

# Corporate Management Committee

Thursday 29 May 2008 7.30pm

Council Chamber  
Runnymede Civic Centre, Addlestone

## Members of the Committee

Councillors J R Furey (Chairman), D R Hamilton (Vice-Chairman), A Alderson, J M Edwards, Mrs L M Gillham, H W V Meares, C J Norman, P I Roberts, P J Waddell and G B Woodger

## AGENDA

### Notes:

- 1) 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.
- 2) 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, Runnymede Civic Centre, Station Road, Addlestone (Tel. Direct Line: 01932 425624). (Email: [john.gurmin@runnymede.gov.uk](mailto:john.gurmin@runnymede.gov.uk)).**
- 3) 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).
- 4) 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  
(No reports to be considered under this heading)
  
- 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 27 March 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. COUNCIL TAX DISCOUNT (DF)

1. Purpose of Report

1.1 **To consider the case for granting a Council Tax discount when environmental improvements have been carried out on a property that is subject to Council Tax.**

2. Background Information

2.1 A local resident has written to request that the Council consider awarding a Council Tax discount when a dwelling has environmentally sustainable features in order to encourage people to make these improvements to their properties.

2.2 The Local Government Act 2003 gives billing authorities the power to reduce the amount of Council Tax payable to nil for any chargeable dwelling in their area. This discretion may be applied either on an individual or class of dwellings basis. This effectively allows billing authorities to grant local discounts for situations which are not already covered by the national discounts and exemptions. When these powers were considered at the meeting on 8 January 2004, the Committee decided that it would consider the merits of awarding a discount as each case arises.

2.3 If the Council were to exercise this discretion, the whole cost of the reduced tax yield has to be borne by the Council's General Fund and not passed on to the major precepting authorities.

3. Report

3.1 The local resident who has submitted this request has incorporated significant energy saving features into his home:-

- solar powered panels for domestic hot water in conjunction with economy 7 electricity;
- heat recovery ventilation system for natural air-conditioning to the main house;
- photo-voltaic units in conjunction with Npower Microgeneration scheme for exporting electricity back to Npower;

- ground source heat pump for underfloor heating;
- rain harvested water for usage in toilets and garden irrigation;
- increased insulation to walls and roof space to retain heat.

He argues that there ought to be a discount on the Council Tax as an incentive for making this sort of investment in carbon saving measures. He has also pursued this matter with Philip Hammond MP and the Department for Communities and Local Government.

3.2 There are three questions for the Committee to consider:-

1. Do the circumstances merit a reduction in the Council Tax for this particular property?
2. If so, what reduction should be awarded?
3. Should a discount be awarded in all cases where environmental improvements have been made?

3.3 If the Committee were to decide to grant a discount in this case, one option would be to grant a discount equivalent to reducing the Council Tax banding by one band. The property in question is a Band H property in Virginia Water, so adopting this approach would mean applying a discount of £457.59 in order to reduce the tax to £2,287.95 (equivalent to a Band G charge).

4. Resource Implications

4.1 If the Council were to decide to apply a discount to this property along the lines set out in paragraph 3.3, the annual cost to the General Fund will be £457.59. However, if this discount is to be applied generally to dwellings that have been the subject of environmental improvements, the cost is not predictable at this stage.

4.2 There is no budget to cover this expenditure.

5. Legal Implications

5.1 The Local Government Act 2003 gives each billing authority the power to reduce the Council Tax for any dwelling or class of dwelling in its area. This discretion covers the amount by which the tax may be reduced and the period for which any reduction should apply.

5.2 Directions issued by the First Secretary of State under powers granted by section 98 of the Local Government Finance Act 1988 require billing authorities to transfer the cost of any local discounts to their General Fund.

**THE COMMITTEE IS ASKED -**

- i) whether or not it wishes to reduce the Council Tax liability of properties where environmental improvements have been made;**
- ii) if discounts are to be applied, to determine the conditions to be met in order to qualify for a discount; and**
- iii) if a discount is to be applied in this particular case.**

**(TO RECOMMEND)**

Background Papers

Council Tax Information Letter 8/2003 <http://www.local.odpm.gov.uk/finance/ctax/ctil/cti82003.pdf>  
Letter from local resident requesting Council Tax discount (exempt)

7. FINAL ACCOUNTS 2007/08 (DF)

1. Purpose of Report

- 1.1 **To report on actual income and expenditure for the 2007/08 financial year and compare this to the budget for General Fund services, the Housing Revenue Account, and capital accounts;**
- 1.2 **To approve the method of financing the Council's capital expenditure in 2007/08; and**
- 1.3 **To report on the level of General Fund working balances and other reserves.**

2. Background Information

- 2.1 The Budget for 2007/08 was set at the Special Council Meeting held on 15 February 2007.
- 2.2 All Committees considered revised budgets for 2007/08 in January 2008 as part of the budget setting process for 2008/09. The revised budgets used in this report also incorporate supplementary estimates and budget virements approved since January 2008.
- 2.3 The Statement of Accounts for the year 2007/08 will be presented to the June meeting of this Committee.
- 2.4 The external auditors (KPMG) will be commencing their formal examination of the accounts in June.
- 2.5 Financial Regulations allow for unspent budgets in one year to be brought forward to the next. This is an established part of the Council's financial control procedures and allows more effective use of budgets. Managers can plan to carry the budget forward rather than losing it at the year end, and are not therefore encouraged to 'spend up' their budgets in order to protect their allocation. Further flexibility is available to Budget Managers to allow the virement of budgets. A virement is the transfer of a budget allocation from one service head to another. A summary of virements is also given in the service actuals booklet.
- 2.6 The movement in the Retail Prices Index in 2007/08 of 3.8% was significantly greater than the assumption made for general price increases of 2.5%. The Government's favoured measure of inflation – the Consumer Price Index was 2.5% in March 2008. The local pay award in July 2007 of 2.8% was greater than the assumption of 2.5% used in preparing the 2007/08 Budget.
- 2.7 It has been acknowledged that, historically, local levels of cost inflation are much greater than the national average as a result of cost pressures in this part of south-east England. National inflationary increases are now also significant. Together these factors create upward pressure on the cost of services. Inflation has a cumulative impact, increasing budgetary pressures as years go by. Traditionally, inflationary pressures have been contained through generating efficiencies and productivity (e.g. by using technology better) and reducing costs (e.g. better purchasing). However, the more the rate of inflation is over budgetary assumptions, the more difficult this is to achieve. The current relatively high levels of inflation means that managing inflation has become an extra challenge, especially so given the budgetary constraints on the Council. The next review of the Financial Forecast will measure the impact of inflationary pressures on medium-term spending and the associated budgetary implications.

3. Five-Year Strategic Maintenance Plan

- 3.1 In July 2002 the Corporate Management Committee approved a five-year programme of repairs, planned maintenance and improvement works to the

corporate property portfolio. The programme covers all the buildings owned by the Council except for the housing stock. The programme commenced on 1 April 2003.

- 3.2 The programme was constructed following a detailed survey. It includes a substantial element to improve buildings to comply with legislation, particularly the Disability Discrimination Act 1995. The planned cost of the five-year programme was £3.2m and included both demand maintenance work, and planned maintenance and improvement works. Demand maintenance work is financed from revenue, with improvement works met from capital resources. To provide transparency about the scale of the programme, service budgets include the estimated cost of relevant capital and revenue financed work. A global adjustment is made in the General Fund Summary Revenue Account to account for the proportion financed from capital resources.
- 3.3 All works falling under the Strategic Maintenance Plan are scheduled in order of priority over a five-year period. This means that there will often be large year on year variances in the bottom line of some services because of the incidence of planned and cyclical works on individual budgets.
- 3.4 However, since 2003, it has been particularly difficult for both service managers and accountancy staff to obtain reliable and robust information about the impact of the programme both on individual service budgets and in total. This is illustrated by the significant variances in maintenance budgets between original estimate, revised estimate and actual expenditure on many service areas.
- 3.5 The reason for the lack of good budgetary information is partly because of the legacy left by the previous three contractors on terminating the contract, and partly due to the difficulty in obtaining both reliable valuations and usable management information from the present manual records.
- 3.6 These difficulties have made it necessary for accountancy and building services staff to again make a number of estimates and assumptions about the value of work completed in order to provide figures for the 2007/08 accounts. There are significant differences in the amounts claimed by the contractors and what building services staff are able to certify, and it is likely to be some time before these differences will be resolved.
4. Customer services (front of house)
  - 4.1 The costing arrangements for the new service arrangements for reception and front of house have been included in the actuals. Officers try to avoid changing support service costing methods and allocations in-year in order to aid comparison between estimate and actual. However, the new Customer Services arrangements represent a significant change. Therefore, the accounts have been using costing and allocation methods that reflect the new arrangements to give a broadly fair allocation of costs to relevant services. The main changes are:
    - Receptionists: These were previously costed to the civic offices budget. They are now included in the new 'customer services' budget.
    - Transferred and additional staff resources are recognised in the new 'customer services' budget too.
    - Allocation of costs to services: These are based on estimated usage i.e. the numbers of telephone and personal callers routed through front of house services. These allocations will become more accurate as data of actual usage becomes available.
  - 4.2 The budget for front of house services is included with the other control and establishment budgets held by the Corporate Management Committee. The individual allocations to services are identified in service estimates. The cost of the previous reception arrangements was included in the budget for the civic offices (Economic Development Committee).
5. General Fund Revenue Account - Actual for 2007/08

