

Runnymede Borough Council

Overview and Scrutiny Select Committee

Thursday, 7 July 2022 at 8.30 pm

Members of the Committee present: Councillors J Furey (Chairman), R Davies, L Gillham, S Ringham, J Wilson (Substitute, in place of S Saise-Marshall) and S Williams.

Members of the Committee absent: Councillors S Lewis (Vice-Chairman), M Darby, N Prescott.

130 Minutes

The minutes of the meeting from 3 February 2022 were confirmed and signed as a true record.

131 Apologies for Absence

Apologies were received from Cllrs S. Lewis and N. Prescott.

132 Declarations of Interest

No declarations of interest were made.

133 Treasury Management Annual Report

The Corporate Head of Finance advised that the report set out the treasury performance of the Council during the last financial year. Members of the Committee had the opportunity to make any recommendations ahead of the report being presented to the following week's Corporate Management Committee.

The Corporate Head of Finance advised that the Council's underlying need to borrow was known as the Capital Financing Requirement and represented the level of unfinanced capital expenditure. Part of the Council's treasury activity was to address the funding requirements for this borrowing need and organise the Council's cash position to ensure that sufficient cash was available to meet capital plans and cash flow requirements.

Last year, the Council maintained an under-borrowed position, meaning that the borrowing need was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flows, was used as an interim measure, which was known as "internal borrowing".

By using Internal Borrowing, at the year end the Council was "under borrowed" by £47m saving the Council approximately £1m in loan interest payments over the last 12 months.

During the year the Council repaid a £40m loan to the PWLB and replaced it with the prearranged £40m annuity loan at 2.88% with Phoenix Life as agreed by Corporate Management Committee in 2018. This represented the Council's first and only Annuity loan which repays an element of the principal sum borrowed each year rather than repayment of all the principal at the loan maturity date.

In total the Council took out additional loans of £30million during the year which were used to fund the Magna Square development.

The Corporate Head of Finance added that general return on the Council's investment

remained low with the bank Base Rate remaining at 0.1% until December when following a series of increases, it settled at 0.75% at the end of the year.

Investment balances had been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. Such an approach had provided benefits in terms of reduced interest payments and reducing counterparty risk exposure, by having fewer investments placed in the financial markets

The Council's interest rate performance during last year, was 0.36% which compared favourably with the Council's benchmark rates, and was largely thanks to investment in its two Pooled Funds. These funds were long-term in nature and over long-term horizons they provided investors with strong levels of interest in the form of dividends

Another good performer for the Council had been its investment with the Funding Circle, a platform for lending to small businesses. This investment vehicle had averaged a 5% return over the life of the investments, but unfortunately it was now being wound down for retail investors – of which the Council is one.

Investments to the value of £229m were made during the year with a year-end balance of £77m.

Taking both borrowing and investment together overall the Council made a £2.4m betterment on its original Net debt forecast for the year.

The Council's treasury advisors were anticipating that the bank base rate would continue to increase throughout the year to end at 2.75% by the end of March 2023.

All the Council's borrowings were at fixed rates of interest so there would be no fluctuation. The Council had £10m of borrowing maturing this year which would be repaid using investment balances rather than taking out a replacement loan at an increased cost.

The Corporate Head of Finance concluded that last year could be considered a good year, with the Council operating within the boundaries set out in the Treasury Strategy, and investment returns and borrowing rates were better than anticipated with no additional risk to the Council.

The Corporate Head of Finance would be arranging two training sessions for Members on Treasury Management in October, one internal, and one provided by the Council's treasury advisors. The Committee chair asked that these sessions took place in person rather than virtually, and should be compulsory for Members of the Committee.

In response to a Member's question about keeping a minimum level of reserves, the Corporate Head of Finance confirmed that whilst there was a minimum level of around £3m, there were also earmarked reserves available for investment property income and property repairs.

Furthermore, borrowing was taken out on a maturity loan, meaning that whilst interest was repaid the principal sum was not repaid until the loan matured. This resulted in Minimum Revenue Provision, which set aside money each year to ensure the loan could be repaid. As the sum builds up the cash becomes available but could not be used, only invested, so the Council's Finance Team utilise this to avoid taking out more borrowing.

The Corporate Head of Finance confirmed that whilst the reserves did not have to be stress tested, CIPFA provided a resilience index.

A Member asked about the impact on the Council's finances with the cost of living going up, and the Corporate Head of Finance admitted there were challenges ahead, which affected

things such as fuel costs and contracts. This led to further questions about the prospect of electrifying the Council's fleet, however this would be considered over a longer-term basis. Currently the cost of an electric refuse vehicle was around double that of a diesel vehicle, with battery-life technology not yet sufficiently advanced to be viable.

The Committee chair made Councillors aware of ongoing enquiries by the Department of Levelling Up, Housing and Communities into a number of Councils' borrowing levels, including Runnymede. The Committee chair felt that the levels of borrowing were justified by the investments the Council had made over a number of years which had enabled it to maintain and expand both the compulsory and discretionary services it provided to residents.

134 **Annual Report of the Overview & Scrutiny Function**

The Council's constitution states that Overview & Scrutiny Select Committee must report annually to full Council. The Democratic Services Officer presented the annual report that for Committee's consideration to recommend to July's full Council meeting.

The Select Committee had considered a number of items over the previous twelve months, including two call ins relating to the PSPO in Egham and the appointment to outside bodies.

Other items on the Select Committee's agenda had been related to Treasury Management and progress towards savings, with a further update on progress towards savings expected at October's Committee meeting.

A Member queried the wording around the call-in relating to outside bodies, believing that Members had not misinterpreted advice around not being able to make a speech in support of their own nomination, but rather they had been told they were unable to do so.

It was agreed to tweak this wording for the Chair's consideration, who would decide whether he was supportive of an amendment to the report at full Council.

Another Member asked about the regularity of Treasury Management training for Members. Whilst it was agreed at a previous meeting that training would take place every other year, this would be kept under review given the potential annual turnover of membership of the Committee.

Recommended to full Council that –

the Overview & Scrutiny Select Committee annual report be received and adopted

(The meeting ended at 9.13 pm.)

Chairman