

Runnymede Borough Council

CORPORATE MANAGEMENT COMMITTEE

Thursday 31 January 2008, at 7.30 p.m.

in the Council Chamber

at the Civic Offices, Addlestone



Members of the Committee

Councillors J.R. Furey (Chairman), A.J. Davis (Vice-Chairman), A. Alderson, Mrs. R.M. Denby, J.M. Edwards, Mrs L.M Gillham, C.J. Norman, Ms.C.M. Simmons, P.J. Waddell and G.B. Woodger.

## **A G E N D A**

Notes:

- i) 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 Committee so resolves.
- ii) 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, Administration and Leisure Department, Committee Section, Civic Offices, Station Road, Addlestone (Tel. Direct Line: 01932 425624). (Email: john.gurmin@runnymede.gov.uk)**.
- iii) 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 [www.runnymede.gov.uk](http://www.runnymede.gov.uk).
- iv) 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.

## **LIST OF MATTERS FOR CONSIDERATION**

### **PART I**

#### **Matters in respect of which reports have been made available for public inspection**

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### **PART II**

#### **Matters involving Exempt or Confidential Information in respect of which reports have not been made available for public inspection.**

a) Exempt Information

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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 the Minutes of the meeting of the Committee held on 3 January 2008, attached at Appendix 'A'.

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 Committee Administrator at the start of the meeting. A supply of the form will also be available from the Committee Administrator at meetings.

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 personal and prejudicial.

6. PRELIMINARY CONSIDERATION OF MAYORAL SELECTION (DAL)

(Ref: Minutes of Corporate Management Committee, February 2007, page 733, para. 514)

In accordance with Standing Order 7, the following procedures apply for the selection of the Mayor and Deputy Mayor:

- i) preliminary consideration of candidates for the office of Mayor and Deputy Mayor will be undertaken by the Corporate Management Committee before the end of February in each calendar year;
- ii) the Corporate Management Committee will recommend a nomination for the office of Mayor and a nomination for the office of Deputy Mayor to the first Ordinary meeting of the Council in each calendar year; and
- iii) subject to such nominations being duly approved by the Council in accordance with paragraph ii) above, the nominees shall be put forward as candidates for the respective offices at the Annual Meeting in the following Municipal Year, provided they are still Members of the Council.

The Committee is therefore asked to consider candidates for the office of Mayor and Deputy Mayor and recommend a nomination for each office for 2008/2009 to the next Ordinary meeting of the Council.

**(TO RECOMMEND)**

Background Papers

Standing Orders of Runnymede Borough Council

7. 2008/09 BUDGET AND COUNCIL TAX (DMT)

To follow.

8. ADDING CAPACITY AT HEATHROW AIRPORT (DTS)

1. Purpose of Report

1.1 **To agree a response to a consultation document issued by the Government entitled 'Adding Capacity at Heathrow Airport'.**

1.2 **Comments are requested by 27 February 2008.**

2. Background Information

2.1 The Government has invited comment on the options for 'Adding Capacity at Heathrow Airport'. The Government is examining the opportunities for further development at Heathrow by adding a third runway and exploring the scope for making better use of the existing two runways. This develops the themes in the 2003 White Paper entitled 'The Future of Air Transport'.

2.2 Government support, set out in the White Paper, for expanding Heathrow reflected the strong economic benefits and was conditional on:

- a noise limit – no increase in the size of the area significantly affected by aircraft noise (as measured by the 57dBA  $L_{eq}$  noise contour in 2002);
- air quality limits – being confident of meeting European air quality limits around the airport, in particular for nitrogen dioxide (NO<sub>2</sub>) which is the most critical local pollutant around Heathrow; and
- improving public transport access to the airport.

3. Policy and Technical Considerations - The Context of the Current Proposal

3.1 The Department for Transport (DfT) set up a project to examine the Sustainable Development of Heathrow to consider whether, and how, the conditions in paragraph 2.2 of this report might be met. The consultation document describes in detail how Heathrow operates today and sets out forecast future demand. It presents a revised proposal by BAA plc, who manage the Airport, to add by 2020 a third runway north of the A4 (of 2,200 metres (m) operational length compared with the original 2,000m proposal), with associated passenger terminal facilities and access to the road and rail networks. This could potentially enable the airport to handle around 700,000 air transport movements (ATMs) a year, which is nearly 50 per cent more than today.

3.2 As an interim measure ahead of a third runway, it is also proposed to introduce simultaneous operation for arrivals and departures on the existing two runways by 2015 (this is known as "mixed mode" operation). This will be either with or without additional ATMs. The current mode of runway alternation (the use of either the North or South runway) would have to cease during mixed mode operations. It is proposed that mixed mode operations will cease by 2020, when it is envisaged that the third runway will be in operation. The consultation aims to develop an understanding of the importance attached by local communities to the benefits of runway alternation, and of the time of day for which it will be of most value, so that this can be taken into account in the decision-making process, and the wider benefits of the various options can be understood.

3.3 Adding a third runway at Heathrow could also potentially provide capacity to increase movements in the night period. However, night flights at Heathrow are strictly controlled between 2300 and 0700, including limits on the permitted numbers and total amount of noise in the night quota period (2330 to 0600). In view of this, nothing in this consultation will affect the continued operation of the current night flying restrictions which were put in place in 2006 and will extend until they are next reviewed in 2012.

4. Council Policy

- 4.1 There have long been concerns about the environmental impact of the Airport, in terms of noise, impact on air quality and generation of car borne traffic. Nevertheless, this has to be balanced against the economic benefits that Heathrow brings to the area. It is a significant factor in attracting internationally renowned companies to locate their headquarters in the Borough. In addition, there are many business enterprises that are attracted to the Borough because of its proximity to Heathrow and the good local communications. For these reasons, the Council has constantly expressed its conditional support for the continued operational success of Heathrow. At its meeting on 13 December 2007, the Council also reaffirmed its support for the Airtrack scheme which it considered would have a beneficial effect in terms of access to the Airport, as set out in paragraph 4.5 below.
- 4.2 The Government has not identified the need for special measures to reduce road traffic accessing the airport. The consultation says that there is potential to meet the likely demand for public transport access with a third runway.
- 4.3 The DfT's forecasts indicate that the share of surface access trips carried by public transport is expected to increase and improvements to public transport access are required. Some improvements are already in prospect, including enhanced services on the Piccadilly Line by 2014 and the introduction of Crossrail services to Heathrow by 2017. The Government has also examined other possible measures, including the Airtrack scheme, and it is satisfied that there is the potential to meet the likely demand for public transport if a third runway is built. Some 4 million extra users would travel by the Piccadilly line, 4 million on heavy rail and 25 million would use road access.
- 4.4 A suggested response to the consultation document is set out in paragraphs 4.5 and 4.6 below.