- 5.1 Actual net General Fund expenditure on services was less than the revised projection (including supplementary estimates) for the year. The General Fund Summary Revenue Account reproduced in Appendix 'B' gives high-level detail on the service spending for the year. Table 1 shows a net betterment compared to the revised estimate on expenditure on services, after allowing for capital charges, results in variation (net under-spending) of £528,000:

	<b>Revised £000</b>	<b>Actual £000</b>	<b>Variation £000</b>
Net expenditure on services	15,223	14,418	(805)
Reversal of capital charges	(3,552)	(3,275)	277
<b>Net</b>	<b>11,671</b>	<b>11,143</b>	<b>(528)</b>

- 5.2 A booklet giving service figures for 2007/08 accompanies this agenda, and is also reproduced on the Council's web-site. Members who wish to study budget variations in detail may find this useful.
- 5.3 The major variations - except those caused by changes in capital charges and accounting changes to other recharges - between the revised budget and the actual for 2007/08 total £662,200. Part of this saving represents the planned under-spends of £355,100 (Appendix 'C') and these budgets will be taken into 2008/09. The major variations are summarised in Table 2.

<b>Service area</b>	<b>Saving £</b>	<b>Commentary</b>
Benefits administration	62,500	Unspent part of grants received for implementation of Local Housing Allowance and other changes in the Benefits system (budgets carried forward to 2008/09).
Public Halls	25,600	Savings in staffing and running costs.
Parks and Open Spaces	29,600	Mainly saving in grounds maintenance (£17,000), with various minor savings.
Cemeteries and closed churchyards	40,400	Saving in grounds maintenance (£16,000) and other running costs, and increased income of £19,000.
Environmental health services	53,500	Savings on salary and other costs and fees. Carry forward of provisions to 2008/09 of £19,000.
Refuse collection and recycling	47,500	Savings in staff and vehicle costs, partly offset by lower income.
Street cleansing	26,300	Savings in staffing and other operating costs.
Planning policy and development control	75,000	Saving in staffing and other costs (e.g. back-scanning records). Total of budgets carried forward to 2008/09 is £37,600.
Highways environmental maintenance and other highway works	29,500	Savings in staff costs.
Land Drainage	101,800	Savings in the works budget (£82,000 carry forward to 2008/09) and other expenses and staff costs.
Energy Management	31,700	Grants received in 2007/08 for energy management

		initiatives (budgets carried forward to 2008/09)
Civic Offices	68,800	Savings in rates (£34,300), services and other running costs of which budgets of £29,200 carried forward to 2008/09.
Corporate Management and democratic representation	25,700	Unspent provisions for compliance and review (budget carried forward to 2008/09) and member IT facilities.
Grant Aid	44,300	Savings in grant provisions and associated administrative support, of which £13,400 was an internal transfer for the Egham Museum at the Literary Institute (now part of the Strodes College agreement).
<b>Total major variations</b>	<b>662,200</b>	

- 5.4 The corporate importance of the current revenue reduction exercise has ensured that Directors, Departmental Management Teams, Budget Managers and staff generally have taken various steps to further maximise income and constrain expenditure.
- 5.5 There were a small number of budgets that were overspent or with a shortfall of income. In the main these were offset by savings elsewhere.
- 5.6 Net running costs at the Egham Leisure Centre were £42,500 greater than the revised estimate. Income was £56,500 lower than expected, with this shortfall being partially offset by lower running costs. At Addlestone Leisure Centre there was a trading deficit of £19,500, again with an income shortfall being offset by reduced running costs. The Leisure and Environment Committee have received regular reports on the trading position at both sports centres and action is being taken to improve the financial performance.
- 5.7 Government subsidy from the “incentive areas” part of the benefits system produces a surplus for the Council. The rules about the incentive areas offer an opportunity to generate additional subsidy. Incentive areas include a number of special cases. For instance, where an incorrect overpayment of benefit has been made arising from claimant error (e.g. where a change of circumstances was reported late) and therefore a recovery of the overpaid amount from the claimant is required. The “incentive” arrangements award differing levels of subsidy depending on the cause of the incorrect benefit calculation. The incentive is that Councils may keep this subsidy, even if the overpaid benefit is fully repaid by the claimant. The calculation of the incentive subsidy for 2006/07 proved very problematic and the final audited figure was £76,700 less than expected. The revised budget for 2007/08 was based on this being substantially recovered but, regrettably, this was not possible. Performance in the incentive areas remains good and the forecast surplus for 2008/09 should be achieved.
- 5.8 Investment income of £1,334,325 is broadly in line with the revised estimate of £1,300,000, albeit the constituent parts of achieving this outturn are very different from what was envisaged in the original estimate. A full report on treasury performance in 2007/08 is made to this Committee elsewhere in this Agenda.
- 5.9 In April, the DCLG announced a further distribution of Local Authority Business Growth Incentives Grant (LABGI). The revised budget allowed for a grant of £162,522 in respect of 2006/07 (year 2 of the scheme) as a result of the LABGI methodology being changed to recognise rating increases on existing properties. The latest announcement further revises the method of distribution to include all categories of assessment that record a potential increase in rateable value. This includes cases where there has been a change in address and a revaluation, properties that have ceased to be exempt from business rates and properties that have been previously domestic but are moving onto the rating list. This change gives the Council another £181,391 for year 2, plus a new entitlement of £216,879 for year 3 (2007/08). Therefore, the total LABGI recognised for the first time in the Council’s accounts in 2007/08 is £560,792 (£399,000 more than the revised budget).

- 5.10 The net General Fund expenditure is £962,000 less than the revised estimate. Table 3 summarises the major reasons for the variations:

Table 3 - Summary of General Fund variations in 2007/08: Revised estimate to actual	
	<b>£000</b>
Major service budget under-spends (paragraph 5.3)	662
Egham and Addlestone Leisure Centres (paragraph 5.6)	(62)
Benefits subsidy over estimated for 2006/07 (paragraph 5.7)	(74)
Other variances (net)	2
Sub total: Net spending on services (as Table 1)	528
Investment Income (paragraph 5.8)	35
Local Authority Business Growth Incentives Grant (paragraph 5.9)	399
<b>Total betterment: Revised estimate to actual</b>	<b>962</b>

- 5.11 The other variances in Table 3 above are an amalgamation of smaller savings and cost increases generated by the remaining services not specifically mentioned in Table 2.

- 5.12 The savings can be analysed into the following categories:

1. Planned under-spends (Appendix 'C'): These are not savings, but deferrals of expenditure to 2008/09. Planned under-spends are a useful tool in allowing managers to use public money wisely without the constraint of meeting in year budgetary "targets".
2. Unused provisions: These include policy led provisions (e.g. grant aid budget), and established provisions for demand led items (e.g. homelessness). Establishing reasonable provisions in the budget is normal budgetary practice and their non-use represents a state of fact rather than a quality led judgement on policy or management.
3. Increased income: A great deal of the Council's income derives from demand led services (e.g. planning applications, car parks) where relatively small fluctuations in usage can change the sum of income generated. Other income increases are one-off items generated from policy or management actions (e.g. cost recoveries), or simply fortuitous (e.g. Local Authority Business Growth Incentives Grant).
4. Savings in other running costs: The culture of the Council has been to encourage Budget Managers to minimise costs where consistent with the delivery of good services. In pursuit of this objective, the previous Leader of the Council wrote to all staff (on 16 November 2005) outlining the financial challenges facing the authority, urging co-operation and courting suggestions for efficiency and other measures. An example of such service efficiencies were the further savings achieved from bringing the community transport service in-house. These savings are often modest at individual service level but, as can be seen, combine into a significant sum overall.

- 5.13 The savings in 2007/08 represent a further opportunity to identify budgets that can be reduced having regard to spending profiles over recent years. Some of the savings made in 2007/08 have already been factored into the 2008/09 budgets as part of the net revenue reductions programme. They were not factored into the 2007/08 revised Budget to avoid any potential disruption to the spending plans for that year and to give time to budget managers to plan for the required savings, whilst minimising the impact on service delivery. The betterment will be reviewed in consultation with Budget Managers to establish if this could form the basis of further budget reductions in 2008/09 and future years.

