that if expenditure is not committed, it is likely that the Council will fail to achieve a number of its key non-financial priorities.

## **14. CONSULTATION AND ENGAGEMENT**

14.1. Consultation and engagement will be carried on individual schemes within the capital programme.

## **15. BACKGROUND INFORMATION:**

Previous capital programme report(s)

## **16. APPENDICES**

Appendix A – Revised six year capital programme 2022/23 to 2027/28

Appendix B – New schemes and increases to budget 2023/24 to 2027/28

Appendix C – Capital Strategy

## **17. CONTACTS**

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**RICHMOND UPON THAMES**  
**6 Year Capital Programme 2022/23 to 2027/28**

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Education &amp; Children's Services</b>							
<b>Basic Needs</b>							
Basic Needs - unallocated funding	-	1,890	1,779	350	350	-	4,369
Christ's School Bulge Class	841	19	-	-	-	-	860
Collis KS1 Rebuild	165	2	-	-	-	-	167
Devolved Formula Capital	211	225	225	225	225	-	1,111
East Sheen Double Demountable Classrooms	2,000	873	-	-	-	-	2,873
Richmond upon Thames School (REEC)	650	8,217	-	-	-	-	8,867
<b>SEN Provision</b>							
Acoustic Works at Hampton Hill Junior School	22	-	-	-	-	-	22
Additional Places / Future Schemes	287	-	-	-	-	-	287
Clarendon School Demolish Works	300	-	-	-	-	-	300
Future Feasibilities	30	-	-	-	-	-	30
High Needs Provision Capital Allocation	37	5,842	-	-	-	-	5,879
Special Resource Provision at Hampton High	10	-	-	-	-	-	10
Strathmore at Darell School	120	50	-	-	-	-	170
Strathmore at Hampton High	175	6,674	-	-	-	-	6,849
Strathmore at the Russell SEN	158	10	-	-	-	-	168
Strathmore site at Petersham	200	100	-	-	-	-	300
Teddington School Special Resource Provision	300	-	-	-	-	-	300
The Gateway Health & Safety Works	30	-	-	-	-	-	30
Vineyard Primary Special Resource Provision	277	2,198	-	-	-	-	2,475
Waldegrave School - Wellbeing and information Centre	100	120	-	-	-	-	220
<b>Schools General Planned Maintenance</b>							
Buckingham Primary - Upgrade Toilets	98	2	-	-	-	-	100
Carlisle Infants - Staff Toilets	2	-	-	-	-	-	2
Condition Surveys	30	-	-	-	-	-	30
Contingency	183	-	-	-	-	-	183
Darell Primary School - Condition of the Internal Fire Doors	62	1	-	-	-	-	63
Darell Primary School - Roof Replacement	50	-	-	-	-	-	50
Design Development	30	-	-	-	-	-	30
East Sheen Primary - Condition of KS2 Toilets	80	2	-	-	-	-	82
Final Retention Payments - Various Schemes	3	-	-	-	-	-	3
General Planned Maintenance - Preliminary	10	-	-	-	-	-	10
Hampton Hill Junior - Electrical Upgrade/Rewiring	159	-	-	-	-	-	159
Hampton Hill Junior - Roof Repair	5	-	-	-	-	-	5
Hampton Infants - Nursery Block & Boiler Replacement	958	-	-	-	-	-	958
Hampton Wick Infant and Nursery School - Condition of Playground and Outdoor Play Spaces	70	-	-	-	-	-	70

