

## Appendix A

### Overview and Scrutiny Function – Annual Report – 2022/23

#### 1. Introduction

1.1 The Overview and Scrutiny function in Runnymede is undertaken by the Overview and Scrutiny Select Committee. The Committee's [Terms of Reference](#) and [procedure rules](#) are both set out in the Council's Constitution. This report summarises the areas of the Overview and Scrutiny Select Committee's activities for the Municipal Year 2022/23.

1.2 The Overview & Scrutiny Select Committee met on the following dates in 2022/23:

[7 July 2022](#)

[2 February 2023](#)

[12 April 2023 \(Extraordinary Meeting\)](#)

1.3 The following items were considered at its meetings:

Item	Date
Treasury Management Annual Report 2021 /22	7 July 2022
Mid-Year Treasury Management	2 February 2023
2023/24 Treasury Management Strategy, Annual Investment Strategy, Prudential and Treasury Management Indicators and Minimum Revenue Provision	2 February 2023
Call in of Decision: Recruitment Process for Appointment of New Chief Executive	12 April 2023

#### 2. Treasury Management Annual Report 2021/22

2.1 The Council's Treasury Management Strategy for 2021/22 was approved by Corporate Management Committee at its meeting on 21 January 2021, Overview & Scrutiny Select Committee 4 February 2021 and at Council on 9 February 2021. [The report](#) to Overview & Select Committee on 7 July 2022 set out the Council's performance against the criteria in these reports for 2021/22.

2.2 The financial year continued the challenging investment environment of previous years. The management of counterparty risk remained the council's primary treasury management priority. The criteria in the Annual Investment Strategy was continuously reviewed to minimise risk as far as reasonably possible whilst retaining the ability to invest with secure institutions.

2.3 During the meeting it was reported 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.

2.4 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.

- 2.5 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.
- 2.6 Treasury Management training was offered to all councillors in October 2022, and the chairs of both Corporate Management Committee and Overview & Scrutiny Select Committee encouraged its members to attend. The training was broken down into two sections, the first delivered in-house and the second by an external company, and covered the following areas:
- Treasury Management Framework
  - Council Responsibilities
  - Treasury Management Policy
  - Annual Investment Strategy
  - Types of investment
  - Treasury Management Practices (TMP)
  - Treasury Management Schedules (TMS)

### **3. Mid-Year Treasury Management**

- 3.1 The Prudential and Treasury Management Codes, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), require all local authorities to prepare Treasury Management and Capital Strategies.
- 3.2 It was reported during the meeting that as at 30 September 2022 the Council had outstanding borrowing of £653m and investments of £83m.
- 3.3 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.
- 3.4 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.

### **4. 2023/24 Treasury Management Strategy, Annual Investment Strategy, Prudential and Treasury Management Indicators and Minimum Revenue Provision**

- 4.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- 4.2 The updated Treasury Management Code had introduced a requirement to set out Liability Benchmark and Proportionality indicators so that members and officers could easily see the borrowing commitments the Council has and the extent to which the Council is reliant on its property related income.

- 4.3 The Council recognises that effective financial planning, option appraisal, risk management and governance processes are essential in achieving a prudent approach to capital expenditure, investment, and debt. Therefore, all investment decisions (treasury and nontreasury) are taken considering the Council's Corporate Business Plan, Medium Term Financial Strategy, Capital & Investment Strategy and Treasury Management Strategy.
- 4.4 The Council remain in a very difficult investment environment with several unknowns. Interest rates and market sentiment has still been subject to bouts of volatility and economic forecasts abound with uncertainty. With rising interest rates, increasing global political risks and expected recessions in 2023, the investment policy and borrowing shall remain prudent in combination with rigorous risk management practices.
- 4.5 During the meeting 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.
- 4.6 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.
- 4.7 The following recommendations were made to full Council:

**i) The proposed 2023/24 Treasury Management Strategy encompassing the Annual Investment Strategy as set out in this report be approved**

**ii) The Prudential and Treasury Management Indicators for 2023/24 set out in this report be approved**

**iii) The revised Treasury Management Policy Statement and Treasury Management Practices set out in the Appendices be approved**

**iv) The authorised limit for external borrowing by the Council in 2023/24, be 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".**

## **5. Call-in of Decision: Recruitment Process for Appointment of New Chief Executive**

- 5.1 Call-in of a decision is a procedure available to the Overview and Scrutiny Select Committee which prevents implementation of a decision of a policy Committee until it has been considered further.
- 5.2 Following Corporate Management Committee on 23 March 2023 two members of Overview & Scrutiny Select Committee triggered the call-in process for an item on the agenda around the recruitment process for the appointment of a new chief executive.
- 5.3 During the meeting Members highlighted concerns over proportionality, with the recruitment process taking place either side of an election, and further concerns were raised at the lateness of the item, with the paper having been despatched some 48 hours before March's Corporate Management Committee.
- 5.4 After around an hour's debate a Member put forward a motion to suggest that Corporate Management Committee proceed with the recruitment process as planned.
- 5.5 Following a named vote, the motion was carried by five votes to four, therefore it was resolved that –

**Overview & Scrutiny Select Committee to recommend that Corporate Management Committee proceed as planned.**

## **6. Plan for 2023/24**

- 6.1 The Overview & Scrutiny Select Committee scheduled for 5 October 2023 will have a report outlining the first quarter Treasury Management, which would include property investments, alongside the Treasury outturn report.
- 6.2 The Overview & Scrutiny Select Committee scheduled for 30 November 2023 will have an item on the second quarter Treasury Management.