

# Overview and Scrutiny Select Committee

Thursday 4 July 2019 at 7.30pm

**Council Chamber**  
**Runnymede Civic Centre, Addlestone**

## Members of the Committee

Councillors J Furey (Chairman), T Gracey (Vice-Chairman), M Brierley, J Broadhead, R Edis, L Gillham, C Howorth, S Mackay and I Mullens.

In accordance with Standing Order 29.1, any Member of the Council may attend the meeting of this Committee, but may speak only with the permission of the Chairman of the Committee, if they are not a member of this Committee.

**(N.B. PLEASE NOTE, THIS MEETING WILL COMMENCE UPON THE CONCLUSION OF THE CRIME AND DISORDER COMMITTEE MEETING)**

## AGENDA

### Notes:

- 1) Any report on the Agenda involving confidential information (as defined by section 100A(3) of the Local Government Act 1972) must be discussed in private. Any report involving exempt information (as defined by section 100I of the Local Government Act 1972), whether it appears in Part 1 or Part 2 below, may be discussed in private but only if the Overview and Scrutiny Select Committee so resolves.
- 2) The relevant 'background papers' are listed after each report in Part 1. Enquiries about any of the Agenda reports and background papers should be directed in the first instance to **Mr J Gurmin, Democratic Services Section, Law and Government Business Centre, Runnymede Civic Centre, Station Road, Addlestone (Tel: Direct Line: 01932 425624). (Email: [john.gurmin@runnymede.gov.uk](mailto:john.gurmin@runnymede.gov.uk)).**
- 3) Agendas and Minutes are available on a subscription basis. For details, please ring Mr B A Fleckney on 01932 425620. Agendas and Minutes for all the Council's Committees may also be viewed on [www.runnymede.gov.uk](http://www.runnymede.gov.uk).

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4) In the unlikely event of an alarm sounding, members of the public should leave the building immediately, either using the staircase leading from the public gallery or following other instructions as appropriate.

5) **Filming, Audio-Recording, Photography, Tweeting and Blogging of Meetings**

Members of the public are permitted to film, audio record, take photographs or make use of social media (tweet/blog) at Council and Committee meetings provided that this does not disturb the business of the meeting. If you wish to film a particular meeting, please liaise with the Council Officer listed on the front of the Agenda prior to the start of the meeting so that the Chairman is aware and those attending the meeting can be made aware of any filming taking place.

Filming should be limited to the formal meeting area and not extend to those in the public seating area.

The Chairman will make the final decision on all matters of dispute in regard to the use of social media audio-recording, photography and filming in the Committee meeting.

## **LIST OF MATTERS FOR CONSIDERATION**

### **PART I**

#### **Matters in respect of which reports have been made available for public inspection**

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#### **Matters involving Exempt or Confidential Information in respect of which reports have not been made available for public inspection.**

- a) Exempt Information  
(No reports to be considered under this heading)
- b) Confidential Information  
(No reports to be considered under this heading)

1. **FIRE PRECAUTIONS**

The Chairman will read the Fire Precautions which set out the procedures to be followed in the event of fire or other emergency.

2. **NOTIFICATION OF CHANGES TO COMMITTEE MEMBERSHIP**

3. **MINUTES**

To confirm and sign, as a correct record, the Minutes of the meeting of the Committee held on 4 April 2019 (at Appendix 'A').

Runnymede Borough Council

OVERVIEW AND SCRUTINY SELECT COMMITTEE

4 April 2019 at 8.17 pm.

Members of the Committee present: Councillors M J Maddox (Chairman), S L Dennett, Mrs L M Gillham, T J F E Gracey, N M King, Mrs Y P Lay and P S Sohi

Member of the Committee absent: Councillors S M Mackay and P J Taylor

580 FIRE PRECAUTIONS

The Chairman read out the Fire Precautions.

581 MINUTES

The Minutes of the meeting of the Committee held on 6 February 2019 were confirmed and signed as a correct record.

582 APOLOGIES FOR ABSENCE

Apologies were received from Councillor P J Taylor (Vice- Chairman).

583 REVIEW OF THE COUNCIL'S PLANNING SERVICE – UPDATE

As part of the Committee's Work Programme, Members had asked that the Committee conduct a review of the Planning Service. The Committee received an update on the progress of the review of the Council's Planning Service since the Committee had last met.

At its meeting on 5 July 2018, in view of the demands upon the time of Members, the Committee agreed to appoint a Planning Service Review Advisory Panel whose remit would be to conduct the core work involved in the Review which would include meeting with residents and stakeholders for the scrutiny review following the PAS Peer Challenge Review, meeting with PAS to settle the scope of their instructions, meeting with key Officers within the Council's Planning service and seeking to identify the effectiveness of the Council's Planning service in accordance with particular criteria. The Committee agreed to delegate any necessary powers and functions to the Planning Service Review Advisory Panel as were incidental to the Advisory Panel's remit. The Committee agreed that the membership of the Advisory Panel would be Councillor Taylor (Chairman), Councillor Dennett, Councillor Mrs Gillham and Councillor T Gracey.

A Planning Advisory Service (PAS) Peer Challenge Review took place between 12-14 September 2018. At its meeting on 4 October 2018, the Committee had been advised of PAS' findings and noted that a final and detailed report would be provided by PAS to the Council in due course. PAS' final report dated 8 February 2019 could be found on the Council's website under the heading of "Planning Service Review – update". The PAS review gave both the public and elected Members an independent view of how the Council's Planning Service was helping to deliver the Council's objectives.

The next stage of the Planning Service review was to gather evidence on the work of the Planning service and its interaction and communication with Members and customers. The Advisory Panel had received written and verbal representations from local residents in respect of the service's interaction and communication with Members and customers at its meeting held on the evening of 12 March 2019. The Committee noted a note of this

meeting and Members reported that a number of positive matters for further consideration by the Panel had emerged from this meeting.

The Panel now intended to seek evidence from the Planning Committee and from the Planning Service, both of whom would be invited to provide their comments prior to the Panel finalising its recommendations by way of a report to the Overview and Scrutiny Select Committee. The evidence the Panel would seek would be based upon the PAS report and the evidence collated further to the meeting on 12 March.

The decision of both the Chairman of the Overview and Scrutiny Select Committee and the Chairman of the Advisory Panel (in consultation with the Leader of the Council and the Chief Executive) was that the evidence referred to above would be sought in the new Municipal Year (i.e. after the May elections and once a new Planning Committee had been constituted). In reaching this decision, the Members concerned were mindful of the currently listed Committee meetings and the work ahead and which included stage 3 hearings in respect of the Runnymede Local Plan which were scheduled for July 2019, work associated with various planning inquiries and a restructuring of the planning functions in the Council as part of the replacement of the current departmental structure with 11 Business Units and associated Business Heads.

In view of the above, it was likely that the final report of the Panel on the Planning service review would be submitted to the Overview and Scrutiny Select Committee in the summer of 2019. To ensure that the current Members of the Advisory Panel remained in place, (including any Members who were not standing for election to the Council in May 2019 or who were not re-elected at that election) until the report was delivered, it was proposed to preserve the current position in terms of Panel membership, remit, powers and functions into the new Municipal Year, whatever occurred at the May election.

The Committee agreed that it would be appropriate to retain the arrangements for the Advisory Panel into the new Municipal Year so that the Panel could complete its work with the same membership. It was suggested that the Committee should monitor activation of any final recommendations emerging from the review.

Some Members suggested that planning training provided to Councillors should include more advice from Officers on how to formulate motions at the Planning Committee with reasons for refusing an application where the Officer recommendation was to grant the application. Some Members reported that Officers at other local authorities (e.g. Surrey County Council and Croydon Borough Council) quoted planning policies that were appropriate when Members of those Committees wished to formulate a resolution to refuse an application and where the Officer recommendation had been to grant the application. It was also noted that Members should be mindful always of the need to avoid any predetermination in considering applications.

The Committee noted that there was no fixed way in which reasons for refusal of an application at a Planning Committee should be formulated where the Officer recommendation was to grant the application and that it was a matter for each local authority to decide how its Members and Officers should interact in reaching a decision in those circumstances. A Member suggested that, particularly in the case of applications that were of a large size and/or controversial, it might sometimes be an option for the Planning Committee to adjourn where Members wished to refuse an application but were not clear on an appropriate list of reasons for the refusal. During the adjournment, a cogent series of reasons could be drawn up by Members in consultation with Officers attending the meeting. When the meeting reconvened it could then pass an appropriate resolution.

**RESOLVED that -**

- i) the Planning Service Review Advisory Panel, its membership and its remit continue beyond this Municipal Year into the Municipal Year 2019/20;**
- ii) any necessary powers and functions be delegated to the Planning Service Review Advisory Panel as are incidental to the Advisory Panel's remit; and;**
- iii) the Chief Executive be delegated the authority to co-opt any current members of the Panel onto the Committee for the purpose of maintaining the Panel's membership should they not stand in the forthcoming election or not be returned in May.**

Chairman

(The meeting ended at 8.42 p.m.)

4. **APOLOGIES FOR ABSENCE**

5. **DECLARATIONS OF INTEREST**

If Members have an interest in an item, please record the interest on the form circulated with this Agenda and hand it to the Legal Representative or Democratic Services Officer at the start of the meeting. A supply of the form will also be available from the Democratic Services Officer at the meeting.

Members are advised to contact the Council's Legal section prior to the meeting if they wish to seek advice on a potential interest.

Members are reminded that a non pecuniary interest includes their appointment by the Council as the Council's representative to an outside body and that this should be declared as should their membership of an outside body in their private capacity as a Director, trustee, committee member or in another position of influence thereon.

Members who have previously declared interests which are recorded in the Minutes to be considered at this meeting need not repeat the declaration when attending the meeting. Members need take no further action unless the item in which they have an interest becomes the subject of debate, in which event the Member must leave the room if the interest is a disclosable pecuniary interest or if the interest could reasonably be regarded as so significant as to prejudice the Member's judgement of the public interest.

6. **TREASURY MANAGEMENT ANNUAL REPORT 2018/19  
(RESOURCES – PAUL FRENCH)**

**Synopsis of report:**

**This is the annual report on treasury management activity and performance for the 2018/19 financial year.**

**Recommendations:**

**To recommend to Full Council that the annual report be noted.**

1. Background Information

- 1.1 The Council's treasury management activity is underpinned by CIPFA's (Chartered Institute of Public Finance and Accountancy) Code of Practice on Treasury Management ("the Code"), and the CIPFA Prudential Code for Capital Finance in Local Authorities ("the Prudential Code"). These require local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year.
- 1.2 The Council's Treasury Management Strategy for 2018/19 was approved by this Committee at its meeting on 25 January 2018 and was subsequently approved at Full Council on 1 March 2018. This report sets out the Council's performance against the criteria in these reports for 2018/19.
- 1.3 Treasury management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective



control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

- 1.4 No treasury management activity is without risk; The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities focuses on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
- 1.5 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.
- 1.6 The Corporate Management Committee considered this report on 28 May 2019. That Committee recommended to Full Council that the Annual Report be noted. That Committee noted that investments of £52.728 million were held by the Council at 31 March 2019. That Committee also noted that the Council's return on investments was 0.95% which compared favourably with the Council's benchmark rates, security of investments continued to be the main emphasis of the Council's treasury strategy and in balancing risk against return, Officers continued to place emphasis on the control of risk over yield.

## 2. Prudential and Treasury Indicators and Compliance

- 2.1 In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2018/19. Officers can confirm that during the year, the Council complied with all its legislative and regulatory requirements and its Treasury Management Statement and Treasury Management Practices.
- 2.2 During the year the Council operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy and in compliance with the Council's Treasury Management Practices and a prudent approach was taken in relation to all investment activity with priority being given to security and liquidity over yield.
- 2.3 A full set of prudential and treasury indicators for 2018/19 are set out in Appendix 'B'.

## 3. Risk management

- 3.1 The Council will aims to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. The Treasury Management Strategy Statement (TMSS) for 2018/19, which includes the Annual Investment Strategy, sets out the Council's investment priorities as being:

### **Credit risk**

Counterparty credit quality was assessed and monitored with reference to credit ratings; credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; any potential support mechanisms and share price.

### **Liquidity risk**

In keeping with the CLG's Guidance on Investments, the Council maintained a sufficient level of liquidity through the use of Money Market Funds and call accounts.

### **Yield**

The Council sought to optimise returns commensurate with its objectives of security and liquidity.

## 4. Economic background

- 4.1 After weak economic growth of only 0.2% in quarter one of 2018, growth picked up to 0.4% in quarter 2 and to a particularly strong 0.7% in quarter 3, before cooling off to 0.2% in the final quarter. Given all the uncertainties over Brexit, this weak growth in the final quarter was as to be expected. However, some recovery in the rate of growth is expected going forward. The annual growth in Q4 came in at 1.4% year on year confirming that the UK was the third fastest growing country in the G7 in quarter 4.
- 4.2 After the Monetary Policy Committee (MPC) raised Bank Rate from 0.5% to 0.75% in August 2018, it was little surprise that they abstained from any further increases since then. We are unlikely to see any further action from the MPC until the uncertainties over Brexit clear. If there were a disorderly exit, it is likely that Bank Rate would be cut to support growth. Nevertheless, the MPC has been having increasing concerns over the trend in wage inflation which peaked at a new post financial crisis high of 3.5%, (excluding bonuses), in the three months to December before falling only marginally to 3.4% in the three months to January. British employers ramped up their hiring at the fastest pace in more than three years in the three months to January as the country's labour market defied the broader weakness in the overall economy as Brexit approached. The number of people in work surged by 222,000, helping to push down the unemployment rate to 3.9 per cent, its lowest rate since 1975. Correspondingly, the total level of vacancies has risen to new highs.
- 4.3 As for CPI inflation itself, this has been on a falling trend since peaking at 3.1% in November 2017, reaching a new low of 1.8% in January 2019 before rising marginally to 1.9% in February. However, in the February 2019 Bank of England Inflation Report, the latest forecast for inflation over both the two and three year time horizons remained marginally above the MPC's target of 2%.
- 4.4 The rise in wage inflation and fall in CPI inflation is good news for consumers as their spending power is improving in this scenario as the difference between the two figures is now around 1.5%, i.e. a real terms increase. Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months.
- 4.5 Brexit. The government has so far, been unable to muster a majority in the Commons over its Brexit deal. The country's ongoing relationship with Europe remains uncertain.

## 5 Borrowing Activity in 2018/19

- 5.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2018/19 unfinanced capital expenditure, and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.
- 5.2 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies, (such as the Government, through the Public Works Loan Board [PWLB], or the money markets), or utilising temporary cash resources within the Council.
- 5.3 During 2018-19, the Council maintained an under-borrowed position. This meant that the capital borrowing need, the CFR, was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.
- 5.3 A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary

increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns.

5.4 The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

5.5 Table 1 sets out the borrowing activity for the year.

Table 1 – Borrowing activity in 2018/19					
	Opening Balance £'000	New borrowing £'000	Borrowings repaid £'000	Borrowings appropriated £'000	Closing balance £'000
HRA					
• PWLB	101,956	0	0	0	101,956
General Fund					
• PWLB	249,336	220,000	0	0	469,336
• Other	5,500	33,000	38,500	0	0
	<b>356,792</b>	<b>253,000</b>	<b>38,500</b>	<b>0</b>	<b>571,292</b>

5.6 As depicted in the graph and table below, PWLB 25 and 50 year rates have been volatile during the year with little consistent trend varying day to day depending on the latest news on Brexit negotiations.



5.7 The table on the next page shows PWLB rates for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year:

	1 Year	5 Year	10 Year	25 Year	50 Year
02/04/2018	1.48%	1.85%	2.23%	2.57%	2.29%
29/03/2019	1.48%	1.55%	1.85%	2.40%	2.23%
Low	1.28%	1.50%	1.80%	2.33%	2.16%
Date	29/05/2018	26/03/2019	28/03/2019	26/03/2019	26/03/2019
High	1.64%	2.07%	2.50%	2.93%	2.79%
Date	04/10/2018	10/10/2018	10/10/2018	10/10/2018	12/10/2018
Average	1.50%	1.80%	2.20%	2.66%	2.47%

5.8 For comparative purposes the Council undertook the following borrowing during the year:

Table 2 – Borrowing activity in 2018/19							
Lender	Loan Number	Start date	End date	No of years	Fixed / Variable	Interest Rate	Total Borrowing £
PWLB	507406	23/05/18	02/05/21	3	Fixed	1.68%	40,000,000
PWLB	507407	23/05/18	23/05/68	50	Fixed	2.45%	20,000,000
PWLB	507416	25/05/18	25/05/66	48	Fixed	2.46%	40,000,000
PWLB	507420	29/05/18	29/05/65	47	Fixed	2.45%	40,000,000
PWLB	507425	30/05/18	30/05/67	49	Fixed	2.40%	20,000,000
Derbyshire CC Pension Fu	50003	15/06/18	29/06/18	0.038	Fixed	0.50%	10,000,000
City of Edinburgh	50004	15/06/18	29/06/18	0.038	Fixed	0.50%	5,000,000
West Yorkshire Combined	50005	29/06/18	21/12/18	0.479	Fixed	0.60%	15,000,000
PWLB	507919	18/10/18	17/10/23	5	Fixed	1.95%	10,000,000
PWLB	507920	18/10/18	17/10/24	6	Fixed	2.05%	10,000,000
Norwich City Council	50006	12/10/18	12/12/18	0.1644	Fixed	0.72%	3,000,000
PWLB	508192	12/12/18	12/12/63	45	Fixed	2.43%	10,000,000
PWLB	508226	13/12/18	13/12/63	45	Fixed	2.39%	10,000,000
PWLB	508328	31/12/18	31/12/61	43	Fixed	2.47%	10,000,000
PWLB	508377	16/01/19	18/01/62	43	Fixed	2.49%	10,000,000

5.9 The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

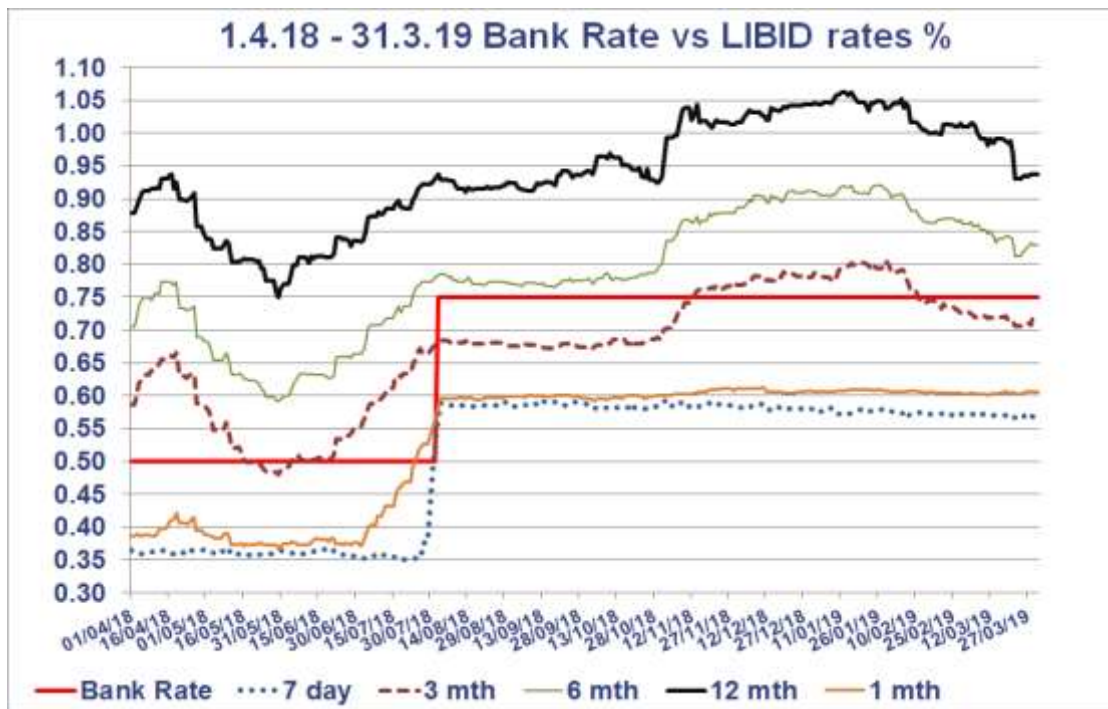
5.10 The Council operates two “loans pools”, one for the HRA and one for the General Fund to comply with the HRA ring fence requirements. The HRA average interest rate for the year as 3.36% and the General Fund as 2.31%. A schedule of the outstanding loans at the end of the year is set out at Appendix ‘C’.

## 6 Interest rates in 2018/19

6.1 Investment returns remained low during 2018/19. The original estimate for Council investment income for 2018/19 was based on the Council achieving an average interest rate of 0.60%. This took into account a base rate of 0.25% through to quarter 3 of 2018. Interest rates however increased to 0.75% in August 2018 meaning increased rates for longer. It was not expected that the MPC would raise Bank Rate again during 2018-19 after the August increase in view of the fact that the UK was entering into a time of major uncertainty with Brexit due in March 2019. Value was therefore sought by placing longer term investments after 2 August where cash balances were sufficient to allow this.

6.2 Investment rates were little changed during August to October but rose sharply after the MPC meeting of 1 November was unexpectedly hawkish about their perception of building inflationary pressures, particularly from rising wages. However, weak GDP growth data after December, plus increasing concerns generated by Brexit, resulted in investment rates falling back again.

- 6.3 Continued uncertainty in the aftermath of the 2008 financial crisis has promoted a cautious approach whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.
- 6.4 Interest rates during the period were as follows:



- 6.5 Despite a need to keep large sums of money in short notice deposits to fulfil property acquisition requirements, the Council’s actual interest rate performance during the year was 0.79%. The Council’s overall performance compares favourably with the Council’s benchmark rates as follows:

Table 3 - Comparison of investment returns in 2018/19	
Index	Annualised Return %
Average Bank Base Rate	0.66
7 day LIBID average	0.51
3 month LIBID average	0.68
12 month LIBID average	0.94
<b>Runnymede Borough Council rate</b>	<b>0.95</b>

**LIBID** - The London Interbank Bid Rate is a bid rate; the rate bid by banks on deposits i.e., the rate at which a bank is willing to borrow from other banks.

- 6.6 One of the reasons this favourable rate was achieved was due to the Council’s investment in pooled funds and the Funding Circle. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. These investments offer enhanced returns over the longer term but are potentially more volatile over the shorter term and small variations in market values will therefore occur.
- 6.7 The market value of the Council’s two CCLA pooled funds is as follows:

<b>Table 4 – Pooled Fund &amp; Funding Circle returns in 2018/19</b>			
	Original Investment £	Value 31 March 2019 £	Average Return %
CCLA Property Fund	2,000,000	2,408,177	4.35
CCLA Diversified Income Fund	2,000,000	2,013,852	3.16

The differences between the Original Sums invested and the Values at 31 March 2019 are held on the Council's Balance Sheet in the Pooled Investments Adjustment Account.

- 6.8 The Council's Treasury Management Strategy sets out a lower rate of interest for the Housing Revenue Account based on the risk free nature of the account. This lower rate is achieved by deducting the credit risk margin from the actual rate achieved by the Council. The resulting interest rate applicable to the HRA during 2018/19 was 0.709%.

7 Investment Outturn for 2018/19

- 7.1 The Council's investment policy is governed by MHCLG investment guidance, and is reflected in the Annual Investment Strategy approved by the Council each year. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.). The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

- 7.2 Investments of £52.728 million were held by the Council at 31 March 2019. Investment turnover in 2018/19 has been principally driven by the availability of counterparties that meet the criteria set out in the Annual Investment Strategy, and the need to keep money invested in short term low paying accounts to meet payments for the Addlestone One project, Egham Leisure Centre re-provision and general property purchases. Table 5 summarises investment activity during the course of the year, split between the sectors of the counterparties that the funds were invested with.

<b>Table 5 - Investment activity in 2018/19</b>				
	Opening Balance	New Investments	Investments Recalled	Closing Balance
	£000	£000	£000	£000
<b>Specified Investments</b>				
Banking sector	12,000	31,000	23,200	19,800
Building societies	9,500	15,000	14,500	10,000
Local Authorities	12,000	6,000	14,000	4,000
Central Government	0	79,000	79,000	0
Money Market Funds	2,404	140,783	128,717	14,470
<b>Unspecified Investments</b>				
Short Dated Bond Funds / Enhanced Cash Funds	0	0	0	0
Pooled Funds & Collective Investment Schemes	4,000	0	0	4,000
Funding Circle	489	16	47	458
	<b>40,393</b>	<b>271,799</b>	<b>259,464</b>	<b>52,728</b>

- 7.3 A full list of investments held at 31 March 2019 is set out in Appendix 'D'.

- 7.4 Investment balances have risen over the last year due to a combination of borrowing for the completion of a property purchase (which was delayed until the new year) and a slow build up in balances as MRP is set aside to repay borrowing in the future when it becomes due. The increase in balances will be an ongoing problem going forward and may mean the Council will need to revisit its counterparty lending criteria in future years to account for it.
- 7.5 The Council's cash balances comprise revenue and capital resources and cash flow monies (creditors etc). Interest earned on these balances is derived from in-house managed investments. The table below shows gross investment income achieved in 2018/19 alongside the interest paid on borrowings:

<b>Table 6 – Net investment income / Debt interest 2018/19</b>			
	Original Estimate £'000	Revised Estimate £'000	Outturn £'000
Investment income earned	333	472	497
Interest on loans to RBC companies	1,349	1,084	1,082
<b>Gross investment income</b>	<b>1,682</b>	<b>1,556</b>	<b>1,579</b>
Management expenses	(75)	(230)	(217)
Interest paid on deposits and other balances	(1)	(6)	(7)
Debt interest	(14,584)	(14,371)	(12,849)
<b>Net Investment Income / (Debt interest)</b>	<b>(12,978)</b>	<b>(13,051)</b>	<b>(11,494)</b>

This is broken down between services as follows:

General Fund	(9,668)	(9,810)	(8,251)
Housing Revenue Account	(3,310)	(3,241)	(3,243)
<b>Net Investment Income / (Debt interest)</b>	<b>(12,978)</b>	<b>(13,051)</b>	<b>(11,494)</b>

- 7.6 Aside from the parameters set in the Annual Investment Strategy, the main factors that determine the amount of investment income are the level of interest rates, cash flow and the level of reserves and balances. The impact of capital cash flows – receipts from sales and timing of capital projects – also has a significant impact on cash flows.
- 7.7 The variances between the estimate, revised estimate and outturn in the table above mainly stem from delayed property purchases and regeneration schemes. At the start of the year it was assumed that the Egham regeneration scheme would be under way and the Council would have spent £200m on investment property acquisitions. Delays to these schemes have meant increased cash balances and a reduced borrowing requirement. When the Council has needed to borrow, it has also benefitted from lower borrowing rates than originally forecast.
8. Legal Implications
- 8.1 The powers for a local authority to borrow and invest are governed by the Local Government Act 2003 and associated Regulations. A local authority may borrow or invest for any purpose relevant to its functions, under any enactment, or for the purpose of the prudent

management of its financial affairs. The Regulations also specify that authorities should have regard to the CIPFA Treasury Management Code, the Department for Communities and Local Government (DCLG) Investments Guidance and the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out their treasury management functions.

9. Council Policy

9.1 This is set out in the Treasury Management Policy Statement, the Annual Investment Strategy, and associated Practices and Schedules.

9.2 The Council's treasury management policy statement states:

“The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.”

9.3 It is the security of investments that has always been the main emphasis of our treasury strategy. In balancing risk against return, Officers continue to place emphasis on the control of risk over yield.

10. Conclusions

10.1 The financial year continued the challenging investment environment of previous years, namely low investment returns and continuing uncertainty. The management of counterparty risk remains our primary treasury management priority. The criteria in the Annual Investment Strategy are continuously reviewed to minimise risk as far as reasonably possible whilst retaining the ability to invest with secure institutions.

10.2 This practice of investing over short-term with high quality institutions recognises the principal investment risk at this time, i.e. counterparty default risk. However, this is not an approach for the longer-term. Hopefully, liquidity and confidence will return to money markets and investor confidence in general. When this happens, it is proposed that our investment portfolio will start to again follow an approach that recognises all types of investment risk in a holistic way as set out in our treasury management strategy.

**(To recommend)**

**Background Papers**

None stated



**Treasury Indicators 2018/19**

**Capital Expenditure** – This prudential indicator is a summary of the Council's capital expenditure plans, and financing requirements which have been updated in line with the phased borrowing requirements of the new property investment plans. Any shortfall of resources results in a funding borrowing need.

Capital Expenditure	2017/18 Actual £000s	2018/19 Estimate £000s	2018/19 Revised £000s	2018/19 Actual £000s
HRA	5,395	4,946	3704	4,991
Housing Services	331	934	934	260
Environment & Sustainability	482	1,250	701	892
Community Development	8,910	4,981	9,432	9,120
Corporate & Business – Non Financial Investments	153,984	157,252	290,678	213,049
– Other	488	223	11,717	8,534
<b>Total</b>	<b>169,590</b>	<b>169,586</b>	<b>317,166</b>	<b>236,846</b>
<b>Financed by:</b>				
Capital Receipts	25,641	10,196	20,106	18,626
Capital Grants & Contributions	787	0	957	729
Revenue	4,620	3,988	2,692	4,086
<b>Net financing need for the year</b>	<b>138,542</b>	<b>155,402</b>	<b>293,411</b>	<b>213,405</b>

The net financing need for non-financial investments included in the above table against expenditure is shown below:

	2017/18 Actual £000s	2018/19 Estimate £000s	2018/19 Revised £000s	2018/19 Actual £000s
Capital expenditure	153,984	157,252	290,678	213,048
Financing costs met	24,014	15,250	10,463	15,629
<b>Net financing need for the year</b>	<b>129,970</b>	<b>142,002</b>	<b>280,215</b>	<b>197,419</b>
Percentage of total net financing need	93.8%	90.3%	95.5%	92.51%

**The Council's borrowing need (the Capital Financing Requirement)** - The Council's Capital Financing Requirement (CFR), is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure, which has not immediately been paid for, will increase the CFR.

	2017/18 Actual £000s	2018/19 Estimate £000s	2018/19 Revised £000s	2018/19 Actual £000s
CFR:				
- HRA	101,956	101,956	101,956	101,956
- Non HRA	8,571	7,500	14,665	14,665
- Non-Financial Investments	134,930	369,427	265,849	265,849

<b>CFR at 1 April</b>	<b>245,457</b>	<b>478,883</b>	<b>382,470</b>	<b>382,470</b>
Net financing need for the year	138,542	155,402	293,411	213,404
Less MRP/VRP and other financing movements	(1,529)	(3,034)	(3,684)	<b>(3,162)</b>
<b>CFR at 31 March</b>	<b>382,470</b>	<b>631,251</b>	<b>672,197</b>	<b>592,712</b>

**Core funds and expected investment balances** – The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end investment balances based on assumed cash movements in the MTFs and Capital Programmes.

	<b>2017/18 Actual £000s</b>	<b>2018/19 Estimate £000s</b>	<b>2018/19 Revised £000s</b>	<b>2018/19 Actual £000s</b>
HRA Balances (Inclu. MRR)	19,424	20,593	25,405	27,383
General Fund (GF) Balance	5,848	4,322	3,223	3,878
GF Earmarked reserves	4,960	533	5,960	9,590
Capital receipts	5,783	11,788	5,895	5,151
Other	5,837	1,564	4,492	1,610
<b>Expected/Actual investments</b>	<b>41,852</b>	<b>38,800</b>	<b>44,975</b>	<b>47,612</b>

**Current Portfolio Position** - The Council's treasury portfolio position is summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

	<b>2017/18 Actual £000s</b>	<b>2018/19 Estimate £000s</b>	<b>2018/19 Revised £000s</b>	<b>2018/19 Actual £000s</b>
External Debt at 1 April	232,792	467,870	356,989	-
Expected change in Debt	124,197	155,402	303,411	-
<b>Actual gross debt at 31 March</b>	<b>356,989</b>	<b>623,272</b>	<b>660,400</b>	<b>571,546</b>
Capital Financing Requirement	382,470	631,251	672,197	592,712
<b>Under / (over) borrowing</b>	<b>25,481</b>	<b>7,979</b>	<b>11,797</b>	<b>21,166</b>

The under borrowed position at 31 March 2019 is due to internal borrowing. This is temporary funding of capital expenditure using positive cash flows and internal balances. A small part of this difference (£254,000) represents the value of balances held on behalf of local trusts (e.g. Cabrera Recreation Ground Trust, Runnymede Pleasure Ground Trust etc). This gives the Trusts certainty of income and quick access if needed.