- 5.14 It should be recognised that some significant income budgets are especially dependent on economic activity in the Borough (e.g. land charges, car parks, planning and building control fees). The base budget for these income items is set at current levels of activity. However, there is a risk that there may be a budgetary shortfall if there is a decrease in

local economic activity. There are also other risks that the Council has limited control over (e.g. limitations on developments arising from designation of local Special Protection Areas) that may also impact on the ability to maintain strong income flows. The Council recognised this risk of potential shortfall in income when re-setting the minimum level of reserves to £1.5 million in October 2006.

- 5.15 The net result for the General Fund in 2007/08 is a significantly reduced call on the working balance with merely £207,632 being required. This result is clearly much better than the original estimate that was based on the use of £1.169.4m of working balances. The difference of £962,000 is analysed in Table 3. However, some of the factors that brought about the savings achieved in the year have already been included in the latest Financial Forecast. Others are short-term in nature. Therefore, the need to continue to identify and generate sustainable savings in the medium-term remains a priority.
6. Housing Revenue Account (HRA)
- 6.1 The results for the HRA for 2007/08 disclose a surplus of £895,747. This compares to the revised budget where a deficit of £933,100 was forecast. This represents an in year betterment of £1.829m.
- 6.2 The HRA working balance at 31 March 2008 is £2.787m. The summary page for the Housing Revenue Account is produced at Appendix 'D'.
- 6.3 Table 4 identifies the significant variances between the revised budget and the actual:

<b>Table 4 – Summary of HRA variations in 2007/08: Revised estimate to actual</b>	
<b>Housing service area</b>	<b>Variance £000</b>
General Management: This is a mix of savings in operating and support costs, including £21,000 on the provision for removal and disturbance.	52
Special Services and Supporting People budgets: Savings on forecourt maintenance, equipment and services, and tenant based budgets.	91
Heathervale Mobile Home Site: Savings in cost of maintenance (£26,000). The budget for the provision of new mobile homes of £83,800 will be carried forward to 2008/09 to match expenditure on the reconfiguration of the site.	116
Housing Repairs: This includes savings on planned and cyclical maintenance (£110,000) and special works of £450,000 now carried into 2008/09. The reduced spend of the kitchen and bathroom programme (£780,000) will be made good in future years. Other savings make up the net under-spend of £1.392m.	1,392
Rental Income: Additional rental incomes (£83,000) as a result of slightly higher average rent levels and lower than anticipated tenancy voids, and a reduction in the provision for uncollectible rent (£42,000) reflecting good arrears performance.	125
Other items (net)	53
<b>Total HRA betterment – revised budget to actual for 2007/08</b>	<b>1,829</b>

- 6.4 The first call on the increased level of HRA balances in 2008/09 will be the planned under-spends of £622,300 (Appendix 'C') carried over from 2007/08.
- 6.5 The HRA balance of £2.787m is significantly greater than expected. The reason for this is principally the delay in the major works and improvements programmes. Otherwise, the financial performance of the HRA is generally consistent with assumptions made in the HRA Business Plan.

- 6.6 It is proposed to undertake a full review and update of the HRA Business Plan, including the financial model that forms the basis of assessing the affordability of the housing stock, in the summer. The review will be reported to the Housing and Community Services Committee in September.
7. Capital Expenditure and Financing
- 7.1 A schedule of General Fund and Housing capital expenditure in 2007/08 that shows the source of financing is reproduced at Appendix 'E'.
- 7.2 Many of the variances shown in the schedules are a result of timing differences (e.g. slippage in implementation or project re-phasing) and these capital budgets have been carried forward into 2008/09.
- 7.3 The largest item in the capital programme is the new Civic Offices project. The expenditure in the year of £9.5 million was less than the estimate of £11.1 million. This is of course a timing difference, caused in part by the construction and commissioning works falling behind schedule.
- 7.4 The next largest item is the capital repair and improvement works to the housing stock. The total expenditure in 2007/08 of £2.289m includes £570,000 on the new kitchen replacement programme. The other significant projects in the year were the repurchase of properties and other payments required to facilitate the Wapshott estate redevelopment (£820,000), investment in new IT system and equipment (£549,000), grants to registered social landlords for affordable housing schemes (£864,000), and private sector property improvement grants (£263,000).
- 7.5 The approach taken to finance capital expenditure is as follows:
- If available, grants and contributions are used to finance the cost of relevant schemes.
  - Then, specific reserves for projects are utilised.
  - Capital receipts are used to finance the remainder of the programme.
- 7.6 Capital repair and improvement works on the Council's existing housing stock is first funded from the Major Repairs Reserve. The balance, financed in previous years by the HRA, is now financed from capital receipts. This treatment is part of the accounting entries necessary to ensure that the transfer of revenue reserves from the HRA to the General Fund does not have an adverse impact on the HRA Business Plan.
- 7.7 The capital programme for 2007/08 assumed that certain works would be financed from specific revenue reserves. These are set out below:

<b>Table 5 – Capital expenditure met from specific revenue reserves</b>	
<b>Name of reserve</b>	<b>£</b>
Safer Runnymede Equipment reserve	430,381
IT Renewals reserve	468,367
DSO reserves	6,000
<b>Total</b>	<b>904,748</b>

- 7.8 Financing these works from capital receipts will preserve the level of revenue reserves. To maintain the discipline that these specific reserves employ, it is proposed that sums equal to the amount that they would have financed be transferred to the General Fund working balance (see Table 10).

8. Capital Income – Capital Receipts

- 8.1 The table below summarises capital receipts in 2007/08:

Table 6 - Capital Receipts (net of costs) in 2007/08
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	<b>Actual</b>
	£000
<u>Housing</u>	
Sale of land at Roakes Avenue	9,712
Sale of Council Houses (before pooling)	281
Mortgage & advances - redemptions and repayments	30
DIYSO - Gross income from sales and stair-casing	678
Other housing sales and receipts	168
<b>Total – Housing capital receipts</b>	<b>10,869</b>
<u>General Fund</u>	
Blays Lane	3,509
Other General Fund sales and receipts	5
<b>Total income from capital receipts in 2007/08</b>	<b>14,383</b>

- 8.2 The timing and amount of capital receipts is difficult to forecast. This is the case for both demand led receipts (sale of Council houses, DIYSO receipts) and general property sales. The Economic Development Committee receives regular reports on schemes and Members will recognise that it is not always possible to achieve sales on favourable terms that are exactly in line in projections. In some cases better terms can be agreed by deferring receipts.
- 8.3 In 2007/08 there were significant delays in asset disposals. The impact on cash flow and investment income of the delays are referred to in the report on treasury management elsewhere in this agenda.
- 8.4 Large sums of capital receipts are now expected in 2008/09 and 2009/10, including the sale of the old Civic Offices and Pinefields sites. These sales are dependent on favourable market conditions and satisfaction of planning and other matters. Recent experience has shown that slippage in receiving these sums can occur and there is also a risk that the disposal proceeds may be lower than expected.
- 8.5 Capital receipts are the main source of funding for the Council's capital expenditure plans. Table 7 shows the use of capital receipts in 2007/08, including the change in financing certain items from capital receipts instead of the specific revenue reserves as set out in Table 5.

Table 7 – Use of capital receipts in 2007/08		
	£000	£000
Balance at 1 April 2007		6,266
Receipts in 2007/08 – see Table 6		14,383
Payment of housing receipts to the government (para 8.6)		(150)
Used to finance capital expenditure in 2007/08		
Housing and General Fund capital programme	(11,638)	
Equipment renewals – see Table 5	(905)	(12,543)
<b>Usable capital receipts at 31 March 2008</b>		<b>7,956</b>

- 8.6 Pooling of housing capital receipts was introduced on 1 April 2004. The rules require the Council to pay (in cash) a proportion of housing capital receipts over to the Government. The Council must pay over 75% of the receipts from sales of dwellings under the Right-to-Buy arrangements, with this being phased in over 3 years (the "transitional offset" arrangement). For other housing capital receipts, the Council has the choice of paying a proportion over to the Government pool, or retaining the receipt to use on housing schemes. Clearly, it is beneficial to retain these receipts locally to

finance the housing capital programme. The total amount payable to the government pool for 2007/08 is £150,000.

- 8.7 The balance on the usable capital receipts reserve at 31 March 2008 is £7.956m. The rate of spend on the new Civic Offices project is reducing this balance, and there are significant spending commitments, especially on the housing improvement programme and on grants to registered social landlords for new affordable housing schemes. Therefore, it is very important that the sale of the old Civic Office site is not delayed.

9. Contributions and Grants

Capital Grants and Contributions

- 9.1 Grants or contributions received from third parties form an important part in funding new capital initiatives and the scale of receipts in 2007/08 reflects the success in attracting Government and other third party support. The table below lists the grants and contributions so used in 2007/08:

Scheme	£	Details
House Renovation Grants	142,000	Government subsidy towards disabled facilities grants made.
Refuse collection	133,754	Insurance contribution towards replacement of a refuse vehicle (£96,915) and Waste Performance Reward Grant (via the LAA) for a new computer system (£36,839 used out of a total grant of £39,000)
Play areas and open spaces	96,079	Developer contributions via Section 106 agreements and grants through AIR
Safer Runnymede – new control room	59,808	Contributions from crime and disorder partnership and Safer Stronger Communities grant
Benefits service – new module for Northgate computer system	20,000	Government grant for introduction of the Local Housing Allowance.
<b>Total</b>	<b>451,641</b>	

Revenue Grants and Contributions

- 9.2 The amount of one-off or short-term Government grants and other third party support for revenue expenditure is also a feature of the Council's operations. The table below lists the significant contributions in the 2007/08 accounts.