**6 Year Capital Programme 2022/23 to 2027/28**

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £'000
Hampton Wick Infants - Toilet Refurbishment	2	-	-	-	-	-	2
Heathfield School Partnership - Windows and Doors	40	-	-	-	-	-	40
Heathfield Schools Partnership - Replace Boilers, Calorifiers & Associated	4	-	-	-	-	-	4
Meadlands Nursery Block	271	-	-	-	-	-	271
Orleans Primary - Playground and Soft Play Areas	107	3	-	-	-	-	110
Orleans Primary - Windows & Floor Repairs	2	-	-	-	-	-	2
Sheen Mount Primary - Boiler Replacements	1	-	-	-	-	-	1
Urgent Health & Safety Works	50	-	-	-	-	-	50
Vineyard Primary - Boundary Wall & Toilet Repairs	135	-	-	-	-	-	135
Windham Nursery - Security Safeguarding Works	36	3	-	-	-	-	39
Schools General Planned Maintenance - unallocated funding	-	1,217	866	866	866	-	3,815
<b>AfC Critical IT investment</b>	240	88	139	37	10	-	514
Children's Centres	-	89	-	-	-	-	89
Short Break Care	-	11	-	-	-	-	11
<b>Total Education &amp; Children's Services</b>	<b>8,541</b>	<b>27,636</b>	<b>3,009</b>	<b>1,478</b>	<b>1,451</b>	<b>-</b>	<b>42,115</b>
<b>Adult Social Services, Health &amp; Housing</b>							
Integrated Community Equipment	1,463	1,463	1,463	1,463	1,463	100	7,415
Kingston Lane Adaptations	49	-	-	-	-	-	49
Occupational Therapy	100	100	100	100	100	100	600
<b>Housing Grants</b>							
Coldbusters Home Repair Assistance Grant	175	175	175	175	175	175	1,050
Disabled Facilities Grant (Except Richmond Housing Partnership)	1,000	2,410	1,126	1,126	1,126	1,126	7,914
Disabled Facilities Grant (Richmond Housing Partnership)	600	600	600	600	600	600	3,600
Empty Property Grants	50	245	-	-	-	-	295
Sponsored Moves	40	110	100	100	100	-	450
<b>Affordable Housing Development</b>							
Development Delivery Agreement (DDA)	166	1,500	1,500	1,500	334	-	5,000
Residential Acquisitions Programme	12,500	-	-	-	-	-	12,500
RHP Extension Programme	-	200	200	100	100	-	600
Affordable Housing Schemes - Unallocated	-	-	-	-	-	28,476	28,476
<b>Total Adult Social Services, Health &amp; Housing</b>	<b>16,143</b>	<b>6,803</b>	<b>5,264</b>	<b>5,164</b>	<b>3,998</b>	<b>30,577</b>	<b>67,949</b>

**6 Year Capital Programme 2022/23 to 2027/28**

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £'000
<b>Finance, Policy &amp; Resources</b>							
Busen - Reprovision	1,535	50	-	-	-	-	1,585
Elleray Hall Redevelopment	400	3,258	75	-	-	-	3,733
Ham Close	20	8,382	4,941	2,586	2,586	-	18,515
Twickenham Riverside	350	1,500	21,000	18,000	4,000	500	45,350
York House Refurbishment	-	1,000	-	-	-	-	1,000
Empty Property Purchase	72	-	-	-	-	-	72
Council Funded Decarbonisation Projects	993	1,000	-	-	-	-	1,993
Public Sector Decarbonisation (PSDS 1)	82	-	-	-	-	-	82
Public Sector Decarbonisation (PSDS 3a) (part RCES)	4,227	-	-	-	-	-	4,227
Civic Centre LED Lighting Upgrade	300	-	-	-	-	-	300
Minimum Energy Efficiency Standards - Compliance Work (RCES)	24	-	-	-	-	-	24
General Planned Maintenance	3,270	3,650	1,330	1,330	1,330	1,330	12,240
Emergency Plant and Equipment Renewal	530	-	-	-	-	-	530
Civic Centre - Consolidation Project (Part RCES)	1,501	-	-	-	-	-	1,501
SSA wide - Access Control System Replacement	250	-	-	-	-	-	250
York House - Audio Visual System Replacement	149	-	-	-	-	-	149
Carlisle Park Pavilion - Heating Plant replacement	95	-	-	-	-	-	95
Ferguson Hall and Adjoining WCs - Asbestos removal and demolition	16	170	-	-	-	-	186
Pavilion works	-	150	150	150	-	-	450
Queens Road Refurbishment	330	-	-	-	-	-	330
Broad Street improvements (PRIF)	530	187	-	-	-	-	717
Castelnau shopping parade improvements (PRIF)	100	-	-	-	-	-	100
East Sheen Library brighter spaces (PRIF)	80	-	-	-	-	-	80
Hampton Wick improvements (PRIF)	85	-	-	-	-	-	85
Heathfield Shop Front improvements (PRIF)	218	-	-	-	-	-	218
Redevelopment of Milestone Green (PRIF)	80	-	-	-	-	-	80
ICT Investment	150	1,979	-	-	-	-	2,129
IT Infrastructure - PCI & PSN Compliance	10	13	-	-	-	-	23
Inflation placeholder	2,491	550	-	-	-	-	3,041
Loan for SWMC for Crematorium Services	100	-	-	-	-	-	100
Richmond Community Fund (round 3)	109	-	-	-	-	-	109
Richmond Community Fund (round 4)	23	-	-	-	-	-	23
<b>Total Finance, Policy &amp; Resources</b>	<b>18,120</b>	<b>21,889</b>	<b>27,496</b>	<b>22,066</b>	<b>7,916</b>	<b>1,830</b>	<b>99,317</b>

