

Runnymede Borough Council

OVERVIEW AND SCRUTINY SELECT COMMITTEE

6 February 2019 at 8.09 pm.

Members of the Committee present: Councillors M J Maddox (Chairman), P J Taylor (Vice-Chairman)
S L Dennett, Mrs L M Gillham, T J F E Gracey, P S Sohi and Mrs G Warner

Member of the Committee absent: Councillors N M King and S M Mackay

465 FIRE PRECAUTIONS

The Chairman read out the Fire Precautions.

466 NOTIFICATION OF CHANGE TO COMMITTEE MEMBERSHIP

The Group mentioned below had notified the Chief Executive of their wish that the change listed below be made to the membership of the Committee. The change was for a fixed period ending on the day after the meeting and thereafter the Councillor removed would be reappointed.

Group	Remove from Membership	Appoint Instead
Conservative	Councillor Mrs Y P Lay	Councillor Mrs G Warner

The Chief Executive had given effect to this request in accordance with Section 16(2) of the Local Government and Housing Act 1989.

467 MINUTES

The Minutes of the meeting of the Committee held on 4 October 2018 were confirmed and signed as a correct record.

468 APOLOGIES FOR ABSENCE

Apologies were received from Councillor N M King.

469 TREASURY MANAGEMENT MID-YEAR REPORT 2018/19

The Committee noted a report setting out the treasury activity for the first six months of the 2018/19 financial year which had been reported to the Corporate Management Committee in November 2018.

Members were advised that since the report was drafted and reported to Corporate Management Committee in November, the Government had introduced a statutory override for IFRS 9 .

The report set out the regulations which had to be followed, the economic background over the period along with future interest rates, the Council's investments and borrowing activity. The report also set out the Council's Treasury Management Indicators as required by the CIPFA Code. All treasury activity for the period fell within the current limits set by the Council. The report also gave Members a brief explanation of bank ring-fencing and Money Market reforms along with changes which would have had to be implemented had the Government not imposed a statutory override for elements of IFRS9.

470 2019/20 TREASURY MANAGEMENT STRATEGY, ANNUAL INVESTMENT STRATEGY, PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS AND MINIMUM REVENUE PROVISION

Members of the Committee received a report on the Treasury Management Strategy, Prudential and Treasury Management Indicators and the Minimum Revenue Provision Statement for 2019/20.

The Head of Financial Services informed the Committee that the Treasury Management Strategy was in place to control what the Council could invest and borrow in to ensure the cash flow requirements of the capital and revenue plans were adequately planned for.

There had been numerous consultations and legislation changes affecting treasury operations at the beginning of 2018 – Two new CIPFA codes, IFRS9 requirements, the Governments MRP and Investment Guidance, MIFID and Money Market reforms. Whilst some of these were global financial sector changes, the CIPFA and Government changes were set around a common theme, of addressing the perceived problem of what was termed non-treasury or non-financial investments in local government – namely commercial property purchases and loans to companies.

Both the CIPFA Codes and the MHCLG Guidance recognised that authorities may make investments for policy reasons outside of normal treasury management activity for example; service investments (held in the course of normal operations – including regeneration), or commercial investments taken for financial reasons (i.e. shares and loans in subsidiaries and investment properties).

Members noted that Runnymede had for some time produced a Capital Strategy. However, Members were informed that in order to address a growing concern over the number of service and commercial investments, the revised CIPFA codes had now made the production of a Capital Strategy a requirement for all local authorities along with a set of criteria that must be adopted. The Capital Strategy was reported separately from the Treasury Management Strategy Statement to ensure the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset.

With regard to the Council's MRP Policy, this remained unchanged and was designed to ensure the Council would not need to re-finance its long term borrowings when they fell due.

The Council recognised that there was value in employing external providers of treasury management services. Link Asset Services provided this service to Runnymede. Link Asset Services had in December 2018 provided the Council with a view on the economy and future prospects for interest rates. The bank rate was forecast to increase steadily but slowly over the next few years to reach 2.00% by quarter 1 of 2022.

The Council was currently maintaining an under-borrowed strategy and there were no planned changes to the borrowing strategy for next year.

The MHCLG guidance required local authorities to cover a number of issues in the Annual Investment Strategy and the Council's strategy complied with these regulations. Members were advised that there were two changes to the proposed strategy; the first related to the removal of the requirement to limit investments in Building Societies to 50% of the total funds invested. The second was to clarify the Council's position in regard to its use of Money Market Funds following the introduction of the European Money Market Fund Reforms.

With regard to Treasury Risks the focus of the Council's treasury activities remained to invest prudently with priority given to security and liquidity before yield.

The Prudential Code required all local authorities to look at capital expenditure and investment plans in light of the overall organisational strategy and resources, and make sure that decisions were being made with sufficient regard to the long run financial implications and potential risks to the authority. Prudential indicators were designed to highlight changes in the Council's capital financing and investment position over time and were unique to every authority. The main indicators were the Capital Financing Requirement and the Authorised Limit. The indicators had been amended this year to separate out the Council's non-financial investments to fulfil the new reporting requirements.

The Committee was advised that any borrowing was used for new projects or schemes in the capital programme not for revenue expenses. With regard to the use of Lender's Option Borrowers Option (LOBO) loans Officers confirmed that the Council had not used these loans. Officers were, however asked to include LOBO in the Glossary of Treasury Terms in the Annual Investment Strategy in future.

The Committee fully endorsed the Council's current financial approach.

RESOLVED TO RECOMMEND TO FULL COUNCIL ON 12 FEBRUARY 2019 THAT –

- i) The proposed 2019/20 Treasury Management Strategy set out in this report encompassing the Annual Investment Strategy as reported be approved;**
- ii) The Prudential and Treasury Management Indicators for 2019/20 as reported be approved;**
- iii) The revised Treasury Management Practices as reported be approved;**
- iv) The authorised limit for external borrowing by the Council for 2019/20, be set at £720,939,000 (this being the statutory limit determined under Section 3 (1) of the Local Government Act 2003; and**
- v) That there be no change to the previously adopted MRP policy as set out below;**

The Council will use the asset life method as its main method for calculating MRP.

In normal circumstances, MRP will be set aside from the date of acquisition. However, in relation to capital expenditure on property purchases and/or development, we will start setting aside an MRP provision from the date that the asset becomes operational and/or revenue income is generated. Where the schemes require interim financing by loan, pending receipt of an alternative source of finance (for example capital receipts) no MRP charge will be applied.

471 DEALING WITH ILLEGAL ENCAMPMENTS

By resolution of the Committee, the press and public were excluded from the meeting during the consideration of the following matter under Section 100A (4) of the Local Government Act 1972 on the grounds that the matter in question would be likely to involve disclosure of exempt information of the description specified in paragraph 3 and 7 of Part 1 of Schedule 12A of the Act.

The Committee received a report which outlined the Surrey wide debate on improving performance in tackling illegal encampments. Members were asked to consider and if appropriate, make recommendations regarding support for Surrey wide initiatives.

Last summer had been a particularly difficult one with regard to the numbers and types of illegal encampments. Members received an analysis of unauthorised encampments in 2018. It was noted that the number of encampments, particularly in North Surrey had increased.

There had been a great deal of public concern regarding criminality and anti-social behaviour. This concern had led to criticisms of the police and local authorities for a) a lack of a consistent approach across Surrey and b) failure to tackle the perpetrators of crime and anti-social behaviour. However, it was stressed that not all encampments resulted in ASB and/or criminal behaviour.

The Chief Executive reported that he had been the lead Chief Executive in Surrey on Illegal Encampments this year. Matters had been debated by Surrey Leaders and Chief Executives as well as Surrey MP's. Surrey Leaders in particular were determined that there would be a more effective approach should Surrey experience similar problems this summer.

It was considered that a regional approach would be beneficial and consistent and the Committee was supportive of the joint protocol.

The Chief Executive responded to various questions and concerns raised by Members. It was agreed that a robust number of traveller pitches was needed which would need to be carefully managed. This would not only make better use of both Council Officers and Police time it would reassure the public.

RESOLVED THAT THE FOLLOWING RECOMMENDATION BE MADE TO AND CONSIDERED BY CORPORATE MANAGEMENT COMMITTEE AT A FUTURE MEETING –

- i) The new police protocol for dealing consistently with illegal encampments be supported;**
- ii) The provision of one or more transit sites in Surrey be supported; and**
- iii) A joint unit of all boroughs to act collectively on behalf of all 11 districts and boroughs be supported**

Chairman

(The meeting ended at 9.05pm.)