Scheme	£	Details
Home improvement service	67,512	Supporting People funding (£30,970) and contributions from Surrey CC for new service developments (£36,542).
Housing advice (resettlement officer post)	7,665	Contribution from West Surrey Mental Health Service.
Homelessness service	45,812	Use of specific Government grant in 2007/08

Housing Benefits administration	94,612	Government grants towards implementation of Local Housing Allowance (£64,151), Employment Support Allowance (£17,332), and information returns (£13,129).
Community Services: Day centres and meals on wheels service	63,167	Surrey CC contribution of £10,580 per day centre towards care service, and £10,267 for the community meals service.
Community Services: Dial-a-Ride	57,930	Surrey CC Transport Unit contribution of £31,930, and Social Services contribution of £26,000.
Play and youth activities	10,000	Sponsorship - Proctor and Gamble
Chertsey Museum	84,800	Contribution from the Olive Matthews Trust of £73,500 and £11,300 from other sources.
Register of electors	5,129	Home Office funding for checking of personal identifiers.
Safer Runnymede	65,452	Home Office funding (see footnote).
• Safer & Stronger Communities	42,600	Tripartite funding from Surrey CC and Surrey Police
• Crime and Disorder	52,694	Contributions towards the Basic Command Unit (£33,500) and general operation costs (£19,194).
• Surrey Police funding		
Planning Services	365,266	Planning Delivery Grant
Travel Initiative: Yellow Bus Scheme	200,206	Use of Section 106 contributions (£140,706) and sponsorship (£59,500)
Runnymede Business Partnership	15,000	Sponsorship (in kind) from various sources towards this initiative.
<b>Total</b>	<b>1,177,845</b>	

The Home Office contributions for the Safer Runnymede scheme formally comes to the tripartite partnership (Runnymede, Surrey CC, and Surrey Police) for which Runnymede acts as the lead partner.

- 9.3 The use of S106 powers to require developers to make financial contributions and/or asset transfers have been an important feature of financing services in recent years. The accounting treatment for these contributions is to recognise them only when received, and then to treat them as deposits that can be used to pay for the agreed project or service when the relevant expenditure is incurred. Appendix 'F' provides a schedule of S106 financial contributions and other grants and receipts held and/or used in 2007/08. The Appendix shows the purpose and date of the receipt, the actual or proposed usage of the receipt, and sums in hand that are still available for use. Interest earned on these receipts (whilst they await application on the associated project) accrues to the General Fund.
- 9.4 Grants and contributions are welcome in that they ease the burden on the Council and ultimately the local taxpayer of paying for services. However, there are some policy issues about the dependency on this sort of income that need to be recognised. The Council may be influenced towards providing services because of the availability of grant income rather than explicit local need or policy direction. Furthermore, grant income can be insecure and providers may taper out grants (either deliberately or through less than inflation increases) or stop providing grant support altogether. This leaves the Council with the ultimate service and financial risks. These important risks need to be carefully considered given the financial challenges the Council faces over the following years.
- 9.5 A great deal of Officer time can also be spent on generating third party funding. Government funding often involves making bids in competition or in partnership with other public sector organisations. Unsuccessful bids can be especially frustrating given the resources used in compiling applications.

10. General Fund Reserves
- 10.1 General Fund reserves provide the financial flexibility to enable necessary budgetary measures to be introduced to protect spending levels over a period of time (thereby helping to mitigate adverse impact on services) and the low tax policy of the Council.
- 10.2 It is particularly important that an adequate minimum level of reserves is maintained based to provide for the risks and uncertainties that might arise during a year.
- 10.3 Establishing a sound basis for balances and reserves is an important part of good financial management. This is not an exact science, but a continuous process of evaluation in light of current and forecast circumstances.
- 10.4 The following paragraphs set out the purpose of each major reserve, and proposals for setting the balances of each reserve at 31 March 2008.
- 10.5 The non-specific General Fund reserves comprises two elements: the **Working Balance** and an amount held as a **Contingency** for unforeseen requirements. A minimum **Working Balance** is required so that the Council has sufficient funds available to meet its cash flow requirements. The Council has decided that £1.5 million is the minimum recommended level of unallocated General Fund reserves that it needs to hold. This is reviewed each year when the Council considers its medium term forecast. No change is proposed to this limit.
- 10.6 The **IT Renewals Reserve** was established in 1994/95 to provide a source of funding for future IT replacements. The annual contribution (£85,000) to this reserve provides for future hardware replacements. Replacements have been put on hold over the previous two years in preparation for the move to the new civic offices. The significant upgrade programme in conjunction with the new Civic Offices project commenced in 2007/08 and expenditure financed from this reserve was £468,367. Further expenditure is programmed in 2008/09 and, after allowing for the annual contribution of £85,000, the balance in this reserve at 31 March 2009 is estimated to be close to the medium-term target balance of £250,000 that is appropriate for this reserve.
- 10.7 The **Safer Runnymede Equipment Reserve** was established during 2000/01 with the intention of providing a source of funds when existing equipment needs replacing. An annual contribution from revenue of £129,000 has been provided for this purpose. The new monitoring centre in the new Civic Offices is being re-equipped and expenditure financed from this reserve was £430,381. This work will be completed in 2008/09.
- 10.8 The purpose of the **Car Park Machines Replacement Reserve** is to spread the cost of replacing car park machines by making an annual contribution from the revenue account each year. Contributions to this reserve were suspended because the balance was sufficient to pay for future replacements. However, proposals to replace the machines will be taken to the Economic Development Committee in 2008/09 and contributions to this reserve will then need to be reinstated.
- 10.9 The accrued surpluses generated by the **Direct Service Organisations** (DSOs) are maintained in this reserve. The last remaining trading service was the Street Lighting DSO and this was wound up in 2007/08. The opening balance on this reserve was £137,866. There was a small operating surplus of £7,111 for the remaining few months of the contract. A sum of £6,000 was used to finance the purchase of street cleansing equipment. The balance on this reserve (of £138,977) has been transferred to the General Fund in accordance with the decision of this Committee when it considered the Financial Forecast on 1 November 2007.
- 10.10 Reserves for the replacement of equipment at **Egham and Addlestone Leisure Centres** have recently been established. There were no schemes in 2007/08 requiring finance from these reserves.
- 10.11 Based on acceptance of the proposals set out above, table 10 shows the movements in revenue reserves in 2007/08:

**Table 10 – General Fund Revenue Reserves in 2007/08**

Reserve	Balance 31 March 2007	In-year surplus (deficit)	Capital spend (table 5)	Transfers	Balance 31 March 2008
	£000s	£000s	£000s	£000s	£000s
Working Balance	6,927	(207)	905	0	7,625
IT Renewals Reserve	973	0	(468)	85	590
Direct Service Organisations	137	7	(6)	(138)	0
Safer Runnymede Reserve	379	0	(431)	129	77
Car Park Machines Replacement	92	0	0	0	92
Egham Leisure Centre Equipment	31	0	0	70	101
Addlestone Leisure Centre	15	0	0	30	45
Museum Purchases Fund	27	2	0	0	29
Maintenance of Graves	2	0	0	0	2
<b>Total</b>	<b>8,583</b>	<b>(198)</b>	<b>0</b>	<b>176</b>	<b>8,561</b>

10.12 The statement on forecast reserves and balances presented with the Budget for 2008/09 estimated that total General Fund revenue balances would be £7.686m at 31 March 2008. The increased level of balances is primarily the result of the savings and planned underspends explained earlier in this report. The additional flexibility that this increase affords the Council is very welcome given the challenges to be faced over the next few years.

10.13 The Council currently has what appears to be substantial revenue balances, including £7.625m as a working balance and contingency. However, the approved General Fund budget for 2008/09 alone estimates the use of £1.284m of these balances to support service spending. Furthermore, budgets brought forward from 2007/08 (Appendix 'C') will consume another £355,100 of these balances.

11. Conclusion

11.1 The Council's medium term financial strategy is based on revenue reserves being used to finance service spending whilst net revenue reductions are phased in to bring income and expenditure into balance. The savings identified in this report will be examined to ascertain whether they can form the basis for further revenue reductions towards the overall savings target.

11.2 The Council has a record of maintaining strict financial control whilst developing and improving services. The approved financial forecast recognises that there are a number of important challenges that the Council faces in continuing this success.

11.3 The strategy to meet these challenges will be formally considered later this year when the Council considers the next financial forecast. The strategy will reflect the progress made and further developments necessary to implement the Council's financial and operational strategy over the coming years.