**6 Year Capital Programme 2022/23 to 2027/28**

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £'000
<b>Environment, Sustainability, Culture &amp; Sport</b>							
Artificial pitches at Shene Sports Centre	193	-	-	-	-	-	193
Artificial pitches at Whitton Sports Centre	212	-	-	-	-	-	212
Barn Elms Playing Fields Athletics Track	-	450	-	-	-	-	450
Ham Close MUGA at St Richard's	8	-	-	-	-	-	8
Improve/redesign of Garfield Road pocket park (PRIF)	55	-	-	-	-	-	55
Pools on the Park - Boundary Wall Replacement	-	78	-	-	-	-	78
Pools on the Park - Health Suite Refurbishment	47	140	-	-	-	-	187
Pools on the Park - Refurbishment of the gym members changing room, associated toilets/shower blocks and café toilet block	39	118	-	-	-	-	157
Pools on the Park - Refurbishment of swimming changing room & associated toilets/shower blocks	-	157	-	-	-	-	157
Pools on the Park - Replace pool lights	10	191	-	-	-	-	201
Pools on the Park - Replacement of the pool hall ceiling/AHU/Lighting System	8	804	-	-	-	-	812
Pools on the Park - Upgrade ventilation	35	36	-	-	-	-	71
Pools on the Park - UV Installation POTP & TPFC	75	74	-	-	-	-	149
Teddington Pools, AHU replacement	10	232	-	-	-	-	242
Teddington Pools, Boilers	20	427	-	-	-	-	447
Teddington Sports Centre Sand Dressed Pitch Replacements	-	-	-	524	-	-	524
Boroughwide Park improvements (PRIF)	359	-	-	-	-	-	359
Parks Cyclical Maintenance	202	150	150	150	150	150	952
Parks Strategy	475	300	300	300	300	300	1,975
Hampton Library lighting	-	10	-	-	-	-	10
Local Studies Library, AHU replacement	85	-	-	-	-	-	85
Old Town Hall Library (Richmond Museum) - New Lift	142	-	-	-	-	-	142
Teddington Library - First Floor refurbishment	147	28	-	-	-	-	175
Library of things (RCES)	-	40	-	-	-	-	40
Public Recycling Points Vehicle	200	-	-	-	-	-	200
Orleans House Gallery - Delivery phase	172	-	-	-	-	-	172
Climate Change Strategy (RCES) - unallocated	-	-	421	950	1,000	1,000	3,371
Green Homes Grant	324	-	-	-	-	-	324
<b>Total Environment, Sustainability, Culture &amp; Sport</b>	<b>2,818</b>	<b>3,235</b>	<b>871</b>	<b>1,924</b>	<b>1,450</b>	<b>1,450</b>	<b>11,748</b>

**6 Year Capital Programme 2022/23 to 2027/28**

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £'000
<b>Transport and Air Quality</b>							
20mph schemes - Phase 2	45	355	-	-	-	-	400
A314 Hanworth Road	82	-	-	-	-	-	82
Automatic Number Plate Recognition Cameras for School Streets enforcement	145	-	-	-	-	-	145
Aragon Road car park replacement ANPR solution and Autobill automated payment option	-	54	-	-	-	-	54
Broad Street Bus stop	40	-	-	-	-	-	40
Flood Alleviation Works	100	400	-	-	-	-	500
Friar's Lane Car Park Improvement	227	-	-	-	-	-	227
Gritter machines (ULEZ compliant)	-	321	-	-	-	-	321
Hammersmith Bridge Mitigation measures	6	110	-	-	-	-	116
Hampton Court Road Cycle Scheme	80	435	-	-	-	-	515
Hampton Healthy Streets	35	-	-	-	-	-	35
Highways and Pavements	2,700	2,700	2,700	2,700	2,700	-	13,500
Hospital Bridge Road	22	-	-	-	-	-	22
Hospital Bridge Road - Walking & Cycling improvements	200	300	-	-	-	-	500
Hospital Bridge Road / Turing House School	162	-	-	-	-	-	162
Kew Gardens Pedestrian bridge - Repainting	50	-	-	-	-	-	50
Kew Road - further improvements to cycle lane	145	-	-	-	-	-	145
Meadlands School, Ham	145	-	-	-	-	-	145
Paradise road car park ANPR solution and Autobill automated payment option	-	69	-	-	-	-	69
Railshead Road – S106	234	-	-	-	-	-	234
Remote monitoring of gullies	-	60	-	-	-	-	60
Richmond Road East Twickenham	570	-	-	-	-	-	570
S106 Schemes	32	-	-	-	-	-	32
Safer Route to School Improvements/Engineering measures	-	375	185	50	-	-	610
Specialised Street Lighting Columns	20	20	10	-	-	-	50
Strawberry Vale Corridor	583	-	-	-	-	-	583
Strawberry Vale Cycle Scheme	450	-	-	-	-	-	450
Street Lighting	3,000	5,100	-	-	-	-	8,100
Street Trees	30	115	-	-	-	-	145
Teddington Suspension footbridge and Lock Cut Footbridge	200	3,509	-	-	-	-	3,709
The Vineyard School, Friars Stile Road, Richmond	149	-	-	-	-	-	149
Top up of highways funding to replace lost LIP funding	51	-	-	-	-	-	51
Traffic Calming measures	25	205	-	-	-	-	230
Traffic improvements	49	-	-	-	-	-	49
Twickenham Central Depot Gritting Salt Storage Cover	-	160	-	-	-	-	160
Uplift Schemes/Twickenham Area Action Plan	215	-	-	-	-	-	215
Wellington Rd pedestrian crossing improvements	25	-	-	-	-	-	25
Zebra Crossing Meadway, linking Kneller Gardens and Crane Park	211	-	-	-	-	-	211
Zebra Crossing, Broad Lane between Nightingale Road and Wensleydale Road	240	-	-	-	-	-	240

