

## Runnymede Borough Council

### Overview and Scrutiny Select Committee

Thursday, 2 February 2023 at 8.32 pm

Members of the Committee present: Councillors S Lewis (Vice-Chair, in the Chair), A Berardi (In place of S Ringham), M Darby, R Davies, L Gillham, C Howorth (In place of J Furey), N Prescott and S Williams.

Members of the Committee absent: Councillor S Saise-Marshall

#### 485 Minutes

The minutes of the meeting from 7 July 2022 were confirmed and signed as a true record.

#### 486 Apologies for Absence

Apologies were received from Cllr S. Saise-Marshall.

#### 487 Declarations of Interest

No declarations of interest were made.

#### 488 Mid Year Treasury Management

The Corporate Head of Finance advised that as at 30 September 2022 the Council had outstanding borrowing of £653m and investments of £83m.

The Corporate Head of Finance highlighted to Committee a breach of counterparty limits as set out in the report, with one of the three rating agencies downgrading the institution in which an investment had been made, meaning that the investment did not meet the Council's criteria at the time of the investment.

The breach had been reported to Council in accordance with treasury procedures and officers had established new preventive controls and procedures to ensure that this did not happen again. The Corporate Head of Finance would update the Committee when the IT supplier had overcome the issues encountered.

The average interest rates achieved for the first six months of the year were also highlighted, with investments generating interest of an average 1.1%.

#### 489 Treasury Management 2023-24

The Corporate Head of Finance confirmed that the 2023-24 Treasury Management strategy had been approved at the recent Corporate Management Committee.

Training for Members and Officers had been given greater prominence, and two training sessions had taken place for Members in October 2022, and officers had undertaken a training needs assessment.

The key capital and treasury prudential indicators included the Council's borrowing need, new liability benchmark setting out the future borrowing requirements and a new proportionality indicator, setting out the Council's reliance from income in investment properties and loans to companies.

The Corporate Head of Finance highlighted the Council's investment strategy, with £70m-£90m invested at any one time. However, finding locations for these investments was becoming challenging so officers were therefore seeking to increase its counterparty limits and/or seek additional investment vehicles for its money and tweak the amounts officers could invest in foreign countries, which the Council's treasury advisors did not consider an unreasonable proposition.

In response to a query from a Member, it was confirmed that the Council only invested in countries that had a minimum sovereign long term rating of AA+.

The Corporate Head of Finance confirmed to a Member that increases or drops in costs, including inflation were monitored and assessed through the Council's budget monitoring and significant changes were subsequently reflected in the cashflow forecasts.

A Member asked for evidence of the ethical and environmental criteria used by the Council when deciding where to invest. The Corporate Head of Finance stated that the vast majority of the Council's investments were in banks and building societies and that the credit rating agencies incorporated ESG risks in their ratings which the Council used in determining homes for its investments. Other Members were supportive of environmental criteria factors, but urged a nuanced discussion to enable all parties to express views on social responsibility, particularly in the context of being able to support Ukraine in the current conflict.

The Corporate Head of Finance added that some banks had started issuing dedicated sustainable accounts which would be investigated.

**Recommended to Full Council on 9 February 2023:**

- i) The proposed 2023/24 Treasury Management Strategy encompassing the Annual Investment Strategy was approved.**
- ii) The Prudential and Treasury Management Indicators for 2023/24 was approved.**
- iii) The revised Treasury Management Policy Statement and Treasury Management Practices was approved.**
- iv) The authorised limit for external borrowing by the Council in 2023/24, was set at £700,613,000 (this being the statutory limit determined under Section 3 (1) of the Local Government Act 2003.**
- v) The Council's MRP statement for 2023/24 remain as follows:**

**"The Council will use the asset life method as its main method for calculating MRP. In normal circumstances, MRP will be set aside from the date of acquisition. However, in relation to capital expenditure on property purchases and/or development, we will start setting aside an MRP provision from the date that the asset becomes operational and/or revenue income is generated".**