**OFFICERS' RECOMMENDATION that -**

- i) the methods of financing capital expenditure in 2007/08 be as set out in Appendix 'E' to this report;**
- ii) the additional revenue savings identified in this report be investigated to ascertain whether they can form the basis for further revenue reductions towards the overall savings target.**

**(TO RECOMMEND)**

## Background Papers

None stated

### 8. TREASURY MANAGEMENT AND INVESTMENT STRATEGY - ANNUAL REPORT 2007/08 (DF)

(Ref: Minutes of Corporate Management Committee, 1 February 2007, page 733, para. 515; and 31 January 2008, page 718, para 514).

#### 1. Purpose of Report

1.1 **This is the annual report on treasury management activity and performance for the 2007/08 financial year.**

#### 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 Council’s Treasury Management Practices requires the Director of Finance to report to this Committee on the treasury management activities and performance for the previous financial year.

2.3 The Council’s treasury management policies and schedules for 2007/08 were approved 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 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 investments and day-to-day cash management. The 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.

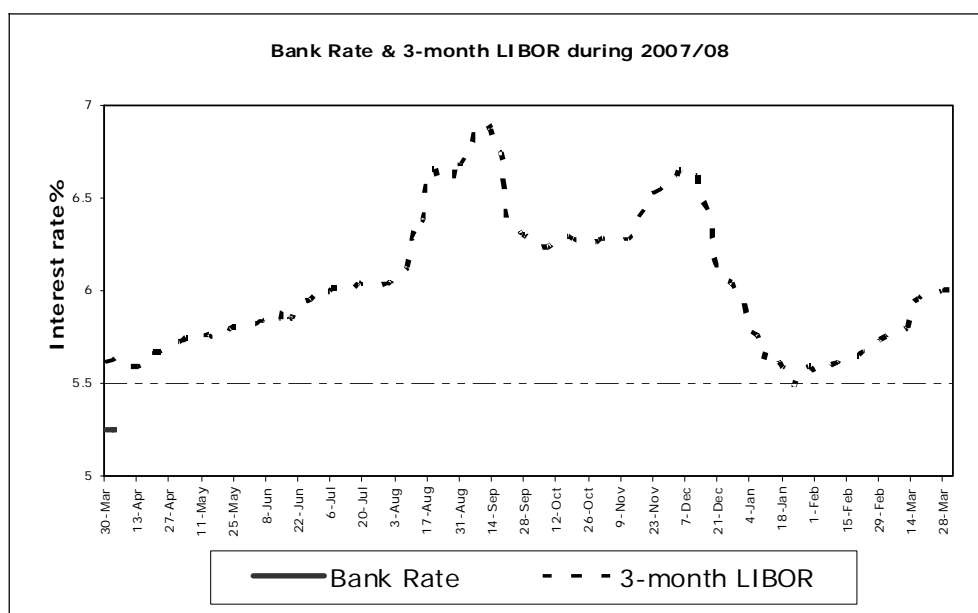
2.5 Sterling Consultancy Services were re-appointed as the Council’s treasury management consultants for a three-year period from October 2007. Sterling provide advice on all aspects of treasury management, including their own interest rate forecasts. They also provide a quarterly economic review and a copy of their latest publication (currently for the quarter to 31 March 2008) is placed in the Members’ Room.

2.6 Alliance Bernstein had been appointed as the Council’s external fund manager in September 2004 and at 1 April 2007 was managing £16.98 million of the Council’s funds. At their presentation to the Committee on 1 February 2007, Alliance Bernstein had 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.

2.7 At its meeting on 29 March 2007, the Committee approved a revised investment strategy for the £15 million of funds prudently available for investment over the medium-term. A new element in the strategy involved investing a proportion of the portfolio (£5 million) in fixed term investments for a 2 to 5 year period. This is intended to give the Council a greater degree of certainty over the total yield that the portfolio will generate. It was also agreed to use a manager specialising in cash investments to allow investment

returns to match benchmark returns more closely, while providing a good mix of investment counterparties for the remaining £10 million.

- 2.8 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 firm appointed was Tradition (UK) Limited and they commenced the management of £10 million of the Council's funds on 3 September 2007.
- 2.9 A report on treasury management strategy for 2008/09 was presented to this Committee in February 2008.
- 3. Investment Activity and Commentary 2007/08 - General
  - 3.1 The management of the Council's investments in 2007/08 has been conducted within the policy guidelines approved in the Treasury Policy Statement and Treasury Management Practices and the Annual Investment Strategy for 2007/08.
  - 3.2 Treasury management activity in the year was carried out in accordance with statutory requirements and CIPFA's "Code for Treasury Management in Local Authorities."
  - 3.3 The Council set "prudential indicators" for 2007/08 in February 2007. Two of the forward looking indicators set related to treasury management activities:
    - 1. The "authorised limit": This is a limit on the maximum amount the authority expects to borrow. For 2007/08 a limit of £3m was set to take account of any cash flow shortages that may have been experienced in the year. No borrowing was undertaken apart from the occasional modest overdrawn balance on the Council's bank account.
    - 2. An "operational boundary": This is a term used to describe the most likely scenario of debt that follows from the authorities cash flow movements. For 2007/08 a limit of £2m was also set and bank overdraft facilities used were also well within this amount.
  - 3.4 In previous years, short-term wholesale money market interest rates had generally closely followed the Bank Base Rate. This close relationship has changed since summer 2007 when the liquidity problem surfaced and money market rates have often been significantly higher than the Base Rate. The following chart traces the 3-month LIBOR (a measure of the rates pertaining in money markets) to the Base Rate during 2007/08.



- 3.5 However, movements in Base Rate still play a significant element in the direction of short-term interest rates. Base Rate in 2007/08 commenced at 5.25% and was increased to 5.5% on 10 May 2007 and 5.75% on 5 July 2007. On 6 December the Base Rate was reduced to 5.5%, and was again reduced to 5.25% on 7 February 2008. The average base rate for 2007/08 was 5.542%, significantly higher than the assumption of 5.00% used to compile the original estimate for 2007/08. The Base Rate was reduced to 5.0% on 10 April 2008.
- 3.6 A summary of the Council's overall investment portfolio at the start and end of 2007/08 is set out in Table 1:

	<b>1 April 2007</b>	<b>31 March 2008</b>
	£000	£000
Alliance Bernstein Fund	16,984	0
In house investments		
Managed directly	3,380	12,500
Advised by Tradition	0	10,000
<b>Total investment portfolio</b>	<b>20,364</b>	<b>22,500</b>

- 3.7 Interest earned on balances is derived from external and in-house managed investments. Table 2 shows the original, revised and actual calculations of General Fund investment income in 2007/08:

Source of Income	Original	Revised	Actual
	Estimat	Estimat	
	£000	£000	£000
Alliance Bernstein fund	975	270	271
In-house investments	361	1,130	1,205
Bank deposits	10	10	11
Gross external investment income	1,346	1,410	1,487
Interest on Housing Revenue Account balance	(136)	(106)	(139)
Interest paid on deposits and other balances	(10)	(4)	(14)
<b>Net General Fund investment income</b>	<b>1,200</b>	<b>1,300</b>	<b>1,334</b>

- 3.8 Both interest rates and the cash flows for 2007/08 are markedly different than expected this time last year. The original budget for 2007/08 was based on average interest rates of 5%. The current Financial Forecast (approved in December 2007) updated this to 6%.
- 3.9 The difficulties experienced in the wholesale money markets during 2007/08 has been widely reported in the press. Interest rates in the wholesale money markets have been particularly volatile since August 2007, and short-term rates have often been significantly higher than the Base Rate. This presented both opportunities and threats. The increase in money market rates created a premium (sometimes more than 1%) for 3 to 6 month money over the Base Rate for much of the period from September 2007 to March 2008. Rates on longer-term investments were also substantially above the Bank Base Rate at times. The higher than expected level of interest rates has alone provided a significant betterment of around £300,000 in 2007/08 compared to the original estimate.
- 3.10 Treasury management activity in 2007/08, starting with an analysis of actual against expected cash flows, is explained in the following sections.