**6 Year Capital Programme 2022/23 to 2027/28**

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £'000
Air Quality Monitoring - Richmond Town Centre (RCES)	-	55	-	-	-	-	55
Bikehangars - residential scheme (part RCES)	150	119	-	-	-	-	269
Contraflow cycle schemes (RCES)	75	-	-	-	-	-	75
Cycle Parking - public on-street (RCES)	55	-	-	-	-	-	55
Electric Vehicle Charge Points (part RCES)	581	-	-	-	-	-	581
Electrification of trading pitches (RCES)	112	-	-	-	-	-	112
Legacy pavement repair and tree re-stocking programme (RCES)	429	204	-	-	-	-	633
Richmond Cycle Hub (RCES)	396	-	-	-	-	-	396
School cycle parking (RCES)	15	-	-	-	-	-	15
School Streets (part RCES)	83	50	50	50	-	-	233
Barnes High Street improvements (PRIF)	94	-	-	-	-	-	94
East Twickenham Public realm improvements (PRIF)	200	-	-	-	-	-	200
Ham Parade - Improved public realm/outdoor seating (PRIF)	100	400	-	-	-	-	500
Richmond Town Centre signage and wayfinding (part PRIF)	110	-	-	-	-	-	110
<b>Total Transport and Air Quality</b>	<b>12,668</b>	<b>15,116</b>	<b>2,945</b>	<b>2,800</b>	<b>2,700</b>	<b>-</b>	<b>36,229</b>
<b>Total Capital Programme</b>	<b>58,290</b>	<b>74,679</b>	<b>39,585</b>	<b>33,432</b>	<b>17,515</b>	<b>33,857</b>	<b>257,358</b>
<b>Financed By :</b>							
Grants	19,193	35,996	6,691	5,262	6,128	2,101	75,371
S106 & CIL	1,386	3,078	50	50	-	-	4,564
Affordable Housing S106	3,650	445	1,700	978	100	28,476	35,349
Contributions	2,066	3,222	1,363	1,985	1,697	-	10,333
Revenue Funding	110	-	-	-	-	-	110
Earmarked Reserves	3,181	987	-	-	-	-	4,168
Application of Capital Receipts	1,814	8,277	9,440	18,000	1,167	-	38,698
Borrowing Requirement	26,890	22,674	20,341	7,157	8,423	3,280	88,765
<b>Total Financing</b>	<b>58,290</b>	<b>74,679</b>	<b>39,585</b>	<b>33,432</b>	<b>17,515</b>	<b>33,857</b>	<b>257,358</b>

**New schemes and increases to budget 2023/24 to 2027/28**

<b>Adult Social Services, Health &amp; Housing</b>	<b>Financed by:</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>Total</b>
Affordable Housing Schemes - Unallocated	Grant	-	-	-	-	-	1,332	<b>1,332</b>
Coldbusters Home Repair Assistance Grant	Grant	-	-	-	-	-	175	<b>175</b>
Disabled Facilities Grant (Except Richmond Housing Partnership)	Grant	-	-	-	-	-	1,426	<b>1,426</b>
Disabled Facilities Grant (Richmond Housing Partnership)	Grant	-	-	-	-	-	300	<b>300</b>
Integrated Community Equipment	Grant & Contributions	-	1,363	1,363	1,363	1,363	100	<b>5,552</b>
Occupational Therapy	Grant	-	-	-	-	-	100	<b>100</b>
<b>Total Adult Social Services, Health &amp; Housing</b>		<b>-</b>	<b>1,363</b>	<b>1,363</b>	<b>1,363</b>	<b>1,363</b>	<b>3,433</b>	<b>8,885</b>
<b>Education &amp; Children's Services</b>		<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>Total</b>
Schools General Planned Maintenance - unallocated funding	Grant	-	351	-	-	-	-	<b>351</b>
<b>Total Education &amp; Children's Services</b>		<b>-</b>	<b>351</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>351</b>
<b>Finance, Policy &amp; Resources</b>		<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>Total</b>
Pavillion works	Borrowing	-	150	150	150	-	-	<b>450</b>
York House Refurbishment	Receipts	-	1,000	-	-	-	-	<b>1,000</b>
Compliance and Health and Safety works - Corporate Buildings	Borrowing	-	500	-	-	-	-	<b>500</b>
Decarbonisation Projects	S106 & Earmarked reserve	-	600	-	-	-	-	<b>600</b>
General Planned Maintenance	Borrowing	-	-	-	-	-	1,330	<b>1,330</b>
Inflation placeholder	Borrowing	-	600	-	-	-	-	<b>600</b>
Property Maintenance and Improvement	Borrowing	-	1,030	-	-	-	-	<b>1,030</b>
<b>Total Finance, Policy &amp; Resources</b>		<b>-</b>	<b>3,880</b>	<b>150</b>	<b>150</b>	<b>-</b>	<b>1,330</b>	<b>5,510</b>