**Comment**

- 4.5 ***The Councils surrounding the Airport have indicated that they will oppose further expansion at Heathrow. This is consistent with their approach with regard to the fifth terminal at the Airport. However, Runnymede has long recognised the benefit of the Airport to the local area, but has supported growth on the basis that sustainable environmental measures and surface access are in place. Improved surface access from the south west of the Airport has always been a key to Runnymede's support. It was disappointing that the fifth terminal was not conditional upon improved public transport from the south west (the Airtrack Scheme). However, there is some comfort that Airtrack is being promoted by BAA plc (and others including Runnymede). If successful it would be operational by 2013, before the third runway would be in place (2020) or mixed mode operation (2015). Runnymede considers that Airtrack will reduce road traffic, and will benefit airport employees travelling to and from work and air travellers accessing Heathrow. The Council also urges the Minister for Transport to facilitate improvements to the road and rail infrastructure in respect of level crossings in Addlestone, Egham and Staines, which will be closed to road traffic more frequently as a result of the increased number of trains and rail usage, which will arise from the Airtrack scheme.***
- 4.6 ***The consultation indicates that the proposed increases in air traffic movement and surface access to the airport would be achieved without environmental degradation in the neighbourhood of Heathrow. This position has been questioned and the particular concerns are:***
- ***the claim that the increase in air traffic will not increase the size of the 57dBA L<sub>eq</sub> contour established in 2002 (the noise measures). This is particularly relevant in the north of the Borough in Egham and Englefield Green;***
  - ***the loss of the village of Sipson (750 properties) to accommodate the third runway;***

- ***the indication that the third runway will meet all requirements for air pollution and be climate change neutral; and***
- ***the increase in air movements arising from the use of mixed mode runway use (i.e. each runway would alternate between take offs and landings) instead of segregated mode runway use (aircraft using a runway to either land or take off, but not both) which may have an impact on residents in the North of the Borough as a result of increased aircraft activity.***

5. Sustainability/Environmental Issues

5.1 The consultation document is accompanied by a detailed technical appraisal that would require specialist analysis to provide advice to the Committee. It is recommended that this is not pursued at present.

6. Conclusion

6.1 The Government is examining the opportunities for adding some 50% additional capacity at Heathrow by:

- introducing mixed mode runway use by 2015; and
- introducing a third runway and an associated terminal with links to the road and rail network by 2020 (and removing mixed mode runway use).

6.2 Heathrow has long been recognised by the Council as a significant economic asset in the area. However, support for expansion at Heathrow has always been conditional upon the appropriate balance made and the impact on the local environment. Of particular relevance is achieving good public transport access from the south west of the airport, and the need to ensure no deterioration in air and noise pollution. These matters are brought to the attention of the Government in recommended reports.

**OFFICERS' RECOMMENDATION that -**

**the comments set out paragraphs 4.5 and 4.6 of this report be forwarded to the Government as a formal response to the consultation document entitled 'Adding Capacity at Heathrow Airport'.**

**(TO RESOLVE)**

Background Papers

Consultation document entitled "Adding Capacity at Heathrow Airport".

9. EQUALITY POLICY AND ACTION PLAN (CEO)

(Ref: Minutes of Corporate Management Committee, September 2005, page 347, para. 222, January 2007, page 622, para. 450)

1. Purpose of Report

1.1 **To publish progress in respect of the Council's Equality and Diversity policy and its associated action plan and propose amendments to the Council's equalities policy arising from new legislation.**

2. Background Information

2.1 In October 2005, the Council adopted an equalities policy that incorporated an action plan to meet the requirements of various pieces of equalities legislation. The policy applied those elements defined by the duty to promote good race relations (as defined by the Race Relations Amendment Act 2000) to disability and gender, as it seemed likely that the impending changes to the Disability Discrimination Act 1995 (amended in 2005) and the Equality Act 2006 would give all strands similar prominence. This has proved to be the case and the Council therefore has a single diversity policy and action plan.

- 2.2 The Council's Equality policy and action plan incorporates the statutory requirements to promote equality as defined by all three pieces of legislation. The equalities duties also require public authorities to:
- i) Screen all functions, policies and practice for likely impact on equality. Where these are considered to have a different impact on different groups of people (adverse or positive), Equality Impact Assessments (EIA) are to be conducted in order to assess that impact on minority groups.
  - ii) Monitor recruitment, training, promotion, disciplinary hearings and grievances in relation to different groups of staff – and report on whether minority groups are fairly represented at each stage.
  - iii) Monitor service provision to highlight any variation between the proportion of minority groups in the background population and those accessing the authority's services.
  - iv) Train staff and Members adequately in equalities.
  - v) Consult relevant community groups about the outcome of the impact assessments.
  - vi) Publish the results of impact assessments and consultation annually.
  - vii) Review the policy and function list on a three-yearly basis.

### 2.3 Equality Standard

- 2.3.1 The Equality Standard brings together the requirements of the various pieces of legislation set out in section 6 of this report (Legal Implications). There are five levels. The Council received external accreditation to Level 2 of the Equality Standard for Local Government in June 2006; level 2 acknowledges that the Council has an equality scheme and has begun to engage in impact assessment and consultation.

## 3. Progress in the Past Year

- 3.1 The Council's Equalities Policy and Action Plan, attached at Appendix 'B', is brought to the Committee's attention for two reasons. Firstly, the Council is required to publish progress against its equalities schemes and this is shown in bold print against the targets in the appended Action Plan. Secondly, the policy has been updated, with the updates shown in bold print, to ensure consistency and update references to new legislation and guidance. The update shows progress in the number of Equality Impact Assessments that have been completed.

### 3.2 Employment Monitoring

- 3.2.1 The Council monitors statistics relating to gender, disability and ethnicity in terms of staff recruitment, training, grievance, discipline and promotion. These are reported in the Annual Pay and Workforce Plan; a summary is being posted on the internet as a means of publishing them, as required by the legislation.

### 3.3 Service Monitoring

- 3.3.1 Public bodies are required to collect and analyse statistics to give a picture of the numbers of people from different backgrounds (specifically in relation to race, disability and gender) using their services and how this compares to the background population.
- 3.3.2 The Council monitors ethnicity in relation to people requesting housing allocations and those on the housing waiting list as is required by the statutory code of practice for housing. Ethnicity data has also been collected through the 3-yearly surveys the Council is required to undertake in relation to the Benefits, Development Control and housing services. In addition it is collected regularly in relation to the homelessness service, holiday playschemes and Surrey Youth Games activity.

3.3.3 As from 1 April 2008, the Government is proposing to introduce two-yearly "place surveys" to replace the general satisfaction questionnaires and the 3-yearly surveys relating to Benefits, development control, and housing services. A paper containing the details and methodology of the proposals is out for consultation until 8 February 2008. The proposals include equality monitoring data, but the proposed structure (which aims to collect data about local people's perception of their areas), is unlikely to yield the same amount of service - specific data as the current Benefits, Development Control and housing services questionnaires. It is therefore possible that the Council may need to review the data currently collected in relation to these services, to meet the requirements of the equalities legislation.

3.3.4 The Council has a racial incident reporting form on the intranet available for Officers to use. Harassment and hate crime are categories on the anti-social behaviour form, which is available on the internet. Any such instances are passed to the Police, who have a separate unit dealing with hate crime. Annual figures are also reported in the Council's performance indicators.

### 3.5 Screening and Impact Assessment

3.5.1 An initial screening of the functions for their impact on equalities was included in the Equalities and Diversity Policy. Twenty-nine of the functions identified for 2005/06 and 2006/07 have undertaken Equalities Impact Assessments. These have been reviewed by the Council's internal equalities group. Nineteen are now on the website (they can be found by looking for Equalities in the A-Z and then choosing the "impact assessment" link) and the others are undergoing some additional work. The emphasis should now shift to translating the outcome of the impact assessments into action points in service plans. This should include:

- i) improved data collection and monitoring,
- ii) identifying the best forum for consulting minority groups where there appear to be gaps in the take-up of Council services,
- iii) ensuring decisions about changes to policy or new policy are made with reference to a completed Equality Impact Assessment.