#### 4. Cash Flow in 2007/08

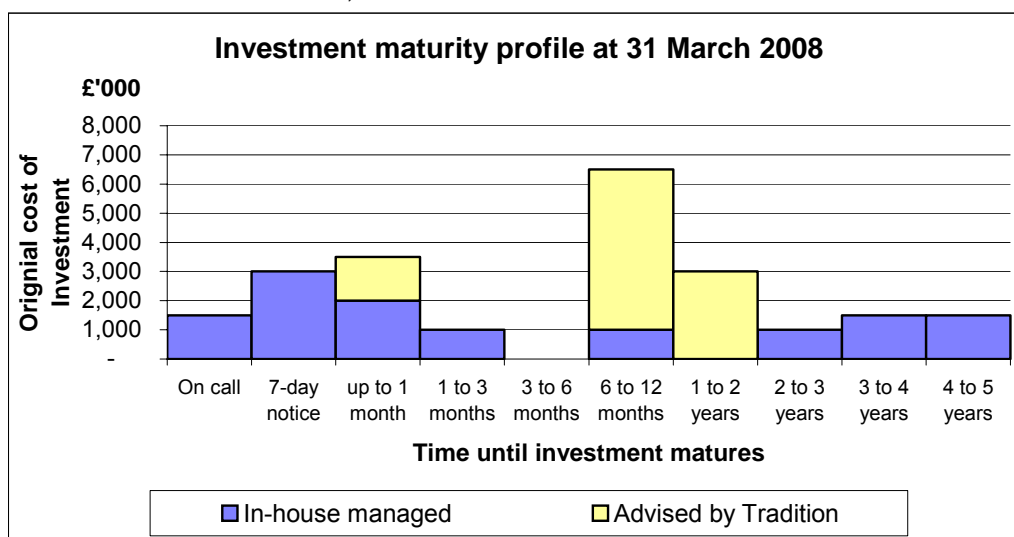
- 4.1 The Council enjoys strong positive cash flows as a result of collecting local taxes over the first ten months of the financial year. This enables funds to be invested and income generated until the cash is needed to pay for the Council's operating costs and capital projects, and for paying the government, Surrey County Council, and Surrey Police their share of local taxes.

- 4.2 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 in March 2008 for the Blays Lane site. However, the money from the sale of the Roakes Avenue site was actually received on 1 November 2007, and that for the Blays Lane site 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.
- 4.3 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 generated additional investment income of around £100,000 in 2007/08 compared to the original estimate.
- 4.4 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

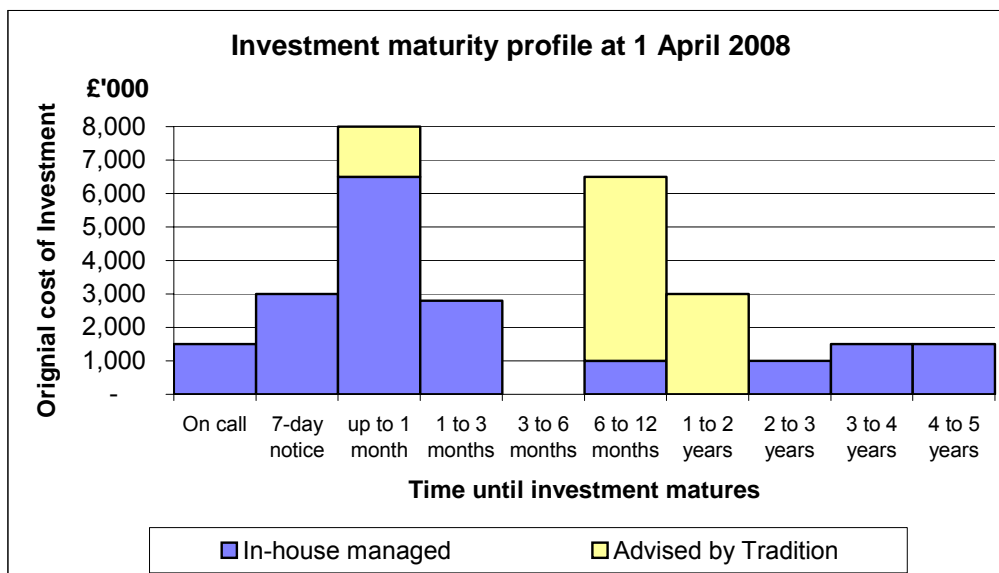
5 Maturity profile of investments

5.1 Investments made with a maturity of over 364 days are categorised as medium or long-term investments. Because of the increased risks associated with investing for longer periods - of credit risk (default) and/or interest rate risk – these are made with extra caution. The Committee agreed to set-aside a maximum of £5m of in-house investments and up to £7m of investments made through Tradition for medium-term investment.

5.2 The following chart illustrates the maturity profile of the Council’s investment portfolio at 31 March 2008, and also identifies the investments made on the advice of Tradition.



5.3 However, the position at the year-end is not typical of the spread of investments held at any one time. This is because the incidence during the year of large items such as local tax receipts, precepts payable to Surrey County Council and Surrey Police, and payments to and from the government can significantly change the amount invested at any one time. As an illustration of this, the following chart illustrates the maturity profile of the investments held at 1 April 2008.



5.4 The reason for the increase in the amount invested is that £6.3m of local tax receipts were received on 1 April. Much of this was paid away before the end of the month; Council Tax income to Surrey County Council and Surrey Police, and business rates to the government. However, even for the relatively short periods of time that these sums are in the Council's hands, these large cash flows generate significant investment income. The high short-term interest rates available in the wholesale money markets since August 2007 have significantly increased the investment income from these cash flows compared to the Council's original investment.

5.5 The longer-term maturities reflect the investment decisions made in accordance with the strategy to hold a proportion of investments in longer term maturities (see paragraph 2.7 and 2.8). These investments were made during the first half of 2007/08 and, to date, the timing of the investments has proved beneficial.

## 6 Market value of investments

6.1 The Statement of Accounts for 2007/08 will for the first time be compiled using the new accounting standards for what are termed "financial instruments". The Statement of Accounts will include details of, in particular, the Council's investment portfolio and information about the way the Council manages investment risks. For accounting purposes, the Council's investments now have to be valued at what is termed "amortised cost". This method takes into account the cash-flows associated with an investment to calculate the "effective rate of interest" on an investment. This gives a more realistic calculation of the true economic value of an investment. The new accounting standards also require disclosures of the "fair value" of investments held at the year-end. The market value ("fair value") of the Council's investments at 31 March 2008 compared to their book value is set out in the following table:

	Original investment £000	Amortised cost £000	Fair value £000
Investments maturing over 12 months	7,000	7,403	7,416
Investments maturing in under 12 months	15,500	15,819	15,819
<b>Total</b>	<b>22,500</b>	<b>23,222</b>	<b>23,235</b>

6.2 Under the new accounting standard, the value of an investment at the balance sheet date also includes the interest on that investment. Previously the interest accrued on an investment was treated as a debtor (i.e. as accounts receivable).

6.3 The fair value is calculated using market rates at close of business on 31 March 2008. Because there is not an active market in these investments (they are expected to be held until maturity), interest rates for a similar remaining term and counterparty were used. The variance between amortised cost and fair value reflect the change in interest rates since the investments were made. The notional loss or gain as at 31 March does not take into account changes in interest rates during the year, or the importance placed on securing at least a minimum rate of return on investments.

7. Investment activity and performance in 2007/08

7.1 In 2007 the funds held by Alliance were repaid to the Council (see paragraph 2.7). There were significant capital income (paragraph 4.2) and capital payments in the year. The combination of these factors has seen a significant increase in in-house investment activity during 2007/08. Table 4 summarises in-house investment activity during the course of 2007/08, split between the sectors of the counterparties with which the funds were invested.

Sector	Opening balance	New investments	Investments matured	Closing balance
	£000	£000	£000	£000
Banking sector	3,380	97,040	89,420	11,000
Building societies	0	28,050	19,550	8,500
Government	0	5,350	2,350	3,000
Local authorities	0	1,700	1,700	0
<b>Totals</b>	<b>3,380</b>	<b>130,440</b>	<b>111,320</b>	<b>22,500</b>

7.2 Investment turnover in 2007/08 has been greatest with counterparties within the banking sector. This is mainly because a significant part of the medium and longer-term investments have been made with building societies and, to avoid breaching the Council's sector limit with building societies, short-term investments have tended to be with counterparties within the banking sector.

7.3 Investment returns can be measured against external benchmarks. Table 5 illustrates simple comparisons of in-house performance against average short-term indices for 2007/08:

<b>Index</b>	<b>Annualised Return %</b>
Average Bank Base Rate	5.542
Local authority 7 day index daily average - simple	5.601
Local authority 7 day index daily average - compound	5.639
Local authority 3 month index daily average	5.958
<b>Returns achieved</b>	
Overall return on investments (including Tradition deals)	5.994
Return excluding Tradition deals	5.839
Overall return excluding long-term investments	6.055

7.4 The returns in 2007/08 particularly benefited from the higher rate earned on short-term investments. Taking investments made with a maturity of greater than one year out of the calculation, the return on investments was 6.05%.

Externally managed investments – Tradition (UK) Ltd

7.5 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 Director of Finance before they make any long-term investments.

- 7.6 The investment performance of Tradition since the commencement of the arrangement in September 2007 is set out in Table 6 below:

From 3 September 2007 to 31 March 2008	Annualised Return (%)
Average return on portfolio	6.08
Average 7-day notice for the period (7-months)	5.65

- 7.7 This is clearly a good start for the Tradition portfolio. The portfolio should also benefit well into 2008/09 from longer-term investments made at favourable rates of interest during 2007/08.