<b>Environment, Sustainability, Culture &amp; Sport</b>		<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>Total</b>
Climate Change Strategy (RCES) - unallocated	Borrowing	-	-	-	-	-	1,000	<b>1,000</b>
Parks Cyclical Maintenance	Borrowing	-	-	-	-	-	150	<b>150</b>
Parks Strategy	Borrowing	-	-	-	-	-	300	<b>300</b>
Teddington Sports Centre Sand Dressed Pitch Replacements	Borrowing	-	-	-	524	-	-	<b>524</b>
<b>Total Environment, Sustainability, Culture &amp; Sport</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>524</b>	<b>-</b>	<b>1,450</b>	<b>1,974</b>

<b>Transport and Air Quality</b>		<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>Total</b>
Aragon Road car park replacement ANPR solution and Autobill automated payment option	Borrowing	-	54	-	-	-	-	<b>54</b>
Highways and Pavements	Borrowing	-	1,000	1,000	1,000	1,000	-	<b>4,000</b>
Paradise road car park ANPR solution and Autobill automated payment option	Borrowing	-	69	-	-	-	-	<b>69</b>
Remote monitoring of gullies	SCIL	-	60	-	-	-	-	<b>60</b>
School Streets (part RCES)	SCIL	-	50	50	50	-	-	<b>150</b>
Teddington Suspension footbridge and Lock Cut Footbridge	Borrowing	-	1,709	-	-	-	-	<b>1,709</b>
TfL funded schemes	Grant	788	-	-	-	-	-	<b>788</b>
Twickenham Central Depot Gritting Salt Storage Cover	Borrowing	-	160	-	-	-	-	<b>160</b>
<b>Total Transport and Air Quality</b>		<b>788</b>	<b>3,102</b>	<b>1,050</b>	<b>1,050</b>	<b>1,000</b>	<b>-</b>	<b>6,990</b>

<b>Total new schemes and increases to budget</b>	<b>788</b>	<b>8,696</b>	<b>2,563</b>	<b>3,087</b>	<b>2,363</b>	<b>6,213</b>	<b>23,710</b>
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**Financed By :**

Grants	788	1,714	1,363	1,363	1,363	2,101	<b>8,692</b>
S106 & CIL	-	310	50	50	-	-	<b>410</b>
Affordable Housing S106	-	-	-	-	-	1,332	<b>1,332</b>
Revenue Funding	-	-	-	-	-	-	<b>-</b>
Earmarked Reserves	-	400	-	-	-	-	<b>400</b>
Application of Capital Receipts	-	1,000	-	-	-	-	<b>1,000</b>
Borrowing Requirement	-	5,272	1,150	1,674	1,000	2,780	<b>11,876</b>
<b>Total Financing</b>	<b>788</b>	<b>8,696</b>	<b>2,563</b>	<b>3,087</b>	<b>2,363</b>	<b>6,213</b>	<b>23,710</b>

**New bids financed from existing unallocated budgets**

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
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**Richmond Climate Emergency Strategy (RCES) fund:**

Air Quality Monitoring - Richmond Town Centre	RCES		55				55
Bikehangars - residential scheme	RCES		119				119
Decarbonisation Projects	RCES		400				400
Hampton Library lighting	RCES		10				10
Safer Route to School Improvements/Engineering measures	RCES		375	185	50		610
		<b>-</b>	<b>959</b>	<b>185</b>	<b>50</b>	<b>-</b>	<b>1,194</b>

## **London Borough of Richmond upon Thames**

### **Capital Strategy 2023/24**

1. This capital strategy is in response to changes in CIPFA's Prudential Code and Treasury Management Code and sets out the long-term context within which capital expenditure, borrowing and investment decisions are made. It is to be approved by full Council. The overall aim of the framework is to demonstrate that such decisions properly take account of stewardship, prudence, value for money, sustainability, proportionality, and affordability.