### 3.6 Training

3.6.1 347 Council staff participated in Equality Awareness training between February and May 2006; the sessions continue to be delivered to new staff and those who missed the original tranche. A quarter of Councillors also received the awareness training, or have received training through other local authorities or voluntary groups with whom they work. The Council's policy gives a commitment to equalities training at every level of the organisation and the Equality Standard emphasises the importance of political and managerial leadership in ensuring that equality issues are taken into consideration at every level of the organisation.

### 3.7 Consultation and Publication of Results

3.7.1 An internal Officer group has been acting as an equalities group and guides the development of impact assessment. Members of the North West Surrey Physical Disability Board participate in the meetings and others from the local religious groups have been invited. The group is intended to challenge any internal assumptions made by service managers when undertaking equality impact assessments. The Council already has contacts with agencies who are able to translate and transcribe materials or act as interpreters for meetings for those for whom written or spoken English is difficult. Existing groups are being consulted about the impact assessments wherever possible and contacts strengthened with faith groups and Royal Holloway University. Where the equalities group consider that a particular policy might have a negative impact on a minority group in the community, Officers will endeavour to identify individuals and groups who might be adversely affected and engage in more specific consultation with them.

4. Council Policy

- 4.1 The Corporate Standards set out in Annex B of the Council's Strategic Plan include the following:

"Exercising policies that are non-discriminatory in our dealings with and services to, our customers and also in our employment practices"

"Engaging with and being responsive to public opinion through consultation on important issues, ensuring clear communication of our policies."

- 4.2 The Council adopted an equality and diversity policy and action plan in October 2005 and it has been updated on an annual basis.

5. Resource Implications

- 5.1 The implementation of the impact assessment process continues to require section heads' time to review existing policies and practice and gain information about whether their delivery has an adverse effect on any minority group.

- 5.2 In the longer term, the process of equality impact assessment should be integrated into the normal process of policy development and reported on under the equalities section of the standard committee report format. However, the initial review of policies is time-intensive, as it requires a new way of working and often additional research.

- 5.3 A tool has been devised to assist Officers in undertaking this assessment and sessions have been run with section heads to go through the requirements. It is being refined with use and experience.

6. Legal Implications

- 6.1 The draft equalities policy co-ordinates the Council's responsibilities in relation to the following legislation, much of which is already incorporated into the Council's day to day operations:

- The Equal Pay Act 1970
- The Sex Discrimination Act 1975
- The Race Relations Act 1976
- The Disability Discrimination Act 1995
- The Race Relations (Amendment) Act 2000
- The Disability Discrimination Act 1995 (as amended in 2005)
- The Equality Act 2006

- 6.2 The Race Relations Act 1976 made it unlawful to discriminate on racial grounds (defined as including race, colour, nationality, ethnic or national origin) and identified four categories of discrimination: direct (including segregation), indirect, victimisation and harassment. S 71 (1) of the Race Relations (Amendment) Act 2000 imposes statutory duties on public authorities to make the promotion of racial equality and good race relations central to their work. The statutory code of practice for race equality in housing also imposes duties to tackle racial harassment among tenants and to monitor the impact of housing management on tenants from different ethnic groups.

- 6.3 The Disability Discrimination Act 2005 amended the Disability Discrimination Act 1995, imposing a Disability Equality Duty on public bodies. This requires a public body to develop a Disability Equality Scheme and tackle any barriers that lead to the exclusion of disabled people from employment or services.

- 6.4 The Equality Act 2006 established the Commission for Equality and Human Rights, dissolving the Commission for Racial Equality, the Disability Rights Commission and the Equal Opportunities Commission and taking on the responsibility for overseeing, monitoring and enforcing equalities legislation. It also imposed a gender equality duty on public authorities, resembling the disability equality duty and race equality duty.

7. UNISON Consultation

7.1 UNISON has reviewed the policy and reiterates the comments made about the 2007 review:

“The Runnymede branch of UNISON has been consulted on the report and welcomes the proposed amendments to the Equalities Policy. However, UNISON would like to stress that in order for the Council to meet the requirements of the Equalities Standard, the exercise must be adequately resourced and supported. For example, it needs to be recognised that a considerable amount of Officer time is necessary to conduct and review equality impact assessments in respect of the various services that the Council provides in order to demonstrate a genuine commitment to achieving equality. UNISON would also like to reiterate that issues of equality and fairness apply to both our customers and our staff in respect of service provision and policy decisions that may also affect staff in the organisation”.

8. Consultation Strategy

8.1 Officers are investigating means of contacting members of minority groups that are willing to be involved in the consultation process for the Equalities policy. It is hoped that some of the consultation can be combined with other consultation exercises, or be carried out jointly with other local agencies (such as the police, health authorities and housing associations) who have the same statutory duties. There are good links with other public bodies in Surrey through the Surrey Equality and Diversity Network (SuDEN).

9. Communications Strategy

9.1 The equalities policy and action plan was given to every member of staff during the staff training and is being passed on as new staff are recruited. It is also available on the internet, along with guidelines for undertaking impact assessments and services for translation and interpretation that are available locally.

9.2 The policy has been reviewed with each departmental management team and Directors receive regular updates about progress. Section heads are invited to workshops to undertake Equality Impact Assessments in line with the timetable set out in the policy. A group of staff volunteers from most departments from the equalities group review the equality impact assessments and advise on consultees. Local groups are being invited to comment on the equality impact assessments as they are drafted for each service.

**OFFICERS' RECOMMENDATION that -**

**i) the changes to the equalities policy as set out at Appendix 'B' be approved; and**

**ii) progress against the action plan be noted.**

**(TO RECOMMEND)**

Background Papers

None stated

10. NEW PERFORMANCE FRAMEWORK FOR LOCAL GOVERNMENT (CEO)

1. Purpose of Report

1.1 **To advise Members of the proposals in the Audit Commission's joint consultation on the new performance framework for local government and the implications the proposed new framework poses for this authority.**

## 2. Background Information

- 2.1 The White Paper *Strong and Prosperous Communities*, published in October 2006, set out proposals for supporting the improvement of local services. This followed extensive consultation through the Local: Vision debate. The White Paper set out measures to change the way local government works and the way central government works with it. The new regime aims to make it easier for local authorities to improve services for local people and this means central government stepping back and allowing more freedom and flexibility at a local level.
- 2.2 The Local Government and Public Involvement in Health Act received Royal Assent on October 30 2007. Draft statutory guidance was published in October 2007 which sets out how the key measures in the Act will enable local authorities to engage with citizens and communities.
- 2.3 The Performance Assessment framework, Comprehensive Performance Assessment (CAA), is central to the new proposals implemented in the Act and the White Paper and will take effect from 1 April 2009. CAA will replace the Comprehensive Performance Assessment (CPA). In April 2007, in *The Evolution of Regulation*, the Audit Commission set out a proposed vision for CAA. A joint consultation was published in November 2007 which draws heavily on the responses to this earlier document, and clarifies many of the issues previously raised.
- 2.4 Views on the main elements of the consultation are invited, particularly on: the assessment of risk in the area, the evidence to be used and how it is gathered, engaging with the public and how CAA will maintain a clear focus on improving performance and being a catalyst for improvement.
- 2.5 As part of the new performance framework for local government is a new national indicator set. The national indicator set contains 25 Citizen Perspective Indicators – indicators determined by measuring citizens' views and perspectives through research. A consultation was published in December 2007 on the proposals for these new place surveys.

## 3. Report

- 3.1 The annual CAA will include:
- An annual joint inspectorate risk assessment for each area
  - Use of resources judgement
  - Direction of travel judgement
  - Local performance against the national indicator set
- 3.2 The new performance framework intends provide a clearer focus on the quality of life for local people. Local services will be challenged to demonstrate that their priorities and decisions are shaped by an understanding of the needs of local people. The CAA will pay particular attention on how well local people are engaged with their local services and it will measure what matters to local people.
- 3.3 CAA will help to engage citizens and people who use services by:
- Concentrating on what local people care about most
  - Gathering intelligence about their experiences in order to assess local services. Some of this evidence will be gathered by place-based surveys
  - Assessing the quality of involvement of local people, including those in vulnerable circumstances
  - Providing information to people about the findings from CAA so that they can be better informed about the quality of local services
- 3.4 Much of the information provided to form the assessment will be drawn from the Sustainable Community Strategy, the national indicator set and the Local Area Agreement. Self-evaluation will be a key source of evidence for the inspectorates making their judgements under CAA.

### 3.5 Area Risk Assessment

- 3.5.1 The inspectorates will publish an annual joint risk assessment for each area covered by a Local Area Agreement. The assessment will look at local and national priority outcomes and will focus on the priorities in the Sustainable Community Strategy and related documents such as the Local Development Framework. The risk assessment will not be limited to the contents of the Local Area Agreement. It will consider how well the needs of vulnerable people are being met and whether this features as a target in the LAA.
- 3.5.2 The area covered by a Local Area Agreement will be the basis of this risk assessment. In two-tier councils Local Strategic Partnerships exist at District as well as at County level and the County's Sustainable Community Strategy and Local Area Agreement can only be successfully delivered if its priorities reflect the range of communities' needs across Districts.
- 3.5.3. District Local Strategic Partnerships and Crime and Disorder Reduction Partnerships must be actively involved in developing and agreeing the Sustainable Community Strategies and the Local Area Agreement priorities. The area risk assessment will take account of how well Counties, Districts, statutory and other partners are working together to address the priorities for their area.

The key questions in the risk assessment are:

- How well does the partnership understand and assess the needs of its communities now and in the future?
- Does it use this understanding to inform its local priorities?
- Does the partnership organise itself and ensure it has the capacity to deliver these priorities?
- Has it secure and effective arrangements to identify and manage the risks to achieving successful outcomes?
- Are improved outcomes likely to be achieved?

### 3.6 Performance Information

- 3.6.1 A core element of the new performance framework for local services is a new single set of national indicators to measure the progress of local authorities and their partners in achieving national priority outcomes.
- 3.6.2 The Government is radically reducing the number of indicators from around 1,200 to 198. A handbook with the detailed definitions of each indicator was published in November 2007. The national indicator set will be the only measure on which central government will performance manage outcomes delivered by local government. In each area, targets against the set of national indicators will be negotiated through new Local Area Agreements. Each Agreement will include up to 35 targets from among the national indicators.
- 3.6.3 The national indicator set will also inform the area risk assessment, the direction of travel assessment and the use of resources assessment.
- 3.6.4 The following evidence will be considered:
- The extent of improvement (what proportion of Performance Indicators are improving)
  - The strength of improvement (whether improvement in each performance indicator is substantial, or better than expected)
  - The areas of improvement (whether improvement is seen in areas of previously weak performance or local priorities)
- 3.6.5 Some of the new indicators will include data taken from local surveys on public views, for example: the percentage of people who feel that they belong to their neighbourhood satisfaction with the local area and participation in the local area and volunteering.

These biennial surveys will replace the three yearly Best Value satisfaction surveys and the Planning and Benefits Surveys.

3.6.6 A consultation on the new place survey has been published. The draft survey questions are attached in Appendix 'C'.

3.6.7 For new place surveys the government is proposing that:

- The survey is branded under the LSP/Community Strategy (not solely the Council)
- They are biennial with the first survey in 2008
- The methodology is similar to that of Best Value Satisfaction surveys (a response sample of 1,100 and use of the PAF (Post Office small users address file) rather than the residents panel)
- Field work is to be carried out in September/October

3.6.8 The quality of the data is a key element of the assessment with an emphasis on local arrangements for ensuring the accuracy of data.

### 3.7 Direction of Travel

3.7.1 The direction of travel will reflect the effectiveness of each council in driving continuous improvement. The sources of evidence will be the same as the area risk assessment and will form the judgement about the council's improvement and prospects for the area. The inspectorate will be able to develop an understanding of the council's contribution to improving the quality of life and working with local partners.

3.7.2 Changes to methodology include:

- Providing district councils with a scored judgement
- Reflecting the community leadership role of councils
- Placing a stronger emphasis on partnership working and the leadership role of Councils in delivering improvement through local partnership

3.7.3 The direction of travel will continue to focus on the local authority and its contribution to achieving local priorities for the area and will:

- Assess improvement made over the previous year
- Provide assurance each year about whether each authority is complying with its statutory duty to make arrangements to secure continuous improvement
- Help keep up momentum and focus in delivering on priorities for improvement
- Signal where further support and improvement work will be helpful
- Inform the risk assessment, future audit work and inspection or other assessment to ensure they target the right areas
- Identify areas of innovation that might be shared in good practice

3.7.4 The key questions are:

- How well is the authority delivering improvements?
- What are the prospects for future improvement?

### 3.8 Use of Resources

3.8.1 A use of resources assessment is carried out annually. The assessment challenges local authorities to deliver better value for money, promote effective financial management and demonstrate high standards of governance and accountability. Further improvements in efficiency are also an important part of the assessment. The current approach will continue but with enhanced focus on assessing the achievement of value for money and strengthened financial management. The Audit Commission will strengthen its focus on how authorities use their resources sustainably and whether they have a strategic approach to managing and minimising their impact on the environment.

3.8.2 The value for money element will complement the work completed by councils in producing their annual efficiency statements and avoid unnecessary duplication of effort.

### 3.9 Inspection

3.9.1 The shift from CPA to CAA represents a fundamental change in the mode of engagement between inspectorates and local bodies. The assessment aims to be less intrusive and more effective. Local Strategic Partnerships will have the opportunity to discuss and tackle concerns as they arise and the final assessment will take account of concerns that are raised.

3.9.2 Inspectorates will need access to relevant plans, performance management information and other documentation in order to have a clear understanding of the effectiveness of the partnership's operations and progress towards achieving local goals. Evidence will be accumulated throughout the year, and the CAA lead will be able to discuss with the LSP the development of the assessment.

3.9.3 It is claimed that inspection will be less intrusive. There will be:

- More rolling programmes of corporate assessment of Councils
- A reduced national performance indicator set with a single collection and reporting system
- A single set of local targets agreed with Government
- Local Area Agreement reviews led by Government offices which will take account of CAA judgements, removing the need for additional performance assessment
- Streamlined data collection and data sharing
- Reduced levels of self-assessment
- Reduced overlap in inspectorate contact, information gathering and performance.

3.10 A suggested response to the CAA joint consultation paper is attached at Appendix 'D'.

### 4. Resource Implications

4.1 The proposals lessen the burden of full inspection and the costs it would entail. However, inspection will continue to be an important feature in the assessment. There will be greater emphasis on sector-led improvement. Inspection will involve visits to the authority and providing the inspectorates with a wide range of documentation and evidence on how the council is improving, achieving goals and priorities and meeting the needs of the local community.

4.2 The new national indicator set which forms a key part of the assessments places a requirement on the authority to undertake biennial surveys on public views. The three yearly Best Value Satisfaction surveys will be replaced by biennial surveys. There will be increased expenditure on public survey work.

4.3 The Audit Commission continues to develop additional requirements for the Use of Resources Assessment enhancing the focus on value for money.

4.4 Considerable opportunity costs of senior management have to be applied to the preparation of and dialogue on the evidential and other materials required by Audit Commission colleagues. The annual audit fee charged to the Council includes an element for this inspectoral and assessment work. The survey work does require specific resources and as yet it is unclear whether the existing budgetary provision will be adequate.

### **THE COMMITTEE IS ASKED -**

**to confirm or vary the proposed response to the Consultation Paper as set out at Appendix 'D'.**

**(TO RESOLVE)**

## Background Papers

Consultation papers on CAA and on place surveys

### 11. TREASURY MANAGEMENT STRATEGY AND ANNUAL INVESTMENT STRATEGY FOR 2008/09 (BT)

(Ref: Minutes of Corporate Management Committee, 1 February 2007, page 733, para. 515, and 29 March 2007, page 1084, paragraph 631, and 6 September 2007, page 285, paragraph 202)

#### 1. **Purpose of Report**

##### 1.1 **To consider the Council's:**

- **Treasury Management Strategy for 2008/09, and**
- **Annual Investment Strategy for 2008/09.**

#### 2. **Background Information**

##### 2.1 Treasury management is defined as:

*"The management of the organisation's cash flows, its banking, money market and capital market transactions; the effective control of risks associated with these activities; and the pursuit of optimum performance consistent with those risks"*

2.2 The Treasury Policy Statement requires the Director of Finance to report to this Committee on the proposed strategy for treasury management prior to the start of each financial year. The Government requires authorities to draw up an "Annual Investment Strategy" for each financial year and has published guidance on investments based on the policy objective that local authorities should invest prudently.

2.3 The Council's treasury management policies and schedules for 2007/08 were updated by this Committee at its meeting on 1 February 2007. The Council subsequently approved the treasury management strategy and the Annual Investment Strategy for 2007/08 at its meeting on 6 March 2007. They were updated by this Committee at its meetings on 29 March 2007 and 6 September 2007 and subsequently approved by Full Council.

2.4 The Council has no long-term debt. Treasury management is concerned mainly with the management of the Council's investments and day-to-day cash management. The Council's investment portfolio comprises funds available for longer-term investment, and short-term investments sufficient to meet cash flow requirements without recourse to borrowing. Investment income is a major provider of the revenue resources that are needed to maintain services and keep the Council Tax at a low level.

2.5 Alliance Bernstein was appointed as the Council's external fund manager in September 2004 and at 31 March 2007 was managing £16.98 million of the Council's funds. At their presentation to the Committee on 1 February 2007, Alliance Bernstein announced that the company was withdrawing from the local authority cash fund management market and gave notice of its intention of terminating its contract with the Council on 31 December 2007. The Committee decided on 29 March 2007 that there were advantages in winding up the arrangements with Alliance Bernstein earlier than this, and a phased withdrawal of funds began. On 6 August 2007, the Alliance Bernstein fund management arrangements were brought to a close.

2.6 In March 2007, this Committee agreed that, in order to achieve some degree of stability in investment returns, there was a good case for "locking in" a proportion of the investment portfolio in medium-term instruments. Two longer-term investments totalling £3m were subsequently made. The Committee also agreed that a cautious strategy was

appropriate and that funds should be placed with external managers that specialised in cash investments.

- 2.7 A selection process was undertaken to identify a new cash manager dealing in money market instruments to manage £10 million of the Council's funds. The cash manager appointed was Tradition (UK) Limited. Tradition commenced the management of £10 million of the Council's funds on 3 September 2007.
- 2.8 Following a market testing exercise, Sterling Consultancy Services were re-appointed as the Council's treasury management consultants for a three-year period from October 2007.
- 2.9 The Bank Base Rate in 2007 commenced at 5.0% and was increased to 5.25% on 11 January 2007, 5.5% on 10 May 2007 and 5.75% on 5 July 2007. On 6 December 2007, the Base Rate was reduced to 5.5%
- 2.10 A separate report on this Agenda considers the setting of Prudential Indicators for 2008/09. A number of the Indicators relate to treasury management.
- 2.11 A full report on treasury activity and performance in 2007/08 will be made in May 2008.

3. Prospects for 2007/08

- 3.1 The investment income assumed in both the original budget for 2007/08 and the latest Financial Forecast (approved in December 2007) was £1,140,000. Officers' latest projections indicate that investment income for the General Fund will now be £1,300,000 (see Table 1). This is an increase of £160,000 over the assumption made in the Forecast.

Table 1: Investment income - 2007/08 revised estimate	
Source	£
Alliance Bernstein cash fund	270,000
Tradition managed money market investments	360,000
Internally managed money market investments	780,000
Gross external earnings	1,410,000
Interest payable on HRA balances	(106,000)
Interest payable on deposits and to other funds	(4,000)
<b>Investment income estimate for 2007/08</b>	<b>1,300,000</b>

- 3.2 Both interest rates and the cash flows for 2007/08 are markedly different than expected this time last year.
- 3.3 The original budget for 2007/08 was based on average interest rates of 5%. The Forecast assumed a return of 6%. The interest rates in the wholesale money markets did not moderate in November and December and the average interest rate on investments in 2007/08 is now anticipated to be 6.4%. This, combined with the unexpected completion of the sale of the Blays Lane site (see paragraph 3.5 of this report), is the main reason for the betterment since the Forecast.
- 3.4 The turmoil experienced in the money markets since the summer of 2007 has been widely reported in the press. This presented both opportunities and threats. The increase in money market rates created a premium of 1% (and sometimes more) for 3 to 6 month money over the Base Rate for much of the period from September to December 2007. Rates on longer-term investments were also substantially above the base rate. However, since the New Year, wholesale money market rates have moved much closer to Base Rate. The higher than expected level of interest rates

has provided a significant betterment of around £300,000 in 2007/08 compared to the original estimate.

- 3.5 The cash forecast for 2007/08 was based on capital receipts being realised in accordance with the expected asset disposal programme. In particular the receipt for the sale of the Roakes Avenue site was expected in April 2007, for the Ferndale Avenue site in September 2007, and for the Blays Lane site in March 2008. However, the money from the sale of the Roakes Avenue site was not received until 1 November 2007, although the money for the Blays Lane site was received on 3 December 2007. The prospects for the Ferndale site are still uncertain. The delays for the Roakes and Ferndale receipts, offset by the sooner than expected Blays Lane receipt, have had a negative impact on investment earnings of around £250,000, compared to the original estimate for 2007/08.
- 3.6 Revenue related cash flows have been better than anticipated. This is mainly because of the lower than expected use of revenue reserves in 2006/07, leading to higher overall cash reserves. This provides betterment of around £110,000.
- 3.7 The projected spend of the large sums in the capital programme for the affordable housing programme and the Civic Offices re-provision project are broadly in line with the cash forecast expectations.

4. Investment Income Estimate for 2008/09

- 4.1 The investment income assumed in the Financial Forecast is based on an average interest rate of 5.0% for 2008/09 and the following years. Based on the projections used at that time, this was estimated to produce investment income of £1,200,000 for 2008/09.
- 4.2 An updated estimate of investment income can now be made. A summary of the estimate for 2008/09 is set out in table 2:

Table 2: Investment income - 2008/09 estimate	
Source	£
Tradition cash fund	590,000
Internally managed money market investments	710,000
Gross external earnings	1,300,000
Interest payable on HRA balances	(93,000)
Interest payable on deposits and to other funds	(7,000)
<b>Investment income estimate for 2008/09</b>	<b>1,200,000</b>

- 4.3 This is the same as provided for in the Financial Forecast.
- 4.4 This estimate is based on the level of revenue and capital reserves for 2008/09 that is consistent with the latest capital and revenue budgets. The average interest rate assumed for 2008/09 is 5.0% for short-term investments.
- 4.5 The calculation of investment income is particularly dependent on the phasing of forecast capital expenditure and timing of major capital receipts. In particular, the payments for the Civic Offices re-provision project, and for significant capital receipts, have been treated in line with the latest schedule.

5. Cash Reserves and Balances in 2008/09

- 5.1 In addition to the funds available from capital and revenue reserves, the Council also has strong positive in-year cash flows. These primarily result from collecting local taxes in a 10-month cycle from April to January – whilst expenditure is from April to March – and from the tendency for the Council’s spending to be weighted towards

the later parts of the financial year. Together, the reserves and positive cash flows provide the cash funds to invest and generate investment income.

- 5.2 Total cash balances in 2008/09 are estimated to range from a high of £24m (in June 2008), reducing to £19m near the end of the financial year. Of these balances, £10m will be managed by Tradition, with the remainder managed in-house.
- 5.3 The cash forecast indicates that there will be no need to borrow at any time in 2008/09, subject to capital receipts being realised as programmed. The report in this Agenda on Prudential Indicators for 2008/09 recommends setting an authorised borrowing limit of £3m to cater for this possibility.
- 5.4 These cash forecasts are heavily dependent on capital receipts being realised in accordance with the expected programme. In particular, the receipt for the sale of the old Civic Office site is now programmed for completion in March 2009 and the receipt for Pinefields is programmed for June 2008. A number of other capital receipts, including the sale of the Stoneylands Club and Hythe Surgery sites, are expected during the 2008/09 financial year.

Externally Managed Investments – Tradition (UK) Ltd

- 5.5 Tradition are authorised to deal in fixed deposits up to five years and are bound by the same investment parameters as for the management of internally managed investments. Tradition work within their own counterparty limits to achieve quick and effective dealing decisions, although they are required to check the counterparty name with the Council before they make any long-term investments.
- 5.6 The current portfolio managed by Tradition is set out in Table 3 below:

<b>Table 3: Summary of investments managed by Tradition (UK) Ltd</b>		
<b>Term of investments</b>	<b>Amount (£)</b>	<b>Interest rate (%)</b>
Two-year investments	3,000,000	6.30
One-year investments	4,000,000	6.58
Below one-year	3,000,000	6.60
<b>Total</b>	<b>10,000,000</b>	

Internally Managed Investments

- 5.7 In house money market investments are managed to achieve optimum returns within the constraints of the Council's short-term cash flow requirements. In particular, care is taken to ensure that adequate monies are available to pay precepts, major capital scheme payments, and transfer business rates, HRA surpluses, and housing capital receipts to the respective Government pools. Recourse to short-term borrowing will only be used as a last resort.
- 6. Interest Rate Forecasts
- 6.1 The Council's medium-term financial forecasts are based on achieving an overall average return of 5.0%.
- 6.2 The latest set of interest rate forecasts received from Sterling Consultancy Services is set out below:

<b>Table 4: Forecast interest rates provided by Sterling Consultancy Services (December 2007)</b>					
	Base rate	1-Month	3-Month	12-Month	5-year gilt
	%	%	%	%	%
December-2007	5.50	6.65	6.60	6.00	4.62
March 2008	5.25	5.40	5.60	5.35	4.50
June-2008	5.00	5.10	5.15	4.90	4.30
September 2008	4.75	4.70	4.65	4.55	4.15
December-2008	4.50	4.50	4.65	4.75	4.05
June-2009	4.75	4.85	4.90	5.00	4.20
December-2009	5.00	5.10	5.20	5.30	4.45
June-2010	5.25	5.30	5.40	5.50	4.70
December-2010	5.50	5.50	5.55	5.65	4.90

- 6.3 The forecast predicts both short and long-term interest rates falling under the Forecast target through most of 2008/09, although recovering during 2009/10. It should be remembered that forecasts are just guesses of what future rates might be. There of course is no certainty that interest rates will change in line with these projections.
- 6.4 Whilst Sterling's forecasting record is good, it should be noted that, in common with other market commentators, Sterling do not always guess the market correctly. This time last year, Sterling predicted that Base Rate would be 5.25%. This is close to the current rate of 5.50%. Of course, no mainstream forecast could sensibly predict the kind of turmoil in the wholesale money markets experienced since the summer of 2007.
- 6.5 The Sterling forecast also predicts that short-term interest rates in wholesale money markets will again begin to closely follow the Bank Base Rate. The line in Table 4 for December 2007 illustrates that this was rarely the case for the latter part of 2007.
7. Internal Funds
- 7.1 The Council holds a number of small balances and deposits on behalf of third parties (e.g. charitable bodies for which the Council is trustee). Allowance is made for the interest payable on these amounts in the estimate for 2008/09 (see Table 2 above).
8. Prudential Code Limits
- 8.1 The Prudential Code sets out a number of Prudential Indicators that relate to the treasury management function. These indicators are included in the report on the Prudential Code in this Agenda. They are consistent with the treasury strategy proposed in this report.
- 8.2 The Prudential Indicators that relate to the treasury management functions are:
- The Code of Practice on Treasury Management (the Council have adopted this Code).
  - Interest rate exposures (to specify the limits of borrowing or investments that are exposed to fixed and variable rates).
  - Maturity structure of borrowing (this will be short term and only used to meet temporary cash flow requirements).

- Sums invested for periods over 364 days.
- 8.3 The Prudential Limits set for 2008/09 are consistent with this report.
9. Annual Investment Strategy 2008/09
- 9.1 Local authorities must draw up an “Annual Investment Strategy” for the following financial year. The strategy is to be approved by full Council. This strategy may be revised at any time, but full Council must approve the revisions.
- 9.2 The Government has issued statutory guidance to local authorities that emphasises the policy objective that local authorities should invest prudently. This means that priority is to be given to security and liquidity rather than yield. Authorities should seek the best interest rate consistent with the proper levels of security and yield. This approach is inherent in the Council’s current treasury management strategy.
- 9.3 The guidance requires local authorities to approve the following items in their Annual Investment Strategy:
1. The credit ratings the authority sets for “Specified Investments” and how it intends to monitor these.
  2. The policy the authority adopts for “Non-specified Investments”, and
  3. The policy of the authority towards long-term investments.
- 9.4 The idea of specified investments is to identify investments offering high security and high liquidity. Investments made with other local authorities or the Government automatically count as specified investments. In addition, investments with counter parties that have “high” credit ratings will count as specified investments. All specified investments must be made in sterling and with a maturity of no more than one year. It is for each authority to determine the credit ratings that are appropriate. The Council uses credit ratings provided by Fitch Ratings Ltd that are supplied via the Council’s treasury management consultants. The Annual Investment Strategy includes a table that compares ratings used by other credit rating agencies to enable the appropriate comparisons to be made.
- 9.5 All other investments are classified as non-specified investments. For Runnymede’s purposes, investments that would fall under this category are those made with certain building societies and Sovereign banks. Investments with building societies that have not obtained credit ratings are also classified as non-specified. However, because the building society sector is highly regulated and well supervised by the Building Societies Commission, it is prudent to invest with these organisations using the limits set out in the Strategy. Sovereign banks are considered safe because of their high status.
- 9.6 Long term investments are those where the investment instrument has a maturity date that is over 364 days from the time that the investment is made. The Council is required to set out its procedures for determining the maximum periods for which investments can be made. This requirement is intended to make the Council fully aware of the risks of investing funds over longer periods, particularly of the liquidity (how quickly they can be recalled and at what cost) of such investments. The guidance also requires the authority to decide on the proportion (or amount) of investments that are held short-term. The Annual Investment Strategy equally applies to investments made by external managers and, therefore, the investment parameters agreed with Tradition are consistent with the Strategy.
- 9.7 For many years the Council’s investment policy has been to not lend to Japanese or Far East institutions until such time as the credit rating agencies have determined an appreciable stabilisation in the banking system’s environment. There is no longer a rationale for a blanket ban on such institutions, and this policy has been removed from the Strategy. Banks from Japan and the Far East will now be treated using the same credit criteria as for banks from other countries.

- 9.8 A sector limit for lending to building societies has previously been set so that no more than 60% of investments can be lent to building societies at any one time. Given the stability of the building society sector, it is now suggested that this limit now be increased to 75%.
- 9.9 The proposed Annual Investment Strategy is set out in Appendix 'E'. It is consistent with the contents of this report and the Council's overall treasury policies and procedures.
10. Legal Implications
- 10.1 The powers for a local authority to borrow and invest are governed by the Local Government Act 2003 and associated Regulations (The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003). The Regulations also specify that authorities should have regard to the Treasury Management Code (published by CIPFA) when carrying out their treasury management functions. This Code covers good practice on the administration of debt, investments and related aspects of financial management.
- 10.2 Section 15 of the Local Government Act 2003 provides the power for the Government to issue guidance about investments to which authorities are to have regard. This report takes account of the guidance issued by the Government.
- 10.3 The Government has issued Regulations to require investment in share and loan capital to be treated as capital expenditure. The Government state that this acts as a disincentive to local authorities to make such investments, as they would consume the authority's capital resources. However, the Government has excluded investments in money market funds and multilateral development banks from this definition, as it has no wish to deter authorities from considering these investments.
11. Council Policy
- 11.1 This is set out in the Treasury Management Policy Statement and the Treasury Management Practices and Schedules. These Statements will be updated to reflect decisions made by the Committee. Copies of these documents can be obtained from the Director of Finance (note that parts of the Schedules are confidential as they contain information about the Council's internal procedures and credit ratings of named organisations).
12. Summary and Conclusion
- 12.1 Capital cash flows will remain critically important over the next few years. Runnymede has traditionally had a good record in generating capital receipts from asset disposals. Even where timing delays have occurred, the amount of the receipt has been keenly negotiated at the full market price. In order to meet the targets in the Financial Forecast, it will be vital that receipts are generated in time and of sufficient quantum, in the next 12 months. Otherwise, it is probable that investment income targets will not be achieved, and further revenue savings will be necessary.
- 12.2 In terms of day-to-day operations, the fundamental approach of the treasury strategy for 2008/09 will follow that of previous years. The strategy will allow the Council to optimise returns from changes in interest rates, whilst maintaining the security of capital and avoiding over dependence on one type of investment instrument or counterparty.
- 12.3 The estimate for 2008/09 is based on achieving an overall return on short-term investments of 5.0%. If interest rates significantly change, it will be necessary to revise the investment income budget and report to this Committee with proposals for further action.

**OFFICERS' RECOMMENDATION that -**

- i) the Treasury Management Strategy for 2008/09, as set out in this report, be approved,**

- ii) **the proposed Annual Investment Strategy for 2008/09, attached at Appendix 'E', be submitted to the full Council meeting on 4 March 2008; and**
- iii) **the Council's Treasury Policy Schedules be amended as appropriate to reflect the Strategy for 2008/09.**

**(TO RECOMMEND)**

Background Papers

1. Local Government Act 2003.
  2. Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and related letter & informal commentary issued by the ODPM on 10 December 2003.
  3. Letter & guidance on Local Government Investments from the ODPM dated 12 March 2004.
  4. Letter on Local Government Capital Finance System: Amendments to primary and secondary legislation from the ODPM dated 8 March 2004.
  5. Statutory Instrument SI 534 The Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004.
  6. Statutory Instrument SI 2044 The Local Authorities (Capital Finance) (Further Consequential and Saving Provisions) Order 2004.
  7. Interest Rate Forecast (December 2007), Sterling Consultancy Services (DoF)
  8. Statutory Instrument SI 1158 The Local Authorities (Functions and Responsibilities) (Amendment) (England) Regulations 2004.
  9. "An analysis of the credit worthiness common to all UK Building Societies", published by Sterling International Brokers, March 2003.
12. PRUDENTIAL INDICATORS FOR 2008/09 (BT)

1. **Purpose of Report**

1.1 **To recommend the Council's Prudential Indicators and the affordable borrowing limit for 2008/09.**

2. **Background Information**

- 2.1 The system for controlling local government capital finance – the prudential capital finance system - came into operation on 1 April 2004. This was a major change in local authority finance and enables authorities to take greater control of their investment in their fixed assets. With the new freedoms comes greater responsibility.
- 2.2 The Committee considered a report on the prudential indicators and affordable borrowing limit for 2007/08 and recommended the setting of these to Council in February 2007. Full Council subsequently approved these at its meeting on 6 March 2007.
- 2.3 The prudential system is based on self-regulation by local authorities. At the heart of this is compliance with a "Prudential Code for Capital Finance in Local Authorities" published by the Chartered Institute of Public Finance and Accountancy (CIPFA). CIPFA has developed the Prudential Code to support local authorities in taking these decisions. Key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable; that treasury management decisions are taken in accordance with good professional practice; and that local strategic planning, asset management planning and proper option appraisal are supported.
- 2.4 Provided that the Government does not use its long stop powers to control future capital investment, local government will be able to chose between revenue or capital intensive options for service delivery, undertake 'spend to save' capital schemes and undertake additional self-funded capital investment where they can afford to do so.

- 2.5 More information about the Prudential Code can be found on the CIPFA website at [http://www.cipfa.org.uk/pt/prudential\\_framework.cfm](http://www.cipfa.org.uk/pt/prudential_framework.cfm)
3. Prudential Capital Finance System
- 3.1 Under the Prudential capital finance system local authorities are free to borrow and take out finance leases without Government consent – provided they can afford these commitments without extra Government support. Authorities' decisions will therefore need to be based on **affordability**.
- 3.2 In these contexts, the term affordability has a natural and unrestricted interpretation. Affordability simply means that the Council will be able to meet the costs from anticipated revenues over the lifetime of the commitments undertaken. Decisions have also to be prudent.
- 3.3 The test on affordability means that the impact of capital spending on the Council Tax (the "bottom line") must be assessed. The impact includes the cost of borrowing (or reduced investment income) and the operating costs of the new scheme.
- 3.4 The Council has a methodology in place – the Financial Forecast - that carries out this test of affordability. The Financial Forecast looks at the impact of all the Council's policy decisions (capital and revenue) over a 5-year timescale. The issue of affordability is central to this exercise. Quite simply, if the capital programme places too great a call on local taxpayers, it is not affordable and needs to be changed.
4. Prudential Code
- 4.1 The Prudential Code acts as a professional code of practice to support local authorities in taking their decisions about capital investment. The key objectives of the Code are to ensure, within a clear framework, that:
- Capital investment plans are affordable, prudent and sustainable
  - All external borrowings and other long term liabilities are within prudent and sustainable levels
  - Treasury management decisions are taken in accordance with good practice and in a manner that supports prudence, affordability and sustainability.
  - The local authority is accountable for decisions made
  - Local strategic planning, local asset management planning and proper option appraisal are supported.
- 4.2 To demonstrate that these objectives are being fulfilled, the Prudential Code sets out a series of indicators that must be used and the factors that must be taken into account.
- 4.3 Many of the indicators are of greater relevance to authorities that have net borrowings (Runnymede has large investments) and are difficult to set in the context of district councils that do not have any debt.
- 4.4 CIPFA have recently commenced a review of the Prudential Code. Officers will respond to this review with suggestions that make the indicators more relevant to debt free district councils.
5. Prudential Indicators
- 5.1 Prudential Indicators are designed to support and record local decision making. They are not performance indicators and are not comparable between authorities.

- 5.2 In setting Prudential Indicators the local authority is required to have regard to the following matters:
- Affordability (i.e. on council tax and rents)
  - Prudence and sustainability
  - Value for money (option appraisal)
  - Stewardship of assets (asset management planning)
  - Service objectives (strategic planning)
  - Practicality (achievability of the plan)
- 5.3 The Prudential Indicators take information from the published Statement of Accounts and use definitions that are consistent with the accounts.
- 5.4 There are 15 different Prudential Indicators, 7 of which also apply to the Housing Revenue Account (HRA). The Indicators are set out in Appendix 'F' and they are a mix of estimated and actual figures, ratios, and limits. The Prudential Code sets definitions for the terms used and the method of calculating the indicators. The Appendix explains how they are calculated and interprets the meaning of the calculation and any trends.
- 5.5 Data for 2006/07 is derived from the Statement of Accounts. The data used to compile the indicators for 2007/08 and 2008/09 is derived from the revenue and capital budgets set before the Committee. Data used for indicators from 2009/10 onwards is derived from the Financial Forecast, updated as appropriate to take into account known variations.
- 5.6 A number of Prudential Indicators relate to the treasury management function. These indicators are consistent with the report on treasury strategy in this Agenda. The Officers' Recommendation includes the setting of the authorised limit for external borrowing in 2008/09. This limit must be approved by full Council. The recommended limit of £3m is required to allow for any short-term cash shortages that necessitate external borrowing. A full explanation of this requirement is set out in the Appendix.
6. Resource Implications
- 6.1 The prudential system does not alter the amount or method of Government support for capital investment. For 2008/09, the method of Government support for capital investment is very similar to previous years. Some authorities receive an allowance for "supported borrowing" in their Formula Grant entitlement. Authorities are free to use this element of overall general Government support as they see fit. The Government may also award specific capital grants to support capital expenditure.
- 6.2 For Runnymede, there is no additional resource in its Formula Grant.
- 6.3 In future years it is hoped that the Government will move away from this complicated methodology and provide cash capital support to local authorities. However, there has been no indication that any change is planned.
- 6.4 The Government may also award specific capital grants to support capital expenditure; an example of this is IEG grant that the Council has received in recent years.
7. Legal Implications
- 7.1 Part 1 of the Local Government Act 2003 (LGA 2003) established the legislative framework for the prudential capital finance system for local authorities.

- 7.2 The LGA 2003 requires each Council to set an affordable borrowing limit. The full Council must carry out this duty; it cannot be delegated. Having set this limit the Council may not exceed it except for specified temporary purposes. However, the Council can make a new limit at any time.
- 7.3 Regulation 2 of The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 require local authorities to have regard to The Prudential Code when carrying out their duties under Part 1 of The Local Government Act 2003. The Code requires that all prudential indicators are set, and revised, only by the full Council. This is because the need for Members to approve prudential indicators for capital finance is regarded as an important part of the governance responsibilities of a local authority.
- 7.4 The LGA 2003 provides the Government with reserve powers to set borrowing limits for local authorities that override their locally determined limits. This could be in the form of a national limit – this can only be imposed for national economic reasons – or a specific limit to prevent an individual authority borrowing more than it could afford.
8. Council Policy
- 8.1 The Council has a medium term financial strategy based on significant savings being achieved. This strategy includes the control of capital spending and treasury management decisions. The indicators proposed in this report are consistent with this strategy.

**OFFICERS' RECOMMENDATION that -**

- i) **the authorised limit for external borrowing by the Council in 2008/09 be set at £3,000,000 (this being the statutory limit determined under Section 3 (1) of the Local Government Act 2003); and**
- ii) **the prudential indicators set out in Appendix 'F' be adopted and incorporated into the Budget Report for 2008/09.**

**(TO RECOMMEND)**

Background Papers

1. Local Government Act 2003
2. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
3. "The Prudential Code for Capital Finance in Local Authorities", published by CIPFA, 2003
4. "The Prudential Code; for Capital Finance in Local Authorities: Guidance Notes for Practitioners", published by CIPFA, 2004.

13. SAFETY COMMITTEE – MINUTES

The Minutes of the meeting of the Safety Committee held on 28 November 2007 are attached at Appendix 'G'. Officers are investigating the feasibility of installing a Safety Management System and will report to a future Corporate Management Committee meeting.

**(FOR INFORMATION)**

Background Papers

None

14. EXCLUSION OF PRESS AND PUBLIC

**OFFICERS' RECOMMENDATION that –**

**the press and public be excluded from the meeting during discussion of the following reports under Section 100A(4) of the Local Government Act 1972 on the grounds that the reports in question would be likely to involve disclosure of exempt information of the description specified in paragraph 3 of Part 1 of Schedule 12A of the Act.**

**PART II**

**Matters involving Exempt or Confidential information in respect of which reports have not been made available for public inspection**

	<u>Para</u>
a) <u>Exempt Information</u>	
15. REFERENCE FROM LEISURE AND ENVIRONMENT COMMITTEE	3
16. WRITE-OFFS	3
b) <u>Confidential Information</u>	

(No reports to be considered under this heading)