8 Alliance Bernstein Fund

- 8.1 The return generated by Alliance Bernstein is summarised in Table 7.

	£000
Fund valuation on 1 April 2007	16,984
Cash withdrawals in 2007/08	(17,263)
Gross income	279
Less Managers' and Custodians' fees	(8)
<b>Net gain in 2007/08</b>	<b>271</b>

- 8.2 The Alliance fund was closed in August 2007.

9. Legal Implications

- 9.1 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.

- 9.2 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. Guidance issued by the Government requires the full Council to approve an Annual Investment Strategy that sets out the investment parameters adopted by the Council.

10. Council Policy

- 10.1 This is set out in the Treasury Management Policy Statement, the Annual Investment Strategy, and associated Practices and Schedules.

11. Prospects

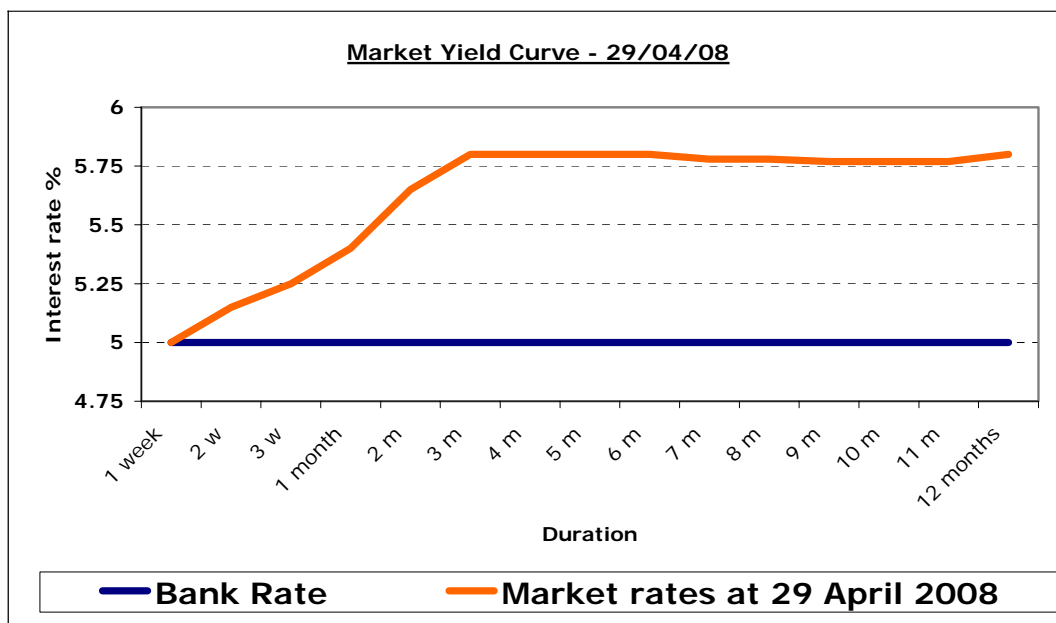
- 11.1 The Council's medium-term financial forecast is based on achieving an average return of 5.5%.

- 11.2 The latest set of interest rate forecasts received from Sterling Consultancy Services is set out below:

	Base	3-Month	12-Month	25-Year
	%	%	%	%
June-2008	5.00	5.60	5.70	4.82
September 2008	4.75	5.20	5.70	4.60
December-2008	4.50	4.60	4.65	4.45

March 2009	4.50	4.55	4.60	4.50
June 2009	4.50	4.70	4.80	4.80
December 2009	4.75	4.95	5.05	5.05
June 2010	5.25	5.35	5.40	5.20
December 2010	5.50	5.55	5.55	5.30
June 2011	5.50	5.40	5.30	5.20

- 11.3 It must be appreciated that these forecasts are just that – informed guesses of what might happen in the future. At this stage there is no reason to change the assumptions made in the Council's medium-term financial strategy.
- 11.4 Table 8 illustrates that Sterling are expecting interest rates to fall further in 2008/09, and for money market rates to move back towards tracking the Base Rate. If these projections hold good, it is likely that the Council's short-term investments will struggle to meet the budget projection of a 5.5% return in 2008/09. However, the medium and longer-term investments – made at fixed rates of interest - will provide the desired protection for the Council's overall investment income.
- 11.5 Interest rates (and investment income) should not be viewed in isolation, but considered in conjunction with other economic factors. Inflation has a very significant impact on the Council's current and future costs. The bad news is that the inflation is significantly higher than the assumptions in the Forecast and included in the 2008/09 budget (2.5% for pay and 2.5% for prices). If the higher inflation feeds through to the Council's revenue budgets the impact will be significant and cumulative. The short-term (2008/09) impact of the higher rate of inflation will be an increase in the prices paid for goods and services, and upward pressure on the level of the July 2008 salary increase. It will be a significant achievement to contain these cost pressures within the approved budgetary provision. Even if this is possible, the cumulative effect of this (hopefully) spike in inflation will serve to make it more difficult to balance income and expenditure over the medium-term.
- 11.6 The reduction in Base Rate by 0.25% to 5.00% on 10 April was widely predicted by the financial markets. However, the impact that Base Rate reductions will have on interest rates in the wholesale money markets, where rates have been driven by concerns over liquidity and other factors, is much less certain. Using data from 29 April 2008, the following chart illustrates that interest rates for terms of 3-months and above were still significantly higher than the Base Rate.



- 11.7 The strategy agreed last year of placing £5m into fixed-term (at fixed rate) investment has been successful. The investments made by Tradition have also proved successful. The movements in the wholesale money markets in 2007/08 have also generally been of

benefit to the Council, although this has been fortuitous rather than the result of foresight.

- 11.8 The ability to forecast interest rates movements effectively and lock funds into prudent and planned long-term rates is of course very helpful in generating good returns. However, it is always more beneficial to manage cash effectively rather than rely on good (or fortunate) forecasting of market movements. Managing short-term cash is a traditional and core function of the local authority treasurer role. The Financial Forecast also relies on generating significant income from land sales, not least the site of the old Civic Offices and police station. Realising these and other sales in time and for the expected sums is key to producing the investment income on which the Council's spending and tax plans are based. It is the timing of land sales that will determine the yield from investments over the short to medium term, far more so than interest rate movements or good investment decisions.
12. Conclusions
  - 12.1 Treasury management activity in 2007/08 has been conducted in line with the approved treasury management strategy and with the Annual Investment Strategy for 2007/08.
  - 12.2 Investment returns have been above benchmark returns. This reflects the ability of the Council and it's advisors to take advantage of the volatility in the wholesale money markets in 2007/08.
  - 12.3 Investment income has also benefited from higher than expected opening balances, but is offset by delays in securing capital receipts from the sale of assets.
  - 12.4 The need to deliver future capital receipts on time will be particularly important to meet the absolute level of investment income assumed when setting the Financial Forecast.
  - 12.5 Prospects for investment returns in 2008/09 are favourable as a result of locking a proportion of the Council's portfolio into high interest rates during 2007/08. However, this beneficial effect could be more than offset by the increase in inflation and the probable cumulative impact that inflation has on spending over the medium term.

**(FOR INFORMATION)**

Background Papers

Sterling Consultancy Services interest rate forecast May 2008 (DF's file 183) – exempt (DF).

9. PURCHASE OF HOUSING ADVICE MODULE (DHCS)

1. **Purpose of Report**
  - 1.1 **The purpose of this report is to seek approval for the purchase of the Northgate Housing Advice module license and the ongoing annual service and maintenance costs.**
2. Background Information
  - 2.1 The Government agenda has changed significantly over the years with the focus now strongly on housing advice and homeless prevention.
  - 2.2 Every quarter the Council is required to submit information to the Government on the levels of housing advice cases and successful homeless preventions.
  - 2.3 Over the last two years Officers have dealt with over 2,500 cases which are recorded on the housing advice database. It is important that detailed notes are kept for each case and that these can be easily accessed.
  - 2.4 Housing advice cases are currently recorded on a Microsoft Access database which is a standalone system that does not link to the existing homelessness and allocations module within the Council's Integrated Housing Management System.

3. Report

3.1 Very recently data within the existing housing advice database has become corrupted. Complete cases have been lost from the system. This is not acceptable as Housing Options Officers often need to look back at case histories when dealing with existing clients or answering queries from others e.g. Audit, Local Government Ombudsman, MP or legal representations.

3.2 From April 2008 the Council will need to provide the following information each quarter to the Government:

- Number of homeless decisions made;
- Number of priority need, eligible and unintentionally homeless decisions within last two years broken down into ages, family composition, priority need category and reason for homelessness;
- Number of referrals between authorities and households accepted as homeless who have no local connection;
- Immediate outcome of a homeless accepted case, i.e. placed in temporary accommodation, homeless at home, applicant made own arrangements;
- Total number of households accommodated at end of quarter broken down into accommodation type and household composition;
- Number of households where a duty is no longer owed or they have left temporary accommodation, broken down into the reasons for this;
- Number of homeless applications considered from Foreign Nationals and UK Nationals from abroad, broken down into reason for eligibility and final decision made;
- Total number of cases where positive action was successful in preventing homelessness from existing home broken down into what action was taken;
- Total number of cases where positive action was successful in preventing homelessness by assisting household in securing alternative accommodation broken down into what form of alternative accommodation.