The Prudential Code issued by CIPFA in 2017 was revised and published on 20th December 2021. Full implementation of both these codes is required from 2023/24. The amendments to the Treasury Management Code and Prudential Code largely still relate to investments that are not part of treasury management activity and do not arise from cash flows and debt management. These are commercial investments such as purchase of investment properties, investments in subsidiaries or investments for service objectives including regeneration. The Council's investment arrangements take due notice also to Investment Guidance issued under Section 15 of the Local Government Act 2003 by the Department for Levelling Up, Housing and Communities (DLUHC). The wording changes within the 2021 Edition of the Prudential Code have been incorporated into the Capital Strategy and Prudential Indicators have been amended in line with the amended Code requirements. The revised Treasury Management Code also introduces strengthened requirements for skills and training for those responsible for management, delivery, governance, and decision making in treasury management. Prudential Indicators are included in the 2023/24 Treasury Management Policy and Strategy also presented to this Committee.

## **2. Capital Expenditure – Capital Programme**

### **Overview of Governance Process**

- 2.1 The capital programme is based upon the approved capital schemes, Treasury Management Strategy, Asset Management strategy, capital resources projections and an annual process for prioritising additions which recognises cost in use and sustainability issues.
- 2.2 It contains currently approved spending and sets the financial parameters within which the Committee may add to commitments in the context of reserves and resources anticipated in the medium-term outlook.
- 2.3 The overall programme is reviewed and approved by the Full Council in February after additions are made to the programme. Individual schemes may

be approved and added to the programme during the year using Committee approval or other delegated decision making frameworks as appropriate.

- 2.4 Monitoring of capital expenditure is embedded throughout the organisation with project managers working with finance teams to update their cost estimates and budgets. These reports are regularly reviewed by the Council's management team, and monitoring reported to Committees periodically.
- 2.5 Capital budgets are reviewed and reported annually to Full Council. Budgets are reviewed and updated throughout the year, with additional capital budgets approved where appropriate. These projects are prioritised based on their ability to meet strategic priorities, ensure continued service delivery, reduce annual revenue costs and protect Council income. All bids are reviewed by senior officer working groups and lead Council Members before being presented for consideration and approval at Full Council. General assumptions are as follows:

General assumptions are as follows:

- a) Expenditure on schools is driven by the Council's duty to educate and provide sufficient places for every age group in buildings which are fit for purpose. While much of the costs of repairs and new pupil places is funded from either Government grant, the Council will also use S106/CIL receipts and other resources and borrowing as required to meet this statutory duty.
  - b) For non-housing and non-school related Council operational property, schemes are prioritised where they will either provide future revenue savings, are critical to keeping a property in use, or will facilitate the Council's regeneration schemes. Schemes that are critical to keeping a property in use are selected based upon the current condition information and maintenance forecast.
  - c) Highways type schemes and other areas where there is a regular annual budget are prioritised where there are health and safety considerations to road and pavement users, as well as facilitating travel within the Borough for residents and visitors to promote economic activity in the area.
- 2.6 Capital spend and the availability of resources to finance that spend are monitored by the Director of Resources on a monthly basis.

### **Long-term View of Capital Spending Plans**

- 2.7 The Capital Programme considers the programme and available resources for the current year and five subsequent years. The Council's ability to finance capital spending is restricted only by its own view on affordability, subject to

the Government's possible imposition of limits on local authority borrowing for macro-economic reasons.

2.8 The potential sources of finance for the Capital Programme are:

- d) Grants – either earmarked for particular schemes or services, or available for any scheme. There is no revenue effect, provided that the receipt of grant is not significantly delayed.
- e) CIL and Section 106 – these are either earmarked for particular use or generally for a specific type of spend. Where conditions are more general, these will be used to replace financing from borrowing or Council resources wherever possible. There is no revenue effect.
- f) Borrowing – this is used where a need to spend is identified and no alternative funding is available. Borrowing is financially disadvantageous compared to other sources of finance. The Council must make annual provision for debt repayment and debt charges. Where possible the Council will use internal borrowing and the debt charge will be the loss of interest from reducing balances invested. Where there is no scope to borrow internally, external loans are taken out and the Council will make either “repayment” or “interest only” mortgage type payments. All borrowing costs are financed as a charge to the revenue budget (e.g. a charge to the Council Tax payer)
- g) Revenue Reserves – other than specific schemes from the Repairs and Renewals Fund this is rarely used as there are minimal earmarked reserves available. This reduces balances invested and therefore the interest income to the Council.
- h) Capital Receipts – these are used where available in preference to borrowing. There is a loss of investment interest associated with their use. The Council reviews its assets regularly and will dispose of under-utilised assets and has used the proceeds extensively over time to support the Capital Programme.

### **3. Investment**

3.1 The underlying objectives of the Council's Investment Policy are security of the capital sums invested and liquidity to ensure the funds invested are available for expenditure when needed. Once proper levels of security and liquidity are determined, it is then reasonable to consider what yield can be obtained consistent with these priorities. The Council's Investment activities are conducted in a manner that regards the successful identification, monitoring and control of risk as of prime importance and accordingly the analysis and reporting includes a substantial focus on the risk implications.

## Treasury Management Investments

- 3.2 These are investments that arise from the Council's cash flows and ultimately represent balances which need to be invested until the cash is required for use in the course of business.
- 3.3 The Council's policy on Treasury Management Investments is submitted to the Finance, Policy and Resources Committee and approved by the Full Council. The overall arrangements and strategy for the ensuing financial year are reviewed and approved in February or March, an Annual Report after the end of the financial year and a mid-year review report. From time to time the Director of Resources may submit additional reports recommending changes in Policy for approval if circumstances require.
- 3.4 The Council's Treasury Management Practices (TMPs) are in accordance with the Treasury Management Code issued by CIPFA in 2002, which was revised in 2011, 2017, and recently in late December 2021. Due to the late publication of the Code, CIPFA is advising a soft implementation until 2023/24. As prescribed in the new Code, the Director of Resources 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 Director of Resources will also ensure that those engaged in Treasury Management follow the policies and procedures set out. The present arrangements are documented and monitored by the responsible officer in effective day to day management of the Treasury Management function. Treasury Management activities and issues are reviewed monthly by a meeting within the Resources Directorate, attended by the Director of Resources and day to day Treasury Management activities are handled by the Financial Management Division of the Resources Directorate. Treasury Management staff attend training courses and seminars to ensure they maintain sufficient knowledge as prescribed by the Code in order to keep up to date with current developments.
- 3.5 Treasury Management advisers are appointed at least once within the lifetime of each Council to carry out an independent review of the Council's Treasury Management activities. Link Treasury Services commenced the last lifetime review in January 2021, the next review therefore being due in January 2025.
- 3.6 The Council's detailed investment policy is contained within the Treasury Policy Statement. Its overriding purpose is the control of risk. It specifies the types of investments that may be used and the limits of their use. These limits relate to the maximum time period for each investment type and to the maximum amount that may be held at any one time. The choice of limits is governed by the requirement to safeguard the security of the Council's portfolio and to spread risk through suitable diversification. The Council uses credit rating information from the three main credit rating agencies (Fitch, Moody's and Standard and Poor's) and this data is supplemented by other available information where appropriate. The limits also consider liquidity requirements and finally the yield that may be obtained.

- 3.7 The Council held investments of £179m at 31st December 2022, at an average rate of 1.66%. The Council is expected to begin 2023/24 with investments in excess of £110m and the estimated movements for the following two years based upon current cash flows show that investments are likely to decrease to around £100m.

### **Investments that are not part of Treasury Management Activity**

- 3.8 The Council may invest in other financial assets and property primarily for service and commercial purposes that are not part of Treasury Management activity. These activities are subject to similar assessments of risk as for Treasury Management investments. They are approved as part of the capital programme as described in Sections 2 or 3 of this Capital Strategy.
- 3.9 The Prudential Code determines that certain acts or practices are not prudent activity for a local authority and incur risk to the affordability of local authority investment. The Council has complied with paragraph 51 of the Prudential Code, which states that an authority must not borrow to invest primarily for financial return, and states 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 and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose.
- 3.10 Investment Property: The Council owns Investment Property and may occasionally use capital receipts or other funds to purchase investment properties. The annual review of Council assets may lead to operational use ceasing and the asset being reclassified as an investment property either to retain them long term for income generation or pending a further decision to dispose of or redevelop the site. The level of borrowing required to finance the Capital Programme is a consideration when reviewing the use of these assets.
- 3.11 Suitable properties for purchase by the Council are selected after going through robust procedures to assess the security of the investment in the short, medium and longer term, that the risk of not achieving satisfactory rental returns is minimised and that there are the best prospects of future rental and capital growth.
- 3.12 The Council's valuers are supported through the acquisition process by specialist property investment surveyors and legal advisers. The Council may contact agents in the market to help identify potential investment properties for sale as these are not frequently widely marketed, or commission its specialist property advisers to undertake a search for specific suitable properties. The adviser undertakes negotiations with the vendor for the acquisition subject to approval by officers. A set of assessment criteria are used in evaluating the suitability of properties. These criteria are as follows:

- a) Location
  - b) Tenancy strength/strength of covenant
  - c) Length of tenure
  - d) Occupier's lease length
  - e) Repairing terms/obligations
  - f) Lot size (value of the investment)
- 3.13 These criteria are assessed against weighting factors ranging from Excellent to Unacceptable
- 3.14 If a property is considered to meet the Council's investment criteria, the Council commissions a Property Investment Surveyor (not the same one used to identify the property) to provide a market report on the property. This report will include commentary on the credit worthiness of the tenant, an opinion of value and a recommendation in respect of the provisionally agreed acquisition price. This is undertaken in accordance with the Royal Institute of Chartered Surveyors Red Book
- 3.15 Prior to acquiring any properties, officers also undertake a further due diligence exercise including reviewing the leases, commissioning a building survey and report, a mechanical and electrical survey, a valuation report, and ensuring that there is an Energy Performance Certificate in place with a rating of at least D, but this has been revised to B due to changing regulations. Solicitors also undertake legal due diligence with a further review of the leases, the planning position and a report on title, highlighting any potential title defects.
- 3.16 All investment properties are revalued annually at fair value as part of the Council's preparation of final accounts and audit process. Consideration is given at the end of each financial year as to whether impairment of any properties is required.
- 3.17 Loans to facilitate Council Policy. The Council may make loans to organisations the Council has an interest in (e.g. WLWA, SWMCB, AfC), academy schools, other service providers, voluntary organisations or other bodies working to achieve Council priorities. The Council's Treasury Policy Statement also covers the terms under which such loans can be made.
- 3.18 The main loans made under this facility at present are:
- £15m loan to WLWA to facilitate the building of a new EfW facility. This is made by Richmond as a constituent authority of WLWA who will therefore benefit from the improved facilities. This loan is now being repaid so the balance is declining. Interest was fixed when the loan was agreed.



- Revolving Credit Agreement for AfC where the Council shares the cash flow “overdraft” funding for AfC pro rata to its ownership of the organisations with RB Kingston and RB Windsor & Maidenhead. This loan varies with the cash flow of Achieving for Children.
- A loan to the South West Middlesex Crematorium Board has been agreed in principle to finance the cremator replacement project. This loan is estimated at £1.1m for around 3 years and is made by Richmond as a constituent authority of the Board.

## **4 Borrowing**

- 4.1 **External Borrowing.** The Council’s external long-term borrowing is from the Public Works Loan Board (PWLB) except for £15m from Mayor of London’s Energy Efficiency Fund (MEEF) and £5m from Barclays Bank. Historically, loans were taken on a maturity basis. However, the decision was taken to switch to repayment loans as a result of changes to the regulatory framework and as a way to minimise cost of carry and the potential loss of investment following financial crisis in 2008.
- 4.2 The Council also offers deposit facilities to various other bodies and manages invests on behalf of various Trusts. The Council passes on its average investment return to these depositors.
- 4.3 **Internal Borrowing.** This arises where capital expenditure is financed by borrowing but no external loan is taken out. This is effectively using positive cash flow in lieu of external debt. The money still has to be repaid (effectively the Council is not holding the cash required to support its reserves position, and the money will be needed when the reserves are used) but instead of incurring interest costs payable to PWLB or a bank, the Council receives less interest as it holds less investments.
- 4.4 In prior years the Council has had substantial cash balances which were used to support internal borrowing where required as it is cheaper than external borrowing. However, as the Council has a projected continuing need to increase its borrowing, it has to manage the risk of interest rate increases against the current saving. Decisions on capital expenditure being funded from any available cash flow (internal) or formal (external) borrowing will therefore be taken to balance the risks and rewards of both options considering market expectations and the Council’s appetite for risk.
- 4.5 The following table shows estimates of the Council’s External and Internal Borrowing outstanding balances based upon the currently approved capital programme.

	<u>31st March</u> <u>2023</u>	<u>31st March</u> <u>2024</u>	<u>31st March</u> <u>2025</u>	<u>31st March</u> <u>2026</u>	<u>31st March</u> <u>2027</u>
	£000	£000	£000	£000	£000
External Borrowing					
- Loans	162,878	178,535	178,104	181,091	162,878
- Leases/PFI	11,245	9,468	7,553	6,765	11,245
Internal Borrowing	29,787	27,995	26,230	27,082	26,182
Underlying Need to Borrow	188,741	202,119	214,234	212,739	214,038

- 4.6 **Minimum Revenue Provision.** Regulations issued under the Local Government Act 2003 require local authorities to make prudent provision for the repayment of debt. This is referred to as the Minimum Revenue Provision (MRP) and is funded from revenue (e.g. is part of the Council Tax Requirement calculation). The annual statement on the Council's MRP Policy is contained within the Treasury Policy Statement and approved by full Council in February or March.
- 4.7 **Voluntary Revenue Provision.** The Council can make more than the minimum prudent set aside to cover debt repayment if it decides that is the best use of its resources in any year. However, this would again be funded from revenue budget and as there are other ways to produce future savings in a more flexible way which are more likely to be used.
- 4.8 **Authorised and Operational Borrowing Limits.** Section 3 of Part 1 of the Local Government Act 2003 requires local authorities to set an affordable borrowing limit and operational boundary each year. This is contained within the Prudential Indicators and approved by full Council in February or March each year. In February 2022, the authorised limit and operational boundary for 2022/23 were set at £176m and £171m respectively. It is proposed to set the authorised limit for 2023/24 at £194m and the operational boundary at £189m.