APPENDIX 'A'

Runnymede Borough Council

OVERVIEW AND SCRUTINY SELECT COMMITTEE

2 December 2021 at 7.30.p.m.

Members of the Committee present:	Councillors J Furey (Chairman), A Balkan, A Alderson, D Coen, R King, P Snow, S Walsh and S Williams.
Member of the Committee absent:	Councillor S Mackay.

Councillors L Gillham and N Prescot also attended.

347 **Fire Precautions**

The Chairman read out the Fire Precautions.

348 **Notification Of Change To Committee Membership**

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

Group	Remove From Membership	Appoint Instead
Conservative	Councillor S Dennett (Vice-Chairman)	Councillor P Snow

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

349 **Minutes**

The Minutes of the meeting of the Overview and Scrutiny Select Committee on 7 October 2021 were confirmed and signed as a correct record.

350 **Apologies for Absence**

None received.

351 **Declarations Of Interest**

None declared.

352 **Progress Towards Savings**

The Committee noted a report produced at the request of the Chairman of the Committee which provided Members with an update on progress towards the Council's savings target.

It was noted that the Council should be in a position by May 2022 to align strategies on climate change, health and wellbeing, economic prosperity and the Local Plan, all of which would be underpinned by the Medium Term Financial Strategy (MTFS). The Committee noted that capital expenditure consisted of resources spent on long term assets such as buildings or vehicles. Capital resources arose from items such as capital receipts, borrowing or grants. Revenue expenditure was all of the rest of the Council's expenditure that was not capital. Housing was funded through the Housing Revenue Account which was a separate account from the General Fund.

Over the years, Runnymede had made numerous savings and efficiencies to counter approximately £7m of lost Government grant. This had made Runnymede a relatively lean organisation with little room to make additional efficiencies without affecting front line services. This essentially restricted ongoing savings targets to income generation and working with other organisations to deliver efficiencies.

The MTFS approved in February 2021 had included a £2m savings target. In February 2021 the Council had approved a target to identify £1m savings in 2021/22 and a further £1m in 2022/23. Additional income received in late February/March 2021, removal of uncommitted growth, freezes on recruitment and on all non-essential expenditure, delays in borrowing to finance the Magna Square development and a betterment in the commercial property debt provision, had all been factors which had resulted in the Council having increased balances at the end of 2021/22 which meant that the £2m savings target could be found over 3 to 4 years rather than the 2 envisioned.

In 2020/21 the Council had instigated a recruitment freeze which had generated savings of approximately £1.2m. Whilst this was one of the measures that had allowed the Council to extend the timeline for making savings, it was not a long term solution as it placed additional workloads on existing overstretched staff causing stress, resentment and low staff morale, created a back log of work which was not acceptable to staff and Members alike and meant missed deadlines that could end up costing the Council money.

The Committee noted progress towards savings identified and included in the MTFS. The 2021/22 budget included provision for savings of £500,000. The savings identified so far had effectively met the current year's savings target. In June 2021 a Voluntary Redundancy Programme (VRP) had been approved which saved £720,000 and £340,000 of this sum had been reinvested in new posts in the areas of climate change, bid writing, procurement, human resources and parking enforcement. This produced a net saving of £380,000. Other savings or income generation items that had been identified were an increase in income from Automatic Number Plate Recognition installation in car parks, a reduced contribution to the Surrey travellers site, removal of the Essential User Car Allowance scheme, careline income, rough sleeping accommodation and out of hours contracts. The total produced by all of these items, including the VRP net saving, was £587,000.

It was noted that the Council was able to capitalise redundancy costs arising out of the VRP in the current year. The Committee also noted that additional savings and efficiencies were already being generated through the use of hybrid mail and through digital transformation and that the Council had obtained income from the Community Infrastructure Levy with £57,000 being received so far.

It was noted that additional resources for parking enforcement and revised seven day working arrangements had resulted in increased income, targeting of particular hotspot areas and tackling problems of people parking inappropriately or dangerously, which had produced an improved service.

It was noted that the rough sleeping accommodation saving arose as the Council had obtained funding in order to provide three properties for the homeless in the borough and rent from these properties would generate income. The Committee queried how the occupiers of the three properties would be able to pay rent. It was noted that the rent would either be paid as a result of the occupiers either obtaining employment or it would be paid out of any benefits that the occupiers would receive.

Potential incoming resources had been identified totalling £475,000 in respect of Egham Orbit additional income, CCTV contracts and partnership working with the NHS. These three items had been included in the MTFS as they were more advanced than four other items which would need more work to deliver. These four other items were increased trade waste income, further rental of Civic Centre office space, shared services and Community Services transport contracts. The total produced by these seven items was £775,000. This £775,000 target might not necessarily be produced by the seven items listed and officers would be looking at other potential incoming resources. Concerning the shared services item, officers were currently in negotiations with Surrey Heath and Woking Borough Councils. The Committee noted the Council's plans to generate additional income for Egham Orbit.

A Member asked about the Council's plans to produce more revenue for the Safer Runnymede Closed Circuit Television (CCTV) service. It was noted that the Council was seeking to move towards a break even position for Safer Runnymede by making substantial inroads into the Safer Runnymede deficit by obtaining further CCTV contracts and the Committee noted progress in achieving this objective. It was noted that Surrey Police's contribution to Safer Runnymede would increase from £50,000 to £56,000 next year. The Council was also seeking to increase further Surrey Police's financial contribution to Safer Runnymede in view of the value to the police which was derived from the evidence provided by CCTV cameras.

It was noted that the Council made provision of £100,000 a year for replacement CCTV cameras for Safer Runnymede to ensure that the equipment was up to date. As the numbers of CCTV contracts held by Safer Runnymede increased, a strategic decision would need to be made on whether further investment would be required in order to generate further revenue. A factor in this decision would be whether further long term Safer Runnymede CCTV commitments had been obtained from other local authorities. It was noted that the residents of Runnymede valued the CCTV service which Safer Runnymede provided so that the Council should not be only taking into account financial considerations in assessing the contribution to the Council which was made by Safer Runnymede.

A Member suggested that the Council should consider ways of making its residents aware of national benefits that were available which might be a way of reducing any debts that those residents owed to the Council and to other organisations.

The Committee noted potential longer term income opportunities which had been identified by officers totalling £400,000. In summary, the Council had identified approximately £1.7m (£587,000 plus £775,000 plus £400,000) of potential new income against its target of £2m. However, although the Council had identified savings it had also identified new unavoidable growth and new cost pressures. As an illustration of the cost pressures that the Council faced, if inflation was at the Government's 2% target, the cost to the Council would be £450,000. A flat rate £5 increase in Council Tax only generated an additional £175,000 in income which meant that the Council had to generate an extra £275,000 in income to break even in respect of a 2% inflation rate. Furthermore, inflation was predicted to rise in 2022.

New cost pressures identified in drafting the latest MTFS amounted to an additional £1,460,000 a year. These new cost pressures included homelessness reduction grant falling away, a refuse and recycling staffing review, an increase in employers national insurance contributions, and £30,000 for Neighbourhood Planning Forums.

Other potential cost pressures which could not at present be quantified were the ongoing effects of Covid, the end of furlough, the end of Covid related rent protections which had been extended to March 2022, the Government's Fair funding Review, potential rising inflation and expenditure associated with responding to climate change. Potential pressures on Council income might occur if the drop in income from charges (e.g. car parks) was slower to recover than expected and also from the effects of the Environmental Bill and from potential future lower commercial rentals and possible insufficient commercial income reserves.

The Committee noted the paramount importance of addressing the ongoing General Fund deficit in order to maintain an adequate level of reserves. There was a need to build up balances in the property repairs and renewals reserve and the investment property income equalisation reserve but this could only be done by taking money from the General Fund Working Balance. Any Section 151 officer or Chief Financial Officer of a Council that failed to maintain an adequate level of reserves would have to issue a Section 114 Notice where the expenditure of the authority was likely to exceed the resources available to it to meet that expenditure. The Committee noted that Runnymede was in a better financial position and had a smaller budget gap than some of its peers. However, there was still a need to address a predicted ongoing deficit.

The Committee noted that the main problems for local government sustainability arose from significantly reduced funding and increasing cost pressures. Runnymede had identified approximately £600,000 of savings with a further £1.2 million that would required the cooperation of others in various ways, e.g. agreement to enter into contracts or joint working arrangements or provide shared services. Inflation, Member aspirations and unknown potential future costs made the delivery of the savings of paramount importance. Digital transformation would create some efficiencies but this would be mainly over the medium term. The Council would need to work differently to deliver future projects and work within existing budgets.

One way of saving money which was advocated sometimes by the public was for Councils to only deliver those services which were required by statute and to cut back their discretionary services. However, this was not an acceptable course of action for Runnymede as the discretionary services that it provided were often the most valued by local residents. Furthermore, discretionary services also provided Runnymede with the potential to generate income.

It was suggested that the items in the report might be divided into three categories of cost neutral expenditure, investing to save and investing to generate income. This would enable Members to see the purposes of different types of expenditure. The Council's main aims were to avoid making cuts to services and to build up its reserves by making savings, by generating income and by transforming the way in which its services were delivered through various efficiency measures, including through agile working where possible.

Members agreed that the report had provided a valuable insight into the financial planning process of the Council. The Committee agreed to receive a report on progress towards savings twice yearly in order to review this matter on a regular basis.

353 **Treasury Management Mid-Year Report 2021/22**

The Committee noted a report on the treasury activity undertaken during the first six months which had been reported to the Corporate Management Committee at its meeting on 25 November 2021.

The Committee noted the economic background over the period and an outlook on future interest rates provided by the Council's treasury advisor, Link Asset Services. The Committee noted a full list of the Council's borrowings held at 30 September 2021. Officers had borrowing externally again recently to crystalise some of the Council's £50m of under, or internal, borrowing whilst rates were still low. The Council had borrowed £10m from the Public Works Loan Board at the end of September 2021 and had since borrowed a further £20m, including £10m for 50 years at 1.67%, which was lower than the Council's 1.75% target rate.

Public Works Loan Board rates were set twice a day and could fluctuate significantly. For example, rates in November 2021 had varied between 1.65 % and 1.93%. Decisions on when to borrow externally were based on future cash flow needs and the rates on offer and were undertaken in conjunction with the Councils Treasury advisor, who kept a close eye on the market.

The Committee noted the investment activity during the first six months of the year. £129,645m of new investments had been made and the Council ended the period with £71,454m invested in the markets. This had temporarily increased to £82m at the end of November 2021 with the recent external borrowings, but this would start to reduce again after the New Year. These investments generated an average interest rate for the period of 0.29% which exceeded the target of 0.20% for the year. However, with rates set to rise from their historic lows over the next few years, future in house performance was unlikely to be as favourable as investments started to move in line with the rising market. In addition to the money markets, the Council also invested in its own companies by making loans, at commercial rates, to Runnymede Borough Council Investments (Surrey) Ltd. This produced a valuable source of income for the General Fund.

The Committee noted the original estimate and the predicted outturn for the Council's treasury operations for 2021/22. This showed that, with interest rates rising, and delays to borrowing, the Council was anticipated to be £2m better off than it assumed 9 months ago. However, this was just a temporary measure, as the delayed borrowing, once taken out, would bring these figures back in line in a full year. During the financial year to date, the Council had operated within its treasury and prudential indicators and the Committee noted the position at 30 September 2021 against each of the indicators.

The Committee noted that increases in the Bank Rate during 2022 appeared to be inevitable to counter rising inflation and large increases in gas and electricity prices. The Council's treasury advisor would continue to provide forecasts on the timing of any increases.

It was noted that the Council was not driven by the green agenda currently in making its investments. The Council was required to follow Chartered Institute of Public Finance and Accountancy and Government advice when investing. Security was the first priority, followed by liquidity and then yield. There was not enough research currently available on the level of security provided by Environmental, Social and Governance (ESG) investments to enable the Council to invest according to ESG criteria. However, the position was changing. Rating agencies now used ESG data and therefore ESG might become a feature of the Council's investment policy in the future.

It was noted that the provisions of the prudential framework for local authorities were currently under scrutiny with the main aim being to address continued borrowing for commercial investment. Along with recent changes to the Public Works Loan Board access rules, the proposals for the new Prudential and Treasury Management Codes effectively made it much harder to make commercial investments by removing ambiguities and misinterpretation and adding in a new objective of proportionality and a new liability benchmark as a treasury indicator. Officers were currently reviewing the new draft Codes and would build in any new requirements to the Capital and Treasury Strategies to be considered by Members in January 2022. The Council was still allowed to borrow for various purposes which included regeneration and housing. The changes to the Codes would not affect the Council's ability to borrow for future regeneration schemes.

It was noted that the Council had been able to obtain a particularly good rate of interest of 0.4% in its investment with the Santander Business Reserve Account. The Committee commended Finance officers for the good treasury performance in the first six months of 2021/22.

(The meeting ended at 9.34.p.m.) Chairman