3.3 At the current time all of the above statistics will have to be collated manually because they are kept on two different systems. This increases the risk of error as well as lengthening the time needed to complete the task.

3.4 The Housing Department has an integrated housing management system which is provided by Northgate Integrated Housing Management Solutions. This system is used to support a range of functions:

- Rent collection
- Repairs recording and stock information
- Voids management including allocations
- Housing applications and the Housing Register
- Homeless applications

3.5 The system is fully integrated allowing information in one module to be utilised by another e.g. information recorded for individual households who apply for housing is passed on from the housing register to tenancy management when people are rehoused.

However, as the housing advice data base is not part of the current integrated housing system it does not benefit from this integration.

- 3.6 Northgate offer an additional module for housing advice which would link into the existing housing and homeless applications part of the system. Purchasing this system would mean that all cases are kept on one system and would make reporting far more efficient and accurate. It would also mean that records on the system cannot be deleted, which means that an effective audit trail can be maintained.
- 3.7 The purchase of additional software would normally require a contract tender and award process (see Standing Order C2.5). However, in this case it is most unlikely that anything other than the Northgate system would integrate in the way outlined above with the existing housing software. It is therefore proposed that Standing Orders be waived to allow purchase of this module of the integrated housing system.
- 3.8 The Council receives homelessness grant funding of £40,000 per year for 2008 to 2011 and Officers have made contact with DCLG and asked whether they feel that the purchase of the housing advice module would be an effective use of the homelessness grant. The DCLG have responded positively and believe it makes effective business sense.

4. Financial Implications

- 4.1 The initial purchase of the system will be entirely funded from the homelessness grant received from DCLG. There are, however, ongoing cost implications for the annual service and maintenance of the system.
- 4.2 The total cost in the first year equates to £30,975 followed by £2,875 each year thereafter. The cost is broken down as follows:

Cost of licence	£11,500
Implementation (Consultants fees)	£16,600
Subtotal – purchase and implementation	<b>£28,100</b>
Annual service and maintenance	£ 2,875
Full cost in first year	<b>£30,975</b>

- 4.3 It is proposed to use the homelessness grant for 2008/09 to fund the costs.
- 4.4 From 2009/10 an additional provision of £2,875 would need to be made in the existing revenue budget for ongoing service and maintenance costs for the system. It is proposed to fund this from within future allocations of homelessness grant or other existing revenue budgets.

5. Legal Implications

- 5.1 If homeless cases are not dealt with appropriately then an applicant can request a judicial review. This could lead to substantial expenditure for the Council. It is therefore important that effective systems are in place to record applicants' details.

6. Conclusion

- 6.1 The current housing advice system is unstable and some data has recently become corrupted. As the majority of housing functions are currently supported on an integrated housing management system it makes sound business sense to purchase the housing advice module of this system, to ensure accurate reporting and a stable log of case history information.

**OFFICERS' RECOMMENDATION that –**

- i) a capital estimate in the sum of £28,100 be approved to meet the cost of the purchase and implementation of the housing advice module from Northgate Integrated Housing Management Solutions, to be financed from the homelessness grant from the DCLG;**

ii) **the Committee notes the ongoing service and maintenance costs of £2,875 per annum from 2009/10, to be funded from within existing budgets; and**

iii) **Standing Order C2.5 be waived to allow purchase of the Housing Advice module from Northgate Integrated Housing Management Solutions, for the reasons stated in paragraph 3.7 of the report.**

**(TO RESOLVE)**

Background Papers

None stated

10. NEW NATIONAL INDICATOR SET (CEO)

1. Purpose of Report

1.1 **To inform Members of the new National Indicator set and of the implications for this authority.**

2. Background Information

2.1 Members will be aware from previous reports to this Committee that in autumn 2007 the Government announced a new single set of 198 National Indicators which measure performance and published a consultation document on the New Performance Framework for Local Authorities and Local Authority Partnerships outlining the proposed definitions for these new indicators.

2.2 On 29 February 2008 the Department For Communities and Local Government published an update on the final definitions for 138 of the 198 National Indicators. The remaining 60 definitions were published in April 2008. As a result of the consultation process, one of the 198 indicators was replaced and 13 were delayed, subject to consultation, until 2009/10. The 198 National Indicators as proposed in autumn 2007 are attached at Appendix 'G'.

2.3 The new National Indicators took effect from 1 April 2008 and the new style Local Area Agreements (LAA)s will be signed by June 2008. In the summer of 2008 the Government will publish a second joint consultation document setting out a detailed approach to the framework and the methodologies underpinning it. The final Comprehensive Area Assessment (CAA) methodology will be published in early 2009. The first set of CAA results will be published in October 2009.

2.4 The new performance framework for local government aims to improve services for local people and the quality of life in places. The new National Indicators are a key building block for the new framework.

3. Report

3.1 The new set of National Indicators are the only indicators on which central Government will be able to set targets for local government. By reducing the number of indicators in the Best Value Performance Indicator regime (BVPis) the Government believes that more focus can be given to performance management of the new indicator set, with particular focus on driving the priorities identified in the LAA.

3.2 There will be a single system for reporting information on performance against the indicators which will work on a 'collect once and use numerous times' basis.

3.3 The new set covers both services delivered alone and in partnership and encourages local authorities and their partners to work together to deliver improved outcomes.

3.4 There are 198 National Indicators of which 62 are to be reported at district level as set out below. Of these:

- 23 indicators are due for collection by Runnymede Borough Council. Eight of these are new and the rest are existing indicators. These indicators are set out at Appendix 'H'.
- 19 are Place Survey indicators (set out at Appendix 'I') which replace the BVPI user satisfaction survey. The First Place Survey is due to be undertaken in autumn 2008.
- For the remaining 20 indicators, although reported at district level, data is not collected by district councils directly but by other bodies. These indicators are set out at Appendix 'J'.

3.5 Of these 62 indicators, ten indicators have also been provisionally accepted by the Government Office for the South East as part of the Local Area Agreement (these are asterisked in the table below). These ten indicators have also been marked with an asterisk in the LAA column in Appendices 'H', 'I' and 'J'. The targets against these indicators are still subject to negotiation.

Collected by	Total number of indicators	National Indicators
Runnymede Borough Council	23	14, 35, <b>154*</b> , <b>155*</b> , 156, 157, 158, 159, 160, 179, 180, 181, 182, 184, <b>185*</b> , 187, 188, 191, <b>192*</b> , 194, 195, 196, 197
Place Survey	19	1, 2, 3, <b>4*</b> , <b>5*</b> , 6, 17, <b>21*</b> , 22, 23, 27, 37, 41, 42, 119, 137, 138, 139, 140
Third Parties	20	8, 15, 16, 20, <b>32*</b> , <b>36*</b> , 47, 48, 70, 120, 121, 122, 129, 170, <b>171*</b> , 172, 173, 186, 189, 193

3.6 It is probably good practice that the Council continues reporting on a set of ten priority indicators. The existing priority indicators are attached at Appendix 'K'. The suggested new priority indicators are set out in the following table:

Indicator	Definition
NI 16	Serious acquisitive crime
NI 154	Net additional homes provided
NI 155	Number of affordable homes delivered
NI 157	Processing of planning applications as measured against targets for major, minor and other applications
NI 160	Local authority tenants' satisfaction with Landlord services
NI 179	Value for money - total net value of ongoing cash-releasing value for money gains that have impacted since the start of 2008-09 financial year
NI 181	Time taken to process Housing Benefit/Council Tax benefit new claims and change events
NI 192	Household waste recycled and composted

NI 195	Improved street and environmental cleanliness (levels of graffiti, litter, detritus and fly posting)
NI 196	Improved street and environmental cleanliness - fly tipping

3.7 The adoption of the new performance framework will be undertaken in conjunction with a refresh of the existing Community Strategy and a review of the Corporate Strategy and Committee Service Plans in summer 2008. This will be expanded upon in a further report to this Committee.

4. Resource Implications

4.1 Resource implications remain uncertain. The scale of Reward Grant as part of the LAA, and the basis for any allocations, are still unclear. The indicator set requires that the Council undertakes local surveys on public views. The biennial surveys will replace the three yearly Best Value satisfaction surveys and the Planning, Benefits and Housing Surveys. There will be increased expenditure on public survey work. The Council is engaged with partners across Surrey in commissioning a joint Place Survey for autumn 2008. The costs of this will be met from existing budgetary allocation.

**OFFICERS' RECOMMENDATION that -**

- i) the revised performance management arrangement proposed by Government be noted; and**
- ii) the ten revised local priