

Overview and Scrutiny Select Committee

Thursday 7 October 2021 at 7.30pm

**Council Chamber
Runnymede Civic Centre, Addlestone**

Members of the Committee

Councillors J Furey (Chairman), S Dennett (Vice-Chairman), A Alderson, A Balkan, D Coen, R King, S Mackay, S Walsh and S Williams.

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 WHICH COMMENCES AT 7.30.PM.)

AGENDA

Notes:

- 1) The following Measures to comply with current Covid guidelines are in place:
 - restricting the number of people that can be in the Council Chamber. Space for the public will be limited and allocated on a first come first served basis.
 - temperature check via the undercroft for Members/Officers and Main Reception for the public
 - NHS track and trace register, app scan is next to the temperature check
 - masks to be worn when moving around the offices
 - masks can be kept on whilst sitting in the Council Chamber if individuals wish
 - use of hand sanitisers positioned outside and inside the Council Chamber
 - increased ventilation inside the Council Chamber

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- 2) 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.
- 3) 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)**.
- 4) 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 [Committee Meetings – Runnymede Borough Council](#)
- 5) 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.
- 6) **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 Overview and Scrutiny Select Committee/Crime and Disorder Committee held on 8 July 2021 (attached at Appendix 'A').

Runnymede Borough CouncilAPPENDIX 'A'OVERVIEW AND SCRUTINY SELECT COMMITTEE/
CRIME AND DISORDER COMMITTEE8 July 2021 at 7.30 p.m.

Members of the Committee present: Councillors J Furey (Chairman), S Dennett (Vice-Chairman), A Balkan, D Coen, R King, M Kusneraitis, I Mullens, P Snow and S Williams.

Members of the Committee absent: None

Councillors A Alderson, T Burton, D Clarke, L Gillham, C Howorth, J Olorenshaw, D Whyte and S Whyte also attended.

122 FIRE PRECAUTIONS

The Chairman read out the Fire Precautions.

123 NOTIFICATION OF CHANGES TO COMMITTEE MEMBERSHIP

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

<u>Group</u>	<u>Remove From Membership</u>	<u>Appoint Instead</u>
Conservative	Councillor S Walsh	Councillor P Snow
Runnymede Independent Residents'	Councillor A Alderson	Councillor I Mullens
Runnymede Residents and Community	Councillor S Mackay	Councillor M Kusneraitis

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

124 MINUTES

The Minutes of the meeting of the Overview and Scrutiny Select Committee held on 4 February 2021 and of the Crime and Disorder Committee meeting held on 4 February 2021 were confirmed and signed as correct records.

125 CALL – IN OF DECISION – PUBLIC SPACE PROTECTION ORDER, EGHAM HYTHE

The Committee considered a call-in which had been received on 23 June 2021 from Councillor Robert King which was supported by Councillor Furey. Call-in of a decision was a procedure available to the Overview and Scrutiny Select Committee which prevented implementation of a decision of a Policy Committee until it had been considered further. The decision of the Community Services Committee on 17 June 2021 that a Public Spaces Protection Order (PSPO) for the Egham Hythe area was not proportionate at this stage but was to be kept under review had been called-in. The Committee noted evidence in support of the call-in which had been provided by Councillor Clarke which referred to various

incidents and noted that a serious incident had taken place in Hythe Park on Thursday 25 June 2021.

The Committee was advised that with regard to the two call-ins which were on its agenda, it was appropriate for any Members who had taken part in the original decision of the Policy Committee to consider the call-in as the Overview and Scrutiny Select Committee was only making recommendations to the Policy Committee or Full Council and the Policy Committee or Full Council would make the final decision.

The Committee noted that the issue of a PSPO for Egham Hythe had been raised by former Councillor Neathey and had been discussed at the meetings of the Community Services Committee on 12 November 2020, 11 March 2021 and 17 June 2021. Officers would respond to a Member regarding a query on the use of officer delegated powers to make a PSPO.

The Committee noted the response of officers to the call-in. Many of the behaviours reported to the Council's Community Safety Co-Ordinator by former Councillor Neathey were criminal matters and were already subject to various enforcement routes. The behaviours referred to in the evidence in support of the call-in confirmed further that the behaviours of most concern were linked to criminal matters or those which had enforcement options already available.

Any PSPO which was to be implemented had to follow a process, for which the route was via the Joint Action Group (JAG), which was a multi-agency group which determined if a PSPO was a proportionate tool to use. The purpose of this was to ensure that there was a joined up, problem solving approach and that the Council followed the statutory framework with a particular emphasis on proportionality which meant that measures taken to address a situation (in this case, behaviours occurring in public spaces) had to be appropriate to the behaviours occurring. The JAG had to first consider whether other measures should be taken. If the JAG considered that a PSPO was appropriate, there was then a need for a public consultation period.

Part of being able to justify whether a PSPO was a proportionate measure was to look at what other measures had been tried and/or considered but ruled out as being inappropriate. Measures taken to address situations had to be evidence based and therefore the Council had to be satisfied that the test was met before it could make a PSPO. Each case was looked at on its own merits, and simply having used a particular measure in another area did not mean that it was the right option in all cases.

A PSPO, if breached could result in a fixed penalty notice of up to £100 or prosecution with a fine up to £1,000. Therefore it was also necessary to consider the knock on implications – in this context, it was likely to be young people who are the offenders and likely that they did not have means to pay any such fines. Whilst there was a generic consensus amongst the public that parents of offenders should be made to pay fines, this was not something that the courts had allowed.

PSPOs applied to everyone in the area, not just the individuals causing a detrimental effect. Practical steps could be taken to identify the individuals for enforcement action, particularly with regard to ringleaders. There were enforcement options available to use which were specific to individuals such as Injunctions and Community Protection Notices.

There were organisations and clubs, such as Liberty and the Manifesto Club, who might respond to PSPO consultations and might make a challenge against the use of a PSPO which they felt was too draconian or interfering in a way that it should not do. The Council needed to be aware of this, particularly in relation to vulnerable groups. There were Human Rights implications to be considered when implementing a PSPO, particularly Article 10 (freedom of expression) and Article 11 (freedom of assembly). Other Articles could also apply. This was in addition to the Public Sector Equalities Duty.

Lesser restrictive measures that might be more appropriate should first be considered. Section 59(5) of the Anti Social Behaviour, Crime and Policing Act 2014 stated that restrictions should only be imposed that were reasonable – this therefore had to be specific to the behaviours with any restrictions or requirements imposed having to be connected to the behaviour which was having a detrimental effect.

In the case of *Summer v Richmond Upon Thames BC*, (in relation to a PSPO used for dog control), Mrs Justice May noted that local authorities were given a wide discretion to decide what behaviours were troublesome and required to be addressed within their area. As such a certain amount of deference was given to local authorities which also meant there was a certain amount of trust and power given. This made it important that local authorities ensured that they had the required evidence base and followed the right process when adopting PSPOs.

The evidence provided for the call-in queried why mobile CCTV cameras could not be deployed in Egham Hythe. It was noted that all of the Council's redeployable cameras were in use at the moment and there was no budget for additional cameras. Such cameras were only able to be deployed in places identified as areas of concern by the JAG.

Reporting of incidents in Egham Hythe had been low so many of the incidents referred in the evidence provided for the call-in might have not been reported and without this data a case could not be made for a PSPO. The evidence provided in support of the call-in referred to residents being afraid to report incidents and being afraid to go out later in the day. Members at the Community Services Committee on 17 June 2021 reported that a level of fear existed in the community, including concerns about reprisals and intimidation by the often known perpetrators of anti-social and sometimes criminal behaviour.

At the Community Services Committee meeting on 17 June 2021, some Members also reported that residents were not reporting as much as they could due to a lack of feedback from the police on previous occasions. The need for residents to feel they were being listened to was noted at that meeting, as well as focussing on positive activities which would distract those from engaging in anti-social behaviour. The reporting by a member of the public of an incident of crime and/or anti-social behaviour helped significantly in the long term by evidencing need of further actions. If reports were not made, then there was not the level of evidence required to be able to pursue enforcement or to pursue a PSPO.

The police had provided the ability for the public to report crime and/or anti-social behaviour via phone (999 and 101), online webform, online live chat and via social media (direct message to Surrey Police account). Anonymous reports could also be made to CrimeStoppers. Therefore there were multiple options for reports to be made to the police dependent on the preference of the public. These various options for reporting to the police were in addition to the Council's Anti-Social Behaviour report form.

Councillor Robert King stated that the call-in of the decision had been made on behalf of local residents as, in his view and in the view of many local residents, other reasonable measures had been tried in Egham Hythe but they had not resulted in a lessening of criminal and anti-social behaviour. He reported that threatening behaviour, peer pressure to behave in an anti-social way and drug use were all problems in the area. He considered that the call-in provided an example of effective cross party working amongst Councillors. He was concerned that if a PSPO was not implemented then disorderly behaviour in Egham Hythe would escalate.

The Chairman expressed the view that lack of funding or resources should not be put forward as a reason why crime and anti-social behaviour could not be tackled effectively. Other Members expressed the view that a PSPO for Egham Hythe would not be an effective measure as, in their view, the types of young people that engaged in anti-social or criminal behaviour could not be frightened into reasonable behaviour, did not respect

authority and could not afford to pay fines. They considered that a better approach would be to seek to improve the facilities available for young people in the area to divert them from perpetrating anti-social behaviour. They considered that the Community Services Committee's decision was appropriate for the circumstances in Egham Hythe. All members of the community would be affected by a PSPO, not just the individuals causing a detrimental effect and a PSPO was not proportionate at this time. The Council's Health and Wellbeing Member Working Party would discuss what constructive solutions could be put forward to improve the behaviour of young people and also would discuss ways of increasing Anti-Social Behaviour reporting.

It was noted that at its meeting on 17 June 2021, the Community Services Committee had agreed that, subject to the outcome of an exercise being undertaken in Spelthorne, further consideration of the proportionality of a Borough wide PSPO in relation to Nitrous Oxide be given and the Community Safety Co-ordinator take this forward through the JAG, if necessary. Regarding a comment made in the evidence provided in the call-in about 14 year olds being too young to prosecute, it was noted that the age of criminal responsibility was 10 years and therefore prosecution of a person aged 10 or above was an option which was available to the police.

It was noted that the police anti-social behaviour (ASB) reporting process recorded incidents relating to the Thorpe And Hythe area. It was suggested that this was not helpful when considering whether a PSPO was appropriate for Egham Hythe, as Thorpe and Hythe consisted of three separate and distinct communities, Egham Hythe, Thorpe Park and Thorpe and police ASB recording did not take place specifically for Egham Hythe. It was suggested that the evidence base that was before the Community Services Committee on 17 June 2021 needed to be more comprehensive, that the views of residents should be taken into account and that a more detailed breakdown of anti-social behaviour across the whole borough was needed to consider the matter properly.

Inspector James Wyatt of Surrey Police, who was the new Borough Commander for Runnymede, advised the meeting that a PSPO was essentially a blanket power which would affect all young people in an area. He had been in post for approximately two months and from his analysis of the position over this relatively short time period it appeared that there was a core group of troublemakers and that problems could be alleviated by dedicating time to deal with that group. It was not possible at this stage for the JAG to reach the conclusion that a PSPO was appropriate. Any response to criminal and anti-social behaviour in Egham Hythe would be evidence led. He chaired the JAG and that was the appropriate body to consider the making of PSPOs.

Inspector Wyatt advised that when assessing whether a PSPO was appropriate, it was not just a question of looking at the numbers of incidents. There were many different forms of anti-social behaviour and different solutions were appropriate depending on the type of anti-social behaviour that was being perpetrated. For example, a PSPO would not be useful in dealing with vehicle nuisance. He would explore whether it was possible to divide the police anti-social behaviour data for the Thorpe and Hythe area into more specific areas so that the data would relate more closely to the Egham Hythe segment. He would also wish to consider whether the current PSPOs in the borough were effective. He made the observation that the level of resourcing at present in Runnymede for community safety was at the lower end of the scale when compared to other Surrey District Councils and that Runnymede Borough Council did not currently have the ability to enforce PSPOs through internal patrolling officers as part of a Joint Enforcement Team (JET). Surrey Police had delegated authority to enforce PSPOs within Runnymede and act as the primary enforcers.

It was suggested that residents in Egham Hythe would want to see that the Council was concerned about anti-social behaviour in their area and was doing all that it could, in partnership with the police, to address the problem. The Chairman of the Community Services Committee assured the meeting that the Committee which he chaired took the issue of anti-social behaviour very seriously. The question to consider was whether the

tools being used to address anti-social behaviour were appropriate. He understood that a Member of the Council had sought to make representations on behalf of residents to the JAG but that Member had been informed that this was not possible. He queried how Members of the Council could represent the interests of their residents to the JAG. The Chairman agreed to take up this matter outside the meeting. He considered that the Community Services Committee had been correct to conclude that a PSPO was not appropriate at that time taking into account the data available and officer advice but agreed that the Community Services Committee should look at the matter again at a future meeting with different data.

The Committee agreed not to refer the decision back to the Community Services Committee for reconsideration. However, the Committee agreed to recommend to the Community Services Committee that it should agree to receive a future agenda item that investigated the manner in which anti-social behaviour and criminal behaviour was reported to enable it to be better informed when considering the making of PSPOs.

RECOMMEND TO COMMUNITY SERVICES COMMITTEE ON 16 SEPTEMBER 2021 that –

the Committee agrees to receive a future agenda item that investigates the manner in which anti-social behaviour and criminal behaviour is reported to enable it to be better informed when considering the making of Public Space Protection Orders (PSPO)s.

126 RUNNYMEDE POLICING UPDATE

The Committee received an update on policing in the borough provided by Inspector Wyatt, the Borough Commander. Inspector Wyatt informed the meeting that he had experience of neighbourhood policing across Surrey and in Woking and Guildford in particular. His appointment at Runnymede would consolidate the knowledge he had gained elsewhere in Surrey and he had a particular interest in Runnymede having grown up in the area.

Runnymede police had experienced increased demand with the easing of Covid restrictions, which constituted the 7th highest level of demand amongst the 11 Surrey districts. Total notifiable offences were up by 11.8% compared to this period last year. 13.7% of incidents resulted in a solved outcome (i.e. a charge, a caution or a community resolution) – this was the second highest solved outcome percentage in Surrey. There had been reductions in hate crime, vehicle crime and thefts from vehicles but increases in burglary and violence crimes. Four County Lines (i.e. drugs networks) had been disrupted since January 2021 and 13 warrants had been issued across Runnymede. An illegal puppy farm in Lyne had been closed down and 8 dogs had been rescued. A local Member reported the Lyne community's appreciation for this action.

Anti-social behaviour (ASB) remained a priority and work continued with partners to prevent ASB and divert those involved where appropriate. There had been a 39% reduction in ASB reports but the high level of ASB in 2020 could be attributed to the Covid lockdown - for example, a gathering in a garden had been classified as ASB. An ASB car was being used to target ASB hotspot locations. The ASB car supplemented the ASB work of local police officers. Every ward in Runnymede was visited.

The police encouraged the reporting of ASB through their website or through social media. Customer satisfaction with ASB responses had increased from 67% to 78% and ASB would be a particular focus for Inspector Wyatt who stated that he would be adopting a long term problem solving approach to ASB. This would focus upon the type of behaviour and partners working together to find solutions. He agreed to provide for the Committee a breakdown of anti-social behaviour across Runnymede.

Runnymede police had dealt with 376 Covid related incidents and issued 84 fines in 2021. Demand had increased as restrictions had eased. It was noted that residential burglaries included thefts from garages and sheds. A Member asked whether domestic violence figures could be broken down into gender groups, i.e, men to women, men to men, etc. It was agreed that a further breakdown of different domestic violence categories would be circulated to Members of the Committee.

Another Member reported that a resident had informed them that the police crime reporting on line form was excessively long and had queried whether the number of questions on the form was really necessary. Inspector Wyatt informed the meeting that the online form was a national form and dealt with a range of crime types so the questions were required. However, it was possible that the questions could be changed to be phrased differently and he agreed to ask the national on line crime report service to consider whether some of the questions set out in the service could be changed. The same Member also asked Inspector Wyatt how, in his view, the Police and Crime Commissioner of Surrey could support the work of Runnymede police on ASB. This Member had also requested that the Police and Crime Commissioner for Surrey be asked how they would seek to tackle ASB in Runnymede. The Chairman stated that these questions would be answered at another time and that his intention was that the Police and Crime Commissioner for Surrey would be invited to speak to Members on these matters on another occasion.

One of the options that the public were given on the Surrey Police website when they wished to report a crime was to make a telephone call to the number 101. A Runnymede Member had reported that local residents were informing him that the response time when they rang 101 was more than 20 minutes and as a result some of them were giving up phoning this number. Inspector Wyatt had requested information from the contact centre regarding 101 calls. This information showed that the average waiting time was 4 minutes 23 seconds. However, on occasions the waiting time could be more in the region of 20 minutes. He recommended that, where possible the public should use the alternative methods to contact the police, such as the website or social media. If people changed the way that they reported, this would then free up the 101 lines. Inspector Wyatt emphasised that there were a number of different ways in which the police could be contacted. 101 or 999 telephone numbers could be used in an emergency and the Surrey Police website, social media and Crimestoppers were all available.

A Member asked whether thefts of catalytic converters from vehicles continued to be a particular problem. Inspector Wyatt advised that since October 2020 the numbers for these types of offences had reduced as a result of targeting hotspots and scrap metal yards. The "Meet The Beat" programme where the police met the public continued to be in operation and Inspector Wyatt would be visiting all the wards in Runnymede himself.

The Chairman advised Inspector Wyatt that Runnymede residents liked to see a police presence on the streets. For the next meeting, he asked Inspector Wyatt to inform the Committee of the Chief Constable's five priorities for the County of Surrey and the five local priorities for Runnymede which were set by him as Borough Commander, along with any interaction that there might be between those priorities.

127 COMMUNITY SAFETY AND SAFER RUNNYMEDE ANNUAL REPORTS 2020/2021

The Committee noted the annual reports for Community Safety and Safer Runnymede for 2020/2021.

128 CALL-IN OF DECISION – APPOINTMENTS TO OUTSIDE BODIES

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The Committee considered a call-in received on 1 June 2021 from two Members of the Runnymede Independent Residents' Group, namely Councillor A Alderson and Councillor S Williams. Call-in of a decision was a procedure available to the Overview and Scrutiny Select Committee which prevented implementation of a decision of a policy

Committee until it had been considered further. The decision of the Corporate Management Committee on 27 May 2021 on appointments to outside bodies had been called -in. Councillors Alderson and Williams had called-in the decision as they did not consider that there had been a proper opportunity at the meeting on 27 May 2021 for Councillors to make the case for alternative nominations for some of the outside body appointments.

At its meeting on 27 May 2021, the Corporate Management Committee had made a number of appointments to outside bodies. For most of those appointments only one nomination had been received, i.e those appointments had not been contested. After the call-in was received, in order to prevent any delay in appointments being notified to those bodies for which appointments were uncontested at the Corporate Management Committee, the Leader of the Runnymede Independent Residents' Group agreed that the call-in would only apply to those outside body appointments that were contested.

The Overview and Scrutiny Select Committee noted the response of Officers to the issues raised in the call-in and at the Corporate Management Committee meeting on 27 May 2021. The Committee discussed the way in which contested appointments (i.e. those appointments where more than one nomination was received) had been considered at the Corporate Management Committee meeting on 27 May 2021. It was confirmed that advice had been given at the meeting on 27 May 2021 that if a Member who had been nominated for an external appointment wished to speak in support of their own nomination for an appointment to an outside body they could not do so. Members at the meeting on 27 May 2021 had interpreted the advice which had been given to mean that no speech could be made in support of a nomination to an outside body. The Overview and Scrutiny Select Committee noted that a speech could be made by another Member who was proposing the nomination, but not by the Member who was nominated.

Some Members at the Overview and Scrutiny Select Committee meeting considered that these arrangements for speaking were satisfactory. Other Members at the Overview and Scrutiny Select Committee meeting considered that the Member nominated should be able to speak in support of their nomination – those Members who were of this view were advised that they should seek support of other Members for that matter to be considered by the Constitution Member Working Party. Some Members at the Overview and Scrutiny Select Committee considered that a nomination for a person to represent the Council on an outside body should be able to be made by a Member who was not a Member of the Corporate Management Committee. The Corporate Head of Law and Governance was requested to investigate and provide further advice to Members on this point. (Advice on this point was given to the Corporate Management Committee on 22 July 2021 when it considered the Overview and Scrutiny Select Committee's comments on the call-in).

The opinion of the Overview and Scrutiny Select Committee was that as Members at the meeting of the Corporate Management Committee on 27 May 2021 had not been clear about the procedure to be followed in respect of contested appointments to outside bodies, the contested outside body appointments should be considered again at the next meeting of the Corporate Management Committee and be determined in accordance with Standing Order 39.6. The Overview and Scrutiny Select Committee recommended accordingly (recommendation 1).

The Overview and Scrutiny Select Committee also recommended (recommendation 2) that for future outside body appointments an External Appointments Sub-Group be convened (this could meet remotely as it would not be making decisions) which would make recommendations on the appointments to the Corporate Management Committee for decision. This recommendation was made as the Corporate Management Committee had a large volume of business to consider and more time was needed to consider this item in future in view of the greater number of nominations being made by the different groups on the Council.

The Overview and Scrutiny Select Committee also recommended (recommendation 3) that for future outside body appointments Council representatives on outside bodies be required to report back to the Council on their attendance and on the activity of the outside bodies to which they were appointed by the Council.

RECOMMEND TO CORPORATE MANAGEMENT COMMITTEE ON 22 JULY 2021 that –

- i) the contested outside body appointments at the Corporate Management Committee meeting on 27 May 2021 be determined in accordance with Standing Order 39.6 on pages 161 and 162 of the May 2021 Constitution of the Council;**
- ii) for future outside body appointments an External Appointments Sub-Group be convened which will make recommendations on the appointments to the Corporate Management Committee for decision; and**
- ii) for future outside body appointments, Council representatives on outside bodies be required to report back to the Council on their attendance and on the activity of the outside bodies to which they were appointed by the Council.**

129 ANNUAL REPORT OF THE OVERVIEW AND SCRUTINY FUNCTION

The Committee considered a draft Annual Report for the Municipal Year 2020/21 in accordance with sub-paragraph 6.03 (d) of the Council's Constitution which stated that the Overview and Scrutiny Select Committee must report annually to Full Council.

RECOMMEND TO FULL COUNCIL ON 15 JULY 2021 that –

the Annual Report of The Overview and Scrutiny Function 2020/21 be received and noted.

(The meeting ended at 9.53. p.m.)

Chairman

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 meetings.

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 registrable interest includes their appointment by the Council as the Council's representative to an outside body. Membership of an outside body in their private capacity as a trustee, committee member or in another position of influence thereon should also be declared. Any directorship whether paid or unpaid should be regarded as a disclosable pecuniary interest, and declared.

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 other registrable interest and/or 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 2020/21
(FINANCIAL SERVICES – PAUL FRENCH)**

Synopsis of report:

This is the annual report on treasury management activity and performance for the 2020/21 financial year.

Recommendation:

For information.

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 2020/21 was approved by this Committee at its meeting on 23 January 2020 and was subsequently approved at Full Council on 11 February 2020. This report sets out the Council's performance against the criteria in these reports for 2020/21.
- 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 at its meeting on 9 September 2021. That Committee noted that the policy of avoiding new borrowing by running down spare cash balances known as Internal Borrowing had served the Council well over the last few years. Internal Borrowing at the end of the year amounted to just over £51,000 as increased Government grants and increased balances had negated the need to borrow. This policy would be kept under review to avoid incurring higher borrowing costs in the future when the Council might not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt. That Committee also noted that the Council's actual interest rate performance during the year was 0.34% and that the Council's overall performance compared favourably with the Council's benchmark rates.

2. Prudential and Treasury Indicators and Compliance

- 2.1 In compliance with the requirements of the Code this report provides Members with a summary report of the treasury management activity during 2020/21. 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 2020/21 are set out in Appendix 'B'.

3. Risk management

- 3.1 The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. The Treasury Management Strategy Statement (TMSS) for 2020/21, which includes the Annual Investment Strategy, sets out the Council's investment priorities as being:

Credit risk

Counterparty credit quality is 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 MHCLG's Guidance on Investments, the Council maintains a sufficient level of liquidity through the use of Money Market Funds and call accounts.

Yield

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

4 Economic background

- 4.1 The following section was provided by the Council's Treasury Advisors, Link Asset Services and reflects the market position as at 12 April 2021.
- 4.2 The financial year 2020/21 will go down in history as being the year of the pandemic. The first national lockdown in late March 2020 did huge damage to an economy that was unprepared for such an eventuality. This caused an economic downturn that exceeded the one caused by the financial crisis of 2008/09. A short second lockdown in November did relatively little damage but by the time of the third lockdown in January 2021, businesses and individuals had become more resilient in adapting to working in new ways during a three month lockdown so much less damage than was caused than in the first one. The advent of vaccines starting in November 2020, were a game changer. The way in which the UK and US have led the world in implementing a fast programme of vaccination which promises to lead to a return to something approaching normal life during the second half of 2021, has been instrumental in speeding economic recovery and the reopening of the economy. In addition, the household saving rate has been exceptionally high since the first lockdown in March 2020 and so there is plenty of pent-up demand and purchasing power stored up for services in the still-depressed sectors like restaurants, travel and hotels as soon as they reopen. It is therefore expected that the UK economy could recover its pre-pandemic level of economic activity during quarter 1 of 2022.
- 4.3 Both the Government and the Bank of England took rapid action in March 2020 at the height of the crisis to provide support to financial markets to ensure their proper functioning, and to support the economy and to protect jobs. The Monetary Policy Committee (MPC) cut Bank Rate from 0.75% to 0.25% and then to 0.10% in March 2020 and embarked on a £200bn programme of quantitative easing (QE) (purchase of gilts so as to reduce borrowing costs throughout the economy by lowering gilt yields). The MPC increased the QE by £100bn in June and by £150bn in November to a total of £895bn. While Bank Rate remained unchanged for the rest of the year, financial markets were concerned that the MPC could cut Bank Rate to a negative rate; this was firmly discounted at the February 2021 MPC meeting when it was established that commercial banks would be unable to implement negative rates for at least six months – by which time the economy was expected to be making a strong recovery and negative rates would no longer be needed.
- 4.4 Average inflation targeting. This was the major change adopted by the Bank of England in terms of implementing its inflation target of 2%. The key addition to the Bank's forward guidance in August was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. This sets a high bar for raising Bank Rate and no increase is expected by March 2024, and possibly for as long as five years. Inflation has been well under 2% during 2020/21; it is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short lived factor and so not a concern to the MPC.
- 4.5 Government support. The Chancellor has implemented repeated rounds of support to businesses by way of cheap loans and other measures and has protected jobs by paying for workers to be placed on furlough. This support has come at a huge cost in terms of the Government's budget deficit ballooning in 20/21 and 21/22 so that the

Debt to GDP ratio reaches around 100%. The Budget on 3rd March 2021 increased fiscal support to the economy and employment during 2021 and 2022 followed by substantial tax rises in the following three years to help to pay the cost for the pandemic. This will help further to strengthen the economic recovery from the pandemic and to return the Government's finances to a balanced budget on a current expenditure and income basis in 2025/26. This will stop the Debt to GDP ratio rising further from 100%. An area of concern, though, is that the Government's debt is now twice as sensitive to interest rate rises as before the pandemic due to QE operations substituting fixed long-term debt for floating rate debt; there is, therefore, much incentive for the Government to promote Bank Rate staying low e.g. by using fiscal policy in conjunction with the monetary policy action by the Bank of England to keep inflation from rising too high, and / or by amending the Bank's policy mandate to allow for a higher target for inflation.

4.6 BREXIT. The final agreement on 24th December 2020 eliminated a significant downside risk for the UK economy. The initial agreement only covered trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. There was much disruption to trade in January as form filling has proved to be a formidable barrier to trade. This appears to have eased somewhat since then but is an area that needs further work to ease difficulties, which are still acute in some areas.

5. Borrowing Activity in 2020/21

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 2020/21 unfinanced capital expenditure, and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

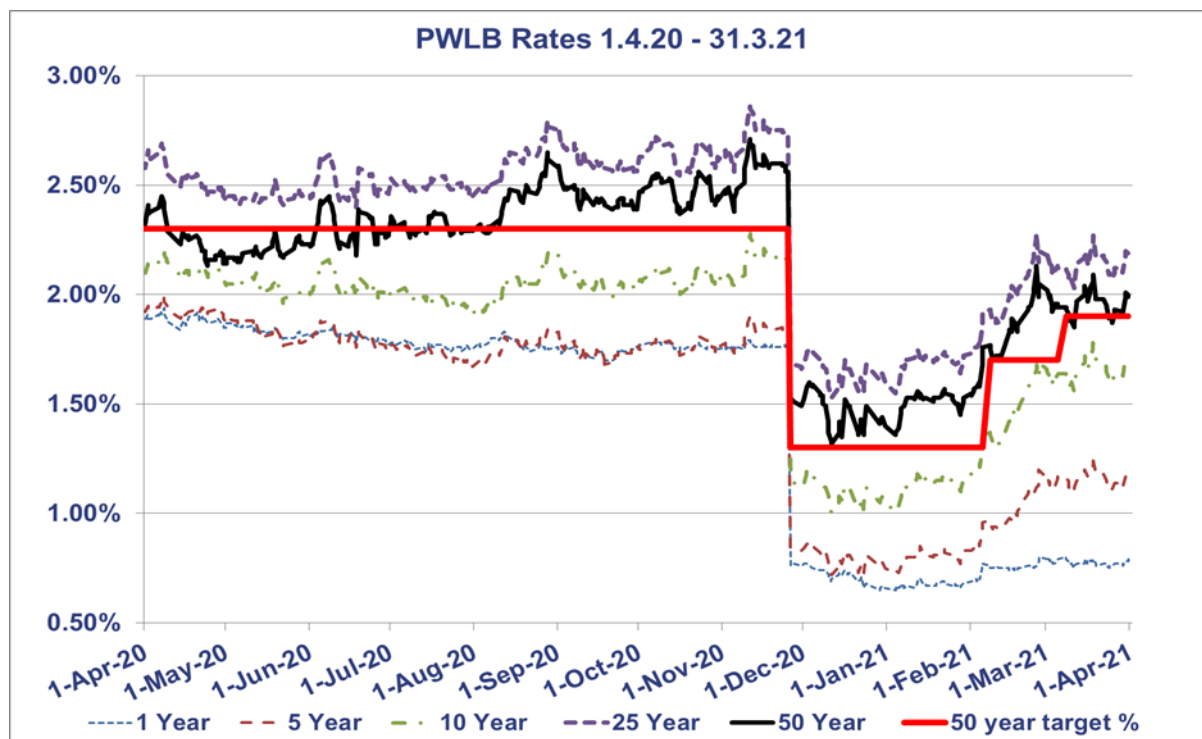
5.2 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow 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 2020/21, 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.

5.4 Table 1 below sets out the borrowing activity for the year.

Table 1 – Borrowing activity in 2020/21				
	Opening Balance £'000	New borrowing £'000	Borrowings repaid £'000	Closing balance £'000
HRA - PWLB	101,956	0	0	101,956
General Fund - PWLB	525,336	0	0	525,336
General Fund - Other	5,000	0	5,000	0
	632,292	0	0	627,292

- 5.5 The policy of avoiding new borrowing by running down spare cash balances is known as Internal Borrowing and has served the Council well over the last few years. Internal Borrowing at the end of the year amounted to just over £51,000 as increased government grants and increased balances negated the need to borrow. This policy will be 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.
- 5.6 As depicted in the graph below, PWLB 25 and 50 year rates have been volatile during the year with little consistent trend.



5.7 HM Treasury imposed two changes of margins over gilt yields for PWLB rates in 2019/20 without any prior warning. The first took place on 9th October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then, at least partially, reversed for some forms of borrowing on 11th March 2020, but not for mainstream non-HRA capital schemes. A consultation was then held with local authorities and on 25th November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its capital programme. The new margins over gilt yields are as follows: -.

- PWLB Standard Rate is gilt plus 100 basis points (G+100bps)
- PWLB Certainty Rate is gilt plus 80 basis points (G+80bps)
- PWLB HRA Standard Rate is gilt plus 100 basis points (G+100bps)
- PWLB HRA Certainty Rate is gilt plus 80bps (G+80bps)
- Local Infrastructure Rate is gilt plus 60bps (G+60bps)

5.8 There is likely to be only a gentle rise in gilt yields and PWLB rates over the next three years as Bank Rate is not forecast to rise from 0.10% by March 2024 as the Bank of England has clearly stated that it will not raise rates until inflation is sustainably above its target of 2%; this sets a high bar for Bank Rate to start rising.

- 5.9 There are strict criteria set out that forbid Councils from borrowing more than, or in advance of their needs, purely in order to profit from the investment of the extra sums borrowed. The Council has undertaken no such borrowing.
- 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’ attached.

6. Interest rates in 2020/21

- 6.1 Investment returns plummeted during 2020/21 to near zero or even into negative territory. Most local authority lending managed to avoid negative rates and one feature of the year was the growth of inter local authority lending. The expectation for interest rates within the treasury management strategy for 2020/21 was that Bank Rate would continue at the start of the year at 0.75 % before rising to end 2022/23 at 1.25%. This forecast was invalidated by the Covid-19 pandemic which caused the Monetary Policy Committee to cut Bank Rate in March, first to 0.25% and then to 0.10%, in order to counter the hugely negative impact of the national lockdown on large swathes of the economy. The Bank of England and the Government also introduced new programmes of supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the lockdown. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates plummeted.
- 6.2 Investment balances have been kept to a minimum through the strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates. Such an approach has also provided benefits in terms of reducing the counterparty risk exposure, by having fewer investments placed in the financial markets.
- 6.3 Interest rates during the period were as set out in Appendix ‘D’ attached.
- 6.4 The Council’s actual interest rate performance during the year was 0.34%. The Council’s overall performance compares favourably with the Council’s benchmark rates which were as follows:

Table 3 - Comparison of investment returns in 2020/21	
Index	Annualised Return %
Average Bank Base Rate	0.10
7 day LIBID average	0.07
3 month LIBID average	0.15
12 month LIBID average	0.17
Runnymede Borough Council rate	0.34

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.

- 6.5 One of the reasons for this good performance was the decision by officers to place surplus funds for periods of 9-12 months with local authorities during the year as Money Market Fund returns plunged to near zero. Lending to local authorities is one

of the safest forms of investment and authority to authority lending generally saw an upturn during the year as rates offered by local authorities out stripped the general market.

6.6 Another reason this favourable rate was achieved was due to the Council's investment in two Pooled Funds (operated by CCLA (Churches, Charities and Local Authorities) Investment Management Limited). These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Investments in these funds are long term in nature and over long term horizons they provide investors with strong levels of interest (in the form of dividends) relative to other forms of investment. However past performance has also shown that the capital values of these assets can be subject to large fluctuations (both up and down) over relatively short time frames.

6.7 The movement of the Council's two CCLA pooled funds is as follows:

Table 4 – Pooled Funds in 2020/21				
	Original Investment £	Value 31 March 2020 £	Value 31 March 2021 £	Average Return %
CCLA Property Fund	2,000,000	2,322,121	2,305,553	4.18
CCLA Diversified Income Fund	2,000,000	1,833,032	1,987,139	3.39

The differences between the Original Sums invested and the Values at 31 March 2020 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 2020/21 was 0.10%.

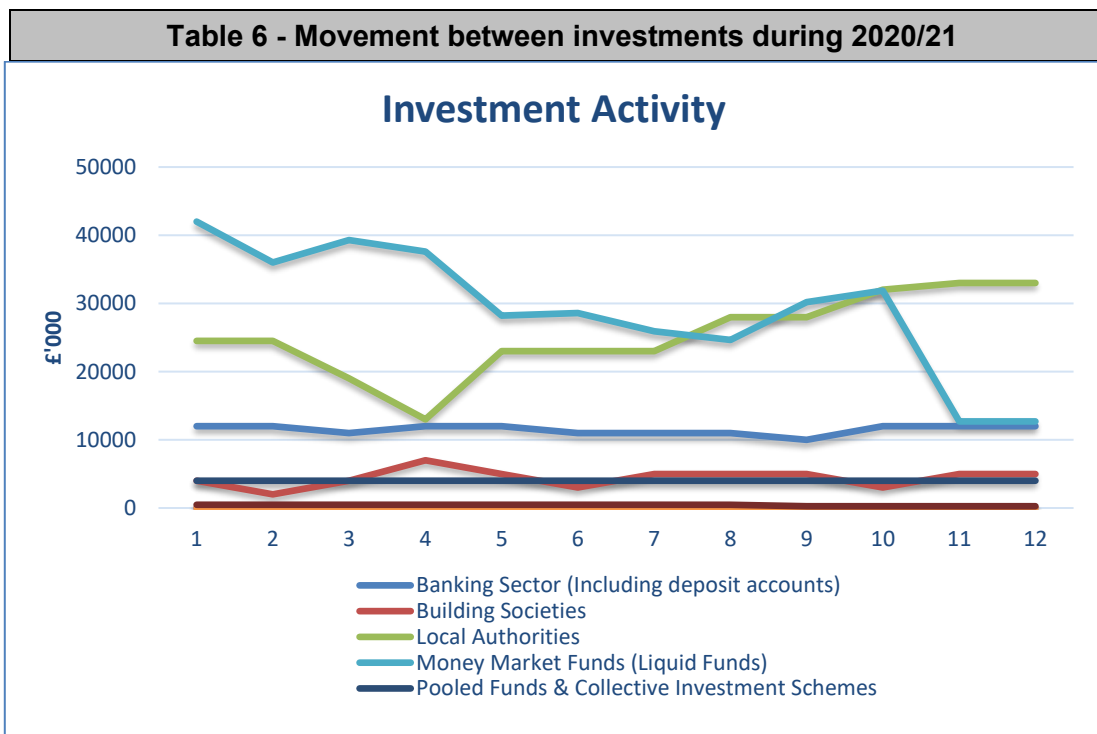
7. Investment Outturn for 2020/21

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 £66.696 million were held by the Council at 31 March 2021 which was lower than forecast due to officers using spare cashflows to pay for capital schemes rather than resorting to borrowing. Investment turnover in 2020/21 has been principally driven by the availability of counterparties that meet the criteria set out in the Annual Investment Strategy. Table 5 on the next page summarises investment activity during the course of the year, split between the sectors of the counterparties with which the funds were invested.

Table 5 - Investment activity in 2020/21						
	Opening Balance		New Investments	Investments Recalled		Closing Balance
	£000		£000	£000		£000
Specified Investments						
Banking sector	15,500		7,000	10,500		12,000
Building societies	5,000		13,000	13,000		5,000
Local Authorities	24,000		46,500	37,500		33,000
Money Market Funds	30,600		140,695	158,805		12,490
Unspecified Investments						
Pooled Funds & Collective Investment Schemes	4,000		0	0		4,000
Funding Circle	461		11	266		206
	79,561		207,206	220,071		66,696

7.3 The monthly movement in balances between these categories is set out in Table 6 below and reflects the available counterparties and investment rates at that time.



7.4 A full list of investments held at 31 March 2021 is set out in Appendix 'E' attached.

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 investments. The table on the next page shows gross investment income achieved in 2020/21 alongside the interest paid on borrowings:

Table 7 – Net investment income / Debt interest 2020/21			
	Original Estimate £'000	Revised Estimate £'000	Outturn £'000
Investment income earned	364	216	228
Dividend income earned	190	87	179
Interest on loans to RBC companies	1,571	1,489	1,461
Gross investment income	2,125	1,792	1,868
Management expenses	(100)	(100)	(18)
Interest paid on deposits and other balances	(2)	(2)	(1)
Debt interest	(17,892)	(16,169)	(15,575)
Net Investment Income / (Debt interest)	(15,869)	(14,479)	(13,726)

This is broken down between services as follows:

General Fund	(12,624)	(11,098)	(10,334)
Housing Revenue Account	(3,245)	(3,381)	(3,392)
Net Investment Income / (Debt interest)	(15,869)	(14,479)	(13,726)

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 the Council receiving approximately £27m of Covid related money to passport onto businesses throughout the year, and the management decision to run down investment income due to minimal investment rates rather than borrow to fund the Magna Square regeneration scheme in Egham.

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, with the continued uncertainty over the coronavirus pandemic and Brexit as well as global market uncertainty generally, having adverse effects on the markets. Despite this, by tapping into medium term investments with Local Authorities, the Council has managed to achieve above average returns for the year.
- 10.2 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. Hopefully, liquidity and confidence will return to money markets and investor confidence in general. When this happens, it is expected 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.

(For information)

Background Papers

None stated

Treasury Indicators 2020/21

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	2019/20 Actual £000s	2020/21 Estimate £000s	2020/21 Revised £000s	2020/21 Actual £000s
HRA	3,517	9,828	4,280	3,271
General Fund	14,555	37,624	34,341	35,489
Non-Financial Investments				
- Investment Properties	45,342	109,621	8,116	8,143
- Capital Loans	36	996	-	150
Total	63,450	158,069	46,737	47,053
Financed by:				
Capital Receipts	4,301	9,938	5,134	1,799
Earmarked Reserves	799	2,634	4,182	2,847
Capital Grants & Contributions	424	565	571	199
Revenue	3,301	7,862	3,965	3,259
Total	8,825	20,999	13,852	8,104
Net financing need for the year	54,625	137,070	32,885	38,949

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

	2019/20 Actual £000s	2020/21 Estimate £000s	2020/21 Revised £000s	2020/21 Actual £000s
Capital expenditure	45,378	110,617	8,116	8,293
Financing costs met	36	996	-	150
Net financing need for the year	45,342	109,621	8,166	8,143
Percentage of total net financing need	83%	80%	25%	21%

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.

	2019/20 Actual £000s	2020/21 Estimate £000s	2020/21 Revised £000s	2020/21 Actual £000s
CFR:				
- HRA	101,956	101,956	101,956	101,956
- General Fund	91,695	175,349	100,684	100,684
- Non-Financial Investments	398,825	404,933	441,171	441,171
CFR at 1 April	592,476	682,238	643,811	643,811
Net financing need for the year	54,625	137,070	32,885	38,948

Less MRP/VRP and other financing movements	(3,289)	(4,265)	(3,820)	(3,820)
CFR at 31 March	643,812	815,043	672,876	678,939

The CFR does not increase indefinitely, as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has no such schemes, however the introduction of International Financial Reporting Standard 16: Leases during 2022/23 will change that as assets embedded into contracts are brought on to the Council's balance sheet as finance leases.

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.

	2019/20 Actual £000s	2020/21 Estimate £000s	2020/21 Revised £000s	2020/21 Actual £000s
External Debt at 1 April	-	665,083	632,574	-
Expected change in Debt	-	136,069	27,857	-
Actual gross debt at 31 March	632,574	801,152	660,431	627,609
Capital Financing Requirement	643,812	815,043	672,876	678,939
Under / (over) borrowing	11,238	13,891	12,445	51,330

The under borrowed position 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:

	2019/20 Actual £000s	2020/21 Estimate £000s	2020/21 Revised £000s	2020/21 Actual £000s
Debt at 1 April	441,171	665,083	665,083	632,574
Percentage of total external debt	70%	61%	61%	70%

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.

	2020/21 £000s
Operational Boundary	840,898
Authorised Limit	880,998
Actual Borrowings	627,609

This limit includes a “cushion” to allow for the non repayment of any borrowing at the required time and headroom for rescheduling of debts (i.e. borrowing new money in advance of repayment of existing). This was not required during the year.

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.

	2019/20 Actual £000s	2020/21 Estimate £000s	2020/21 Revised £000s	2020/21 Actual £000s
Upper limits on fixed interest rates based on net debt	598,792	827,648	801,152	573,250
Upper limits on variable 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.

	2019/20 Actual £000s	2020/21 Estimate £000s	2020/21 Revised £000s	2020/21 Actual £000s
Upper limits on Principal sums invested for over 364 days	0	3,000	1,000	0

There were no investments made for a period of greater than 364 days at the 31 March 2021.

Maturity structure of fixed interest rate borrowing (Upper Limit)

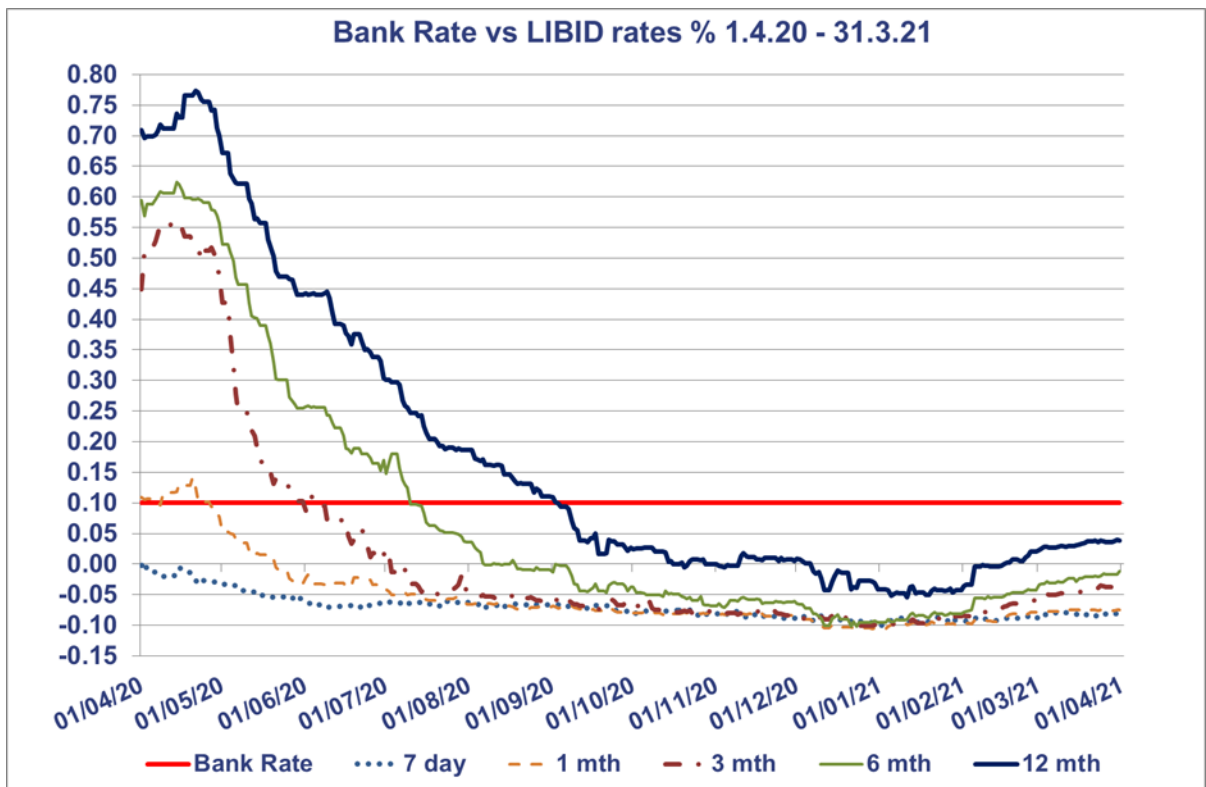
	2019/20 Actual %	2020/21 Estimate %	2020/21 Revised %	2020/21 Actual %
Under 12 months	0	25	25	7
12 months to 2 years	1	25	25	1
2 years to 5 years	9	25	25	5
5 years to 10 years	8	50	50	9
10 years to 20 years	13	100	100	10
20 years to 30 years	7	100	100	6
30 years to 40 years	0	100	100	0
40 years to 50 years	62	100	100	63

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 March 2021

	Principal Sum £'000	Original Term (Years)	Annual Interest £	MATURITY	%
Housing Revenue Account					
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%
	101,956		3,425,944	Average Rate:	3.36%
General Fund					
PWLB - 507406	40,000	3	672,000	02 May 2021	1.68%
PWLB - 500502 (part) - Appropriated from HRA	1,336	10	32,064	28 Mar 2022	2.40%
London Borough of Barking & Dagenham	5,000	3	90,000	20 Dec 2022	1.80%
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 - 507919	6,000	9	150,000	22 Dec 2028	2.50%
PWLB - 504520	15,000	15	414,000	04 Dec 2030	2.76%
PWLB - 176998	10,000	11	226,000	30 Mar 2031	2.26%
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 - 508328	10,000	43	247,000	31 Dec 2061	2.47%
PWLB - 508377	10,000	43	249,000	18 Jan 2062	2.49%
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 - 177081	40,000	50	932,000	30 Mar 2070	2.33%
	525,336		12,149,264	Average Rate:	2.31%
Total Borrowings	627,292		15,575,208	Annual Interest	
Advance Loan Deal (Refinancing existing loan)					
Phonenix Life Limited	£'000	(Years)		MATURITY	%
	40,000	40	Annuity Basis	02 May 2061	2.88%

APPENDIX 'D'



Investments as at 31 March 2021					
	<u>£'000</u>		<u>ORIGINAL</u>		
			<u>TERM</u>	<u>MATURITY</u>	<u>%</u>
<u>Banks</u>					
<u>Access Accounts</u>					
Santander Business Reserve Account	4,000		**** 95 Day Notice A/C ****		0.400
Lloyds Bank PLC	4,000		**** 95 Day Notice A/C ****		0.050
<u>Term Deposits</u>					
DBS Bank	1,000		3 mth	20 Apr 2021	0.040
Landesbank Hessen Thuringen Girozentrale - London	1,000		3 mth	15 Apr 2021	0.040
<u>Certificates of Deposit</u>					
Nat West Bank	2,000		1 yr	02 Jul 2021	0.380
Total Banks	12,000	18%			
<u>Building Societies</u>					
Leeds BS	3,000		3 mth	12 Apr 2021	0.025
Nationwide BS	2,000		3 mth	07 May 2021	0.020
Total Building Society	5,000	7%	(50% Limit)		
<u>Local Authorities</u>					
Birmingham City Council	5,000		6 mth	19 May 2021	0.150
Blackpool Council	2,000		5mth	28 Jun 2021	0.050
Cheshire East Council	3,000		3 mth	24 May 2021	0.150
Fife Council	3,000		6 mth	15 Jul 2021	0.050
Liverpool City Council	5,000		10 mth	03 Jun 2021	0.480
Nottinghamshire Office of Police & Crime Commission	2,000		5mth	09 Jul 2021	0.060
Plymouth City Council	5,000		9 mth	28 Jun 2021	0.200
Slough Borough Council	5,000		9mth	28 May 2021	0.300
South Somerset Council	3,000		10mth	20 Aug 2021	0.230
Total Local Authorities	33,000	49%			
<u>Money Market Funds</u>					
Aberdeen Liquidity Sterling Fund	10,000		***** On Call *****		Variable
Aviva Investors Sterling Liquidity Fund - Class 3	490		***** On Call *****		Variable
CCLA - Public Sector Deposit Fund	2,000		***** On Call *****		Variable
Total Money Market Funds	12,490	19%			
<u>Pooled Funds & Collective Investment Schemes</u>					
CCLA Property Fund	2,000		**** 3 mth settlement ****		Variable
CCLA Diversified Income Fund	2,000		**** 3 mth settlement ****		Variable
Total Pooled Funds	4,000	6%			
<u>Funding Circle</u>					
Lending to small and medium sized companies	206		**** up to 5 years ****		Variable
Total Other Investments	206	0%	(with the ability to sell loans)		
Total Investments	66,696				

7. **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 relevant paragraph(s) of Part I 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).