Within the above figures, the level of debt relating to non-financial investments is:

	<b>2017/18 Actual £000s</b>	<b>2018/19 Estimate £000s</b>	<b>2018/19 Revised £000s</b>	<b>2018/19 Actual £000s</b>
Debt at 1 April	246,462	448,212	546,064	463,268
Percentage of total external debt	69.04%	71.91%	82.69%	81.09%

**The Operational Boundary** – This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt. **The authorised limit for external borrowing.** – A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit determined under Section

3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all Councils' plans, or those of a specific Council, although this power has not yet been exercised

	2017/18 Actual £000s	2018/19 Estimate £000s	2018/19 Revised £000s	2018/19 Actual £000s
Operational Boundary	-	633,252	662,399	-
Authorised Limit	-	637,943	670,399	-
Actual Borrowings	356,792	-	-	571,292

**Interest Rate exposure** - The upper limits on variable interest rate exposure indicator is set to control the Council's net exposure (taking borrowings and investments together) to interest rate risk. Its intention is to ensure that the Council is not exposed to interest rate rises which could adversely impact the revenue budget.

	2017/18 Actual £000s	2018/19 Estimate £000s	2018/19 Revised £000s	2018/19 Actual £000s
Upper limits on <b>fixed</b> interest rates based on net debt	316,399	637,943	660,400	542,292
Upper limits on <b>variable</b> interest rates based on net debt	0	0	0	0

The Upper Limit on fixed interest rates is calculated using the maximum allowed debt (The Authorised Borrowing Limit/Actual borrowing) less Fixed Term investments.

As the Council does not borrow at variable rates of interest, the Upper limits on variable interest rates are zero.

**Investment Treasury Indicator and Limit** - total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

	2017/18 Actual £000s	2018/19 Estimate £000s	2018/19 Revised £000s	2018/19 Actual £000s
Upper limits on Principal sums invested for over 364 days	0	5,000	5,000	0

There were no investments made for a period of greater than 364 days at the 31 March 2018.

#### **Maturity structure of fixed interest rate borrowing (Upper Limit)**

	2017/18 Actual %	2018/19 Estimate %	2018/19 Revised %	2018/19 Actual %
Under 12 months	2	25	25	0
12 months to 2 years	0	25	25	1
2 years to 5 years	2	25	25	9
5 years to 10 years	8	50	50	8
10 years to 20 years	22	100	100	13
20 years to 30 years	11	100	100	7
30 years to 40 years	0	100	100	0
40 years to 50 years	55	100	100	62

As the Council does not borrow at variable rates of interest, the upper limit on this type of debt will always be nil, therefore no table has been produced for variable interest rate borrowing.

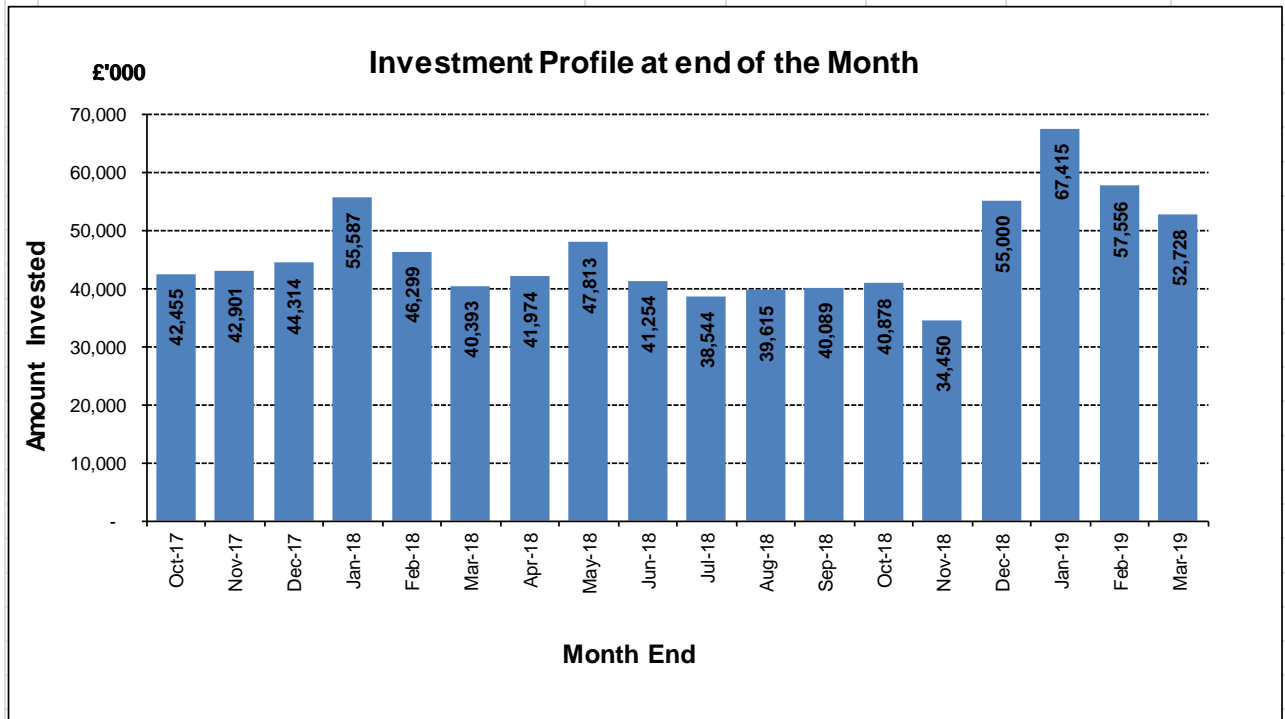
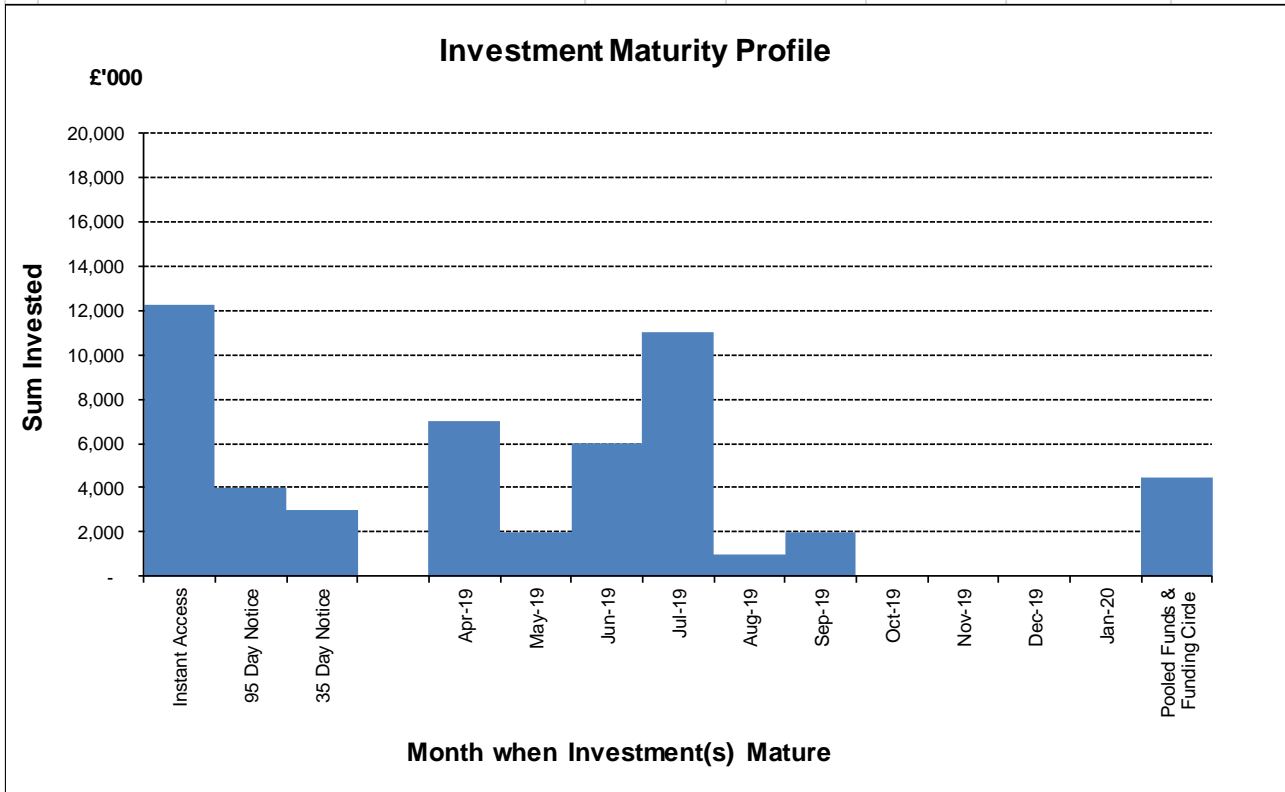
## Borrowings as at 31 Mar 2019

	Principal Sum £'000	Original Term (Years)	Annual Interest £	MATURITY	%
<b>Housing Revenue Account</b>					
PWLB - 500502 (part)	1,956	10	46,944	28 Mar 2022	2.40%
PWLB - 500495	10,000	15	301,000	28 Mar 2027	3.01%
PWLB - 500498	10,000	20	332,000	29 Mar 2032	3.32%
PWLB - 500500	10,000	20	332,000	29 Mar 2032	3.32%
PWLB - 500501	10,000	20	332,000	29 Mar 2032	3.32%
PWLB - 500493	10,000	25	344,000	27 Mar 2037	3.44%
PWLB - 500496	10,000	25	344,000	27 Mar 2037	3.44%
PWLB - 500503	10,000	25	344,000	27 Mar 2037	3.44%
PWLB - 500494	10,000	30	350,000	28 Mar 2042	3.50%
PWLB - 500497	10,000	30	350,000	28 Mar 2042	3.50%
PWLB - 500499	10,000	30	350,000	28 Mar 2042	3.50%
	<b>101,956</b>		<b>3,425,944</b>	<b>Average Rate:</b>	<b>3.36%</b>
<b>General Fund</b>					
PWLB - 504311	5,000	5	98,500	17 Aug 2020	1.97%
PWLB - 507406	40,000	43	672,000	02 May 2021	1.68%
PWLB - 500502 (part) - Appropriated from HRA	1,336	10	32,064	28 Mar 2022	2.40%
PWLB - 507919	10,000	5	195,000	17 Oct 2023	1.95%
PWLB - 507920	10,000	6	205,000	17 Oct 2024	2.05%
PWLB - 504312	10,000	10	256,000	17 Aug 2025	2.56%
PWLB - 506855	10,000	10	219,000	23 Jan 2028	2.19%
PWLB - 505012	4,000	12	86,400	08 Jun 2028	2.16%
PWLB - 504520	15,000	15	414,000	04 Dec 2030	2.76%
PWLB - 505233	10,000	30	244,000	12 Jul 2046	2.44%
PWLB - 505335	20,000	45	376,000	01 Sep 2061	1.88%
PWLB - 505968	15,000	45	351,000	04 Apr 2062	2.34%
PWLB - 505969	15,000	45	351,000	04 Apr 2062	2.34%
PWLB - 505972	20,000	46	470,000	05 Apr 2063	2.35%
PWLB - 505433	10,000	47	207,000	29 Sep 2063	2.07%
PWLB - 508192	10,000	45	243,000	12 Dec 2063	2.43%
PWLB - 508226	10,000	45	239,000	13 Dec 2063	2.39%
PWLB - 505434	14,000	48	289,800	29 Sep 2064	2.07%
PWLB - 505668	20,000	48	514,000	20 Jan 2065	2.57%
PWLB - 507420	40,000	47	980,000	29 May 2065	2.45%
PWLB - 507145	10,000	48	228,000	27 Mar 2066	2.28%
PWLB - 507416	40,000	48	984,000	25 May 2066	2.46%
PWLB - 505611	20,000	50	524,000	16 Dec 2066	2.62%
PWLB - 506991	10,000	50	240,000	05 Mar 2067	2.40%
PWLB - 507425	20,000	49	480,000	30 May 2067	2.40%
PWLB - 506125	10,000	50	230,000	12 Jun 2067	2.30%
PWLB - 506887	15,000	50	367,500	08 Feb 2068	2.45%
PWLB - 506888	15,000	50	367,500	08 Feb 2068	2.45%
PWLB - 507407	20,000	50	490,000	23 May 2068	2.45%
PWLB - 508328	10,000	43	247,000	31 Dec 2061	2.47%
PWLB - 508377	10,000	43	249,000	18 Jan 1962	2.49%
	<b>469,336</b>		<b>10,849,764</b>	<b>Average Rate:</b>	<b>2.31%</b>
<b>Total Borrowings</b>	<b>571,292</b>		<b>14,275,708</b>	<b>Annual Interest</b>	
<b>Advance Loan Deal (Refinancing existing loan)</b>					
Phonenix Life Limited	£'000	(Years)		MATURITY	%
	40,000	40	Annuity Basis	02 May 2061	2.88%
	<b>£'000</b>				
Authorised Borrowing Limit 2018/19	737,943	(approved 17 May 2018 - Special Council Meeting)			
Borrowing to date	(571,292)				
<b>Authorised Borrowing remaining</b>	<b>166,651</b>				

## Investments as at 31 Mar 2019

	<u>£'000</u>		<u>ORIGINAL TERM</u>	<u>MATURITY</u>	<u>%</u>
<b>Banks</b>					
<u>Access Accounts</u>					
Santander Business Reserve Account	1,800		**** 95 Day Notice A/C ****		0.900
Santander Business Reserve Account	2,200		**** 95 Day Notice A/C ****		0.900
Goldman Sachs International Bank	3,000		**** 35 Day Notice A/C ****		0.820
<u>Term Deposits</u>					
Lloyds Bank PLC	3,000		6 mth	28 Jun 2019	1.000
<u>Certificates of Deposit</u>					
Close Brothers	3,000		6 mth	28 Jun 2019	1.100
National Australian Bank	1,000		1 yr	15 May 2019	0.750
Nat West Bank	3,000		6 mth	03 Jul 2019	1.030
Standard Chartered	2,000		6 mth	03 Jul 2019	1.040
Standard Chartered	2,000		6 mth	22 Jul 2019	0.970
Toronto Dominion Bank	1,000		1 yr	15 May 2019	0.790
<b>Total Banks</b>	<b>22,000</b>	<b>42%</b>			
<b>Building Societies</b>					
Coventry BS	1,000		6 mth	30 Aug 2019	0.950
Coventry BS	2,000		6 mth	16 Jul 2019	0.950
Leeds BS	2,000		3 mth	30 Apr 2019	0.720
Nationwide BS	2,000		6 mth	18 Jul 2019	0.820
Yorkshire BS	2,500		3 mth	15 Apr 2019	0.780
Yorkshire BS	500		3 mth	23 Apr 2019	0.780
<b>Total Building Society</b>	<b>10,000</b>	<b>19%</b>	(50% Limit)		
<b>Local Authorities</b>					
Leeds City Council	2,000		7mth	17 Apr 2019	0.800
South Ayrshire Council	2,000		1 yr	23 Sep 2019	0.650
<b>Total Local Authorities</b>	<b>4,000</b>	<b>8%</b>			
<b>Money Market Funds</b>					
Aberdeen Liquidity Sterling Fund	6,000		***** On Call *****		Variable
Aviva Investors Sterling Liquidity Fund - Class 3	4,270		***** On Call *****		Variable
CCLA - Public Sector Deposit Fund	2,000		***** On Call *****		Variable
<b>Total Money Market Funds</b>	<b>12,270</b>	<b>23%</b>			
<b>Pooled Funds &amp; Collective Investment Schemes</b>					
CCLA Property Fund	2,000		**** 1 mth settlement ****		Variable
CCLA Diversified Income Fund	2,000		**** 1 mth settlement ****		Variable
<b>Total Pooled Funds</b>	<b>4,000</b>	<b>8%</b>			
<b>Funding Circle</b>					
Lending to small and medium sized companies	458		**** up to 5 years ****		Variable
<b>Total Other Investments</b>	<b>458</b>	<b>1%</b>	(w ith the ability to sell loans)		
<b>Total Investments</b>	<b>52,728</b>				

## Investments as at 31 Mar 2019



7. **ANNUAL REPORT OF THE OVERVIEW AND SCRUTINY FUNCTION 2018/19  
(LAW AND GOVERNANCE – JOHN GURMIN)**

**Synopsis of report:**

**To present the Annual Report of the Overview and Scrutiny function for the Municipal Year 2018/19 at Appendix 'E' for submission to the Council meeting on 18 July 2019.**

**Recommendations:**

**The Committee is asked to confirm if it is content for the report at Appendix 'E' to be submitted to full Council in July or if it wishes to make any amendments.**

**1. Report**

1.1 Sub-paragraph 6.03 (d) of the Council's Constitution states:-

"(d) **Annual Report.** The Overview and Scrutiny Select Committee must report annually to full Council on its workings and make recommendations for future work programmes and amended working methods if appropriate."

1.2 The Committee is asked to confirm if it is content for the report at Appendix 'E' to be submitted to full Council in July, or if it wishes to make any amendments.

**(To recommend)**

**Background papers**

None

**DRAFT ANNUAL REPORT – OVERVIEW AND SCRUTINY FUNCTION – 2018/19**

1. **INTRODUCTION**

- 1.1 The Overview and Scrutiny function in Runnymede is undertaken by the Overview and Scrutiny Select Committee. The Committee's Terms of Reference are set out in Article 6 of the Council's Constitution, which is attached at Appendix '1'. This report summarises the areas of the Overview and Scrutiny Select Committee's activities for the Municipal Year 2018/19.

2 **REVIEW OF THE COUNCIL'S PLANNING SERVICE**

- 2.1 At its meeting on 5 July 2018, the Committee received a confidential report on the progress of the Review of the Council's Planning Service. The Committee had been advised at its April 2018 meeting of options available in respect of a Planning Advisory Service (PAS) Peer Challenge Review of the Council's Planning Service, having decided at its February 2018 meeting that it would wish to progress this PAS review as well as a scrutiny review of Planning.
- 2.2 In view of the demands upon the time of Members, the Committee agreed to appoint a Planning Service Review Advisory Panel whose remit would be to conduct the core work involved which would include meeting with residents and stakeholders for the scrutiny review following the PAS Peer Challenge Review, meeting with PAS to settle the scope of their instructions, meeting with key Officers within the Council's Planning service and seeking to identify the effectiveness of the Council's Planning service in accordance with particular criteria. The Committee agreed to delegate any necessary powers and functions to the Planning Service Review Advisory Panel as were incidental to the Advisory Panel's remit. The Committee agreed that the membership of the Advisory Panel would be Councillor Taylor (Chairman), Councillor Dennett, Councillor T Gracey and Councillor Mrs Gillham.
- 2.3 The Committee noted PAS' current guidance to Local Planning Authorities regarding PAS reviews. Mindful of the priority given to submitting the emerging Council Local Plan to the Secretary of State, PAS had confirmed that they would undertake their review in the Autumn of 2018. The Committee noted that there were costs involved in instructing PAS to conduct a Peer Challenge Review. The Committee agreed to request the Corporate Management Committee to approve a supplementary budget in the sum of £20,000 to support the anticipated cost of the review which would cover the costs of a standard review plus any unexpected costs or any unforeseen issues that might require some extra expenditure to overcome.
- 2.4 Members highlighted the need for the Service Review to identify good practice and to specify where there might be any room for improvement in the service; being factual, disciplined and open minded. It was noted that there would be a need for assistance in preparing to interview and meet with both residents and stakeholder groups following the PAS Peer Challenge Review.
- 2.5 At its meeting on 4 October 2018, the Committee noted that the Planning Advisory Service (PAS) had carried out a Peer Challenge Review between 12 – 14 September 2018. Members were provided with a brief update of its outcome prior to receipt of the PAS report and were pleased to note that the summary of PAS findings were positive. The headlines of their findings were that there were plenty interesting things happening bringing opportunities in for the Borough, that the Council had a good professional planning service performing strongly against measures, that the Council had positively progressed its Emerging Local Plan under challenging circumstances, that the national Housing Delivery Challenge was recognised by the Council and there were some core skills to build on, that there were



opportunities for more collaborative community engagement and also a significant opportunity to further develop partnership working moving forward, and that there were opportunities for Officers and Councillors to work more closely together moving forward.

- 2.6 Members agreed that the exercise had been of value and looked forward to receiving more details from the PAS report in due course and Members were particularly pleased to note that the good work of planning Officers had been recognised.
- 2.7 At its meeting on 4 April 2019, the Committee received an update on the progress of the review of the Council's Planning Service since the Committee had last met.
- 2.8 PAS' final report dated 8 February 2019 could be found on the Council's website under the heading of "Planning Service Review – update". The PAS review gave both the public and elected Members an independent view of how the Council's Planning Service was helping to deliver the Council's objectives.
- 2.9 The next stage of the Planning Service review was to gather evidence on the work of the Planning service and its interaction and communication with Members and customers. The Advisory Panel had received written and verbal representations from local residents in respect of the service's interaction and communication with Members and customers at its meeting held on the evening of 12 March 2019. The Committee noted a note of this meeting and Members reported that a number of positive matters for further consideration by the Panel had emerged from this meeting.
- 2.10 The Panel now intended to seek evidence from the Planning Committee and from the Planning Service, both of whom would be invited to provide their comments prior to the Panel finalising its recommendations by way of a report to the Overview and Scrutiny Select Committee. The evidence the Panel would seek would be based upon the PAS report and the evidence collated further to the meeting on 12 March.
- 2.11 The decision of both the Chairman of the Overview and Scrutiny Select Committee and the Chairman of the Advisory Panel (in consultation with the Leader of the Council and the Chief Executive) was that the evidence referred to above would be sought in the new Municipal Year (i.e. after the May elections and once a new Planning Committee had been constituted). In reaching this decision, the Members concerned were mindful of the currently listed Committee meetings and the work ahead and which included stage 3 hearings in respect of the Runnymede Local Plan which were scheduled for July 2019, work associated with various planning inquiries and a restructuring of the planning functions in the Council as part of the replacement of the current departmental structure with 11 Business Units and associated Business Heads.
- 2.12 In view of the above, it was likely that the final report of the Panel on the Planning service review would be submitted to the Overview and Scrutiny Select Committee in the summer of 2019. The Committee resolved that the Planning Service Review Advisory Panel and its remit continue into the Municipal Year 2019/20 and any necessary powers and functions be delegated to the Planning Service Review Advisory Panel as were incidental to the Advisory Panel's remit.

### 3. TREASURY MANAGEMENT

- 3.1 The Overview and Scrutiny Select Committee is the Council body responsible for scrutinising the Council's treasury management and has considered various reports on treasury management throughout the year. The Corporate Management Committee makes recommendations to the Council on this subject.
- 3.2 At its meeting on 5 July 2018 the Committee noted the Annual Report on Treasury Management and Performance for the 2017/18 financial year. The Committee noted a full set of prudential and treasury indicators for 2017/18 and the economic background to

treasury management. During the year the Council had complied with legislative and regulatory requirements and its Treasury Management Statement and Treasury Management Practices.

- 3.3 Members were advised that the Council's total borrowing activity stood at £356 million at the 31 March 2017, an increase of £119 million on the previous year; with all of the new borrowing assigned to either the purchase of investment properties or funding for ongoing development schemes like Addlestone One and Egham Leisure Centre.
- 3.4 The Council operated two "loans pools", one for the Housing Revenue Account (HRA) and one for the General Fund. All of the General Fund loans related to either the purchase of investment properties or funding for ongoing development schemes. The Committee noted the borrowing activity for 2017/18 and that the average outstanding loan rate for the HRA was 3.36% with the General Fund at 2.30%, well under the Council's target rate of 2.5%. The Council's actual investment income interest rate performance during the year was 0.79%, which compared favourably with the Council's benchmark rates; due to the Council's investment in pooled funds and the Funding Circle. This allowed the Council to diversify into asset classes other than cash, without the need to own and manage the underlying investments. This offered enhanced returns over the longer term requiring a medium term view of each to be taken. Members noted the market value of these investments at 31 March 2018 and their returns. The Committee was advised that the Council managed risk on a daily basis. The Committee sought assurances that an interest rate rise would lead to a revised investment estimate and was advised that it would as the estimate was under constant review; so should rates rise, this would be reflected in the mid-year Treasury report.
- 3.5 Investment turnover was principally driven by the availability of counterparties that met the criteria set out in the Annual Investment Strategy, and the need to keep money invested in short term low paying accounts to meet large capital payments. The increase in investment rates and the additional money invested saw the Council's investment income increase from a predicted £221,000 during the year to £384,000 by the year end.
- 3.6 Members were advised that the management of counterparty risk remained the Council's priority and the Annual Investment Strategy was continuously reviewed to minimise risk as far as reasonably possible. The Committee was pleased to note despite the continued challenging investment environment, better than expected investment and borrowing rates had been achieved during the year.
- 3.7 The Committee recommended that Full Council note the report and Full Council did so on 19 July 2018.
- 3.8 At its meeting on 6 February 2019, the Committee noted a mid-year 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 had been drafted and reported to Corporate Management Committee in November, the Government had introduced a statutory override for some elements of International Financial Reporting Standard (IFRS) 9 .
- 3.9 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 some elements of IFRS9.

- 3.10 At the same meeting, the Committee received a report on the Treasury Management Strategy, Prudential and Treasury Management Indicators and Minimum Revenue Provision (MRP) Statement for 2019/20.
- 3.11 The Treasury Management Strategy was in place to control what the Council could invest and borrow in to ensure adequate planning of the cash flow requirements of the Council's capital and revenue plans.
- 3.12 There had been numerous consultations and legislation changes affecting treasury operations at the beginning of 2018 – including two new CIPFA codes, IFRS9 requirements, the Government's 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.
- 3.13 Both the CIPFA Codes and the Government 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).
- 3.14 Members noted that Runnymede had for some time produced a Capital Strategy. However, 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.
- 3.15 It was proposed that the Council's MRP Policy remained unchanged. The Policy was designed to ensure the Council would not need to re-finance its long term borrowings when they fell due.
- 3.16 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.
- 3.17 The Council was currently maintaining an under borrowed strategy and there were no planned changes to the borrowing strategy for next year.
- 3.18 The Government guidance required local authorities to cover a number of issues in the Annual Investment Strategy and the Council's strategy complied with these regulations. 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.
- 3.19 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.
- 3.20 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.

- 3.21 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.
- 3.22 The Committee fully endorsed the Council's current financial approach and recommended to Council that the proposed 2019/20 Treasury Management Strategy and the Annual Investment Strategy, the Prudential and Treasury Management Indicators for 2019/20 and the revised Treasury Management Practices be approved, that the authorised limit for external borrowing by the Council for 2019/20 be set at £720,939,000 and that there be no change to the previously adopted MRP policy.
- 3.23 These recommendations were agreed by Full Council at its meeting on 12 February 2019. At this meeting the Leader of the Council commented that the increase in the authorised borrowing limit was necessary in order to finance completion of various regeneration schemes that the Council had previously approved.

#### 4. DEALING WITH ILLEGAL ENCAMPMENTS

- 4.1 At its meeting on 6 February 2019, the Committee received a confidential 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.
- 4.2 Last summer had been a particularly difficult one with regard to the numbers and types of illegal encampments. There had been a great deal of public concern regarding criminality and anti-social behaviour (ASB). This concern had led to criticisms of the police and local authorities for a lack of a consistent approach across Surrey and 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 MPs.
- 4.3 The Committee considered that a regional approach would be beneficial and the Committee was supportive of a new police joint protocol which set out responsibilities for taking action in regard to encampments and how the police would seek to ensure consistency of approach across the county of Surrey. 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.
- 4.4 The Overview and Scrutiny Select Committee recommended that the Corporate Management Committee support the new police protocol, the provision of one or more transit sites in Surrey and a joint unit of all districts in Surrey to act collectively on behalf of all of the Surrey districts and boroughs. These recommendations were considered by the Corporate Management Committee at its meeting on 28 March 2019.
- 4.5 The Corporate Management Committee noted and supported the new police protocol for dealing consistently with illegal encampments.
- 4.6 The Corporate Management Committee noted that the police could direct some or all of travellers in a particular party to vacate a site provided that a suitable alternative facility was available. A transit site would be a suitable alternative facility. The Committee agreed to

support, subject to the provision of full cost benefit analysis, one or more transit sites being established in Surrey. While it was noted that it was possible that transit sites might be resource intensive and might only assist in alleviating some of the problems associated with unauthorised encampments, it was also noted that Surrey local authorities had expended already a large amount of resources in dealing with illegal encampments. However, the Committee did not wish to express unqualified support for transit sites and supported them subject to an assessment of the costs against the benefits that would be provided.

- 4.7 The Corporate Management Committee noted that evidence of joint actions by local authorities outside Surrey suggested that the establishment of a joint unit had assisted greatly in dealing with illegal encampments. This might be for a number of reasons including possibly consistency of approach, better understanding and connection with travelling communities and their movements and requirements and swifter action in dealing with illegal encampments. Accordingly, the Corporate Management Committee supported the establishment of a joint unit in Surrey.

## **ARTICLE 6– OVERVIEW AND SCRUTINY SELECT COMMITTEE/CRIME AND DISORDER COMMITTEE**

### **6.01 Terms of Reference**

The Council will appoint an overview and scrutiny Committee to discharge the functions conferred by regulations under Section 32 of the Local Government Act 2000. In Runnymede, the overview and scrutiny committee is titled the Overview and Scrutiny Select Committee.

The Overview and Scrutiny Select Committee will have nine Members, or as the Council may decide.

### **6.02 General Role**

Within this Constitution, the Overview and Scrutiny Select Committee may:

- (i) review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions;
- (ii) make reports and/or recommendations to the Full Council and/or any Committee in connection with the discharge of any functions;
- (iii) consider any matters affecting the area or its inhabitants; and
- (iv) exercise the right to call-in, for reconsideration, decisions made but not yet implemented by any Committee.

### **6.03 Specific Functions**

(a) **Policy development and review.** The Overview and Scrutiny Select Committee may:

- (i) assist the Council in the development of its budget and policy framework by in-depth analysis of policy issues;
- (ii) conduct research, community and other consultation in the analysis of policy issues and possible options;
- (iii) consider and implement mechanisms to encourage and enhance community participation in the development of policy options;
- (iv) question Members of policy Committees and Chief Officers about their views (in the case of Officers, professional views) on issues and proposals affecting the area; and
- (v) liaise with other external organisations operating in the area, whether national, regional or local, to ensure that the interests of local people are enhanced by collaborative working.

(b) **Scrutiny.** The Overview and Scrutiny Select Committee may:

- (i) review and scrutinise decisions made by, and performance of, policy Committees and Council Officers, both in relation to individual decisions and over time;
- (ii) review and scrutinise the performance of the Council in relation to its policy objectives, performance targets and/or particular service areas;

- (iii) question Members of policy Committees and Chief Officers about their decisions and performance, whether generally in comparison with service plans and targets over a period of time, or in relation to particular decisions, initiatives or projects;
  - (iv) make recommendations to the appropriate policy Committee and/or Council arising from the outcome of the scrutiny process;
  - (v) review and scrutinise the performance of other public bodies in the area and invite reports from them by requesting them to address the overview and scrutiny Committee and local people about their activities and performance; and
  - (vi) question and gather evidence from any person (with their consent).
- (c) **Finance.** The Overview and Scrutiny Select Committee may be allocated funding for its role by the Council, and will exercise overall responsibility for the finances made available to it.
- (d) **Annual Report.** The Overview and Scrutiny Select Committee must report annually to full Council on its workings and make recommendations for future work programmes and amended working methods if appropriate.

6.04 The Overview and Scrutiny Select Committee may form sub-committees from amongst its membership, or advisory panels from any suitable persons whether its Members or not.

#### 6.05 **Proceedings of Overview and Scrutiny Select Committee**

The Overview and Scrutiny Select Committee will conduct its proceedings in accordance with the Overview and Scrutiny Procedure Rules set out in Part 4 of this Constitution.

#### 6.06 **The Crime and Disorder Committee**

The Overview and Scrutiny Select Committee will also sit as the Council's Crime and Disorder Committee under section 19 of the Police and Justice Act 2006. It will meet in this capacity as required, but by law must do so at least once in every twelve months. When it does so, it must not exercise any functions other than its functions under the 2006 Act. Its terms of reference are set out in Part 3 of this Constitution and its proceedings will be conducted in accordance with the Crime and Disorder Committee Procedure Rules set out in Part 4.

8. **EXCLUSION OF PRESS AND PUBLIC**

**OFFICERS' RECOMMENDATION that –**

**the press and public be excluded from the meeting during discussion of the following report (s) under Section 100A(4) of the Local Government Act 1972 on the grounds that the report (s) in question would be likely to involve disclosure of exempt information of the description specified in appropriate paragraphs of Schedule 12A of the Act.**

**(To resolve)**

**PART II**

**Matters involving Exempt or Confidential Information in respect of which reports have not been made available for public inspection**

a) **Exempt Information**

(No reports to be considered under this heading)

b) **Confidential Information**

(No reports to be considered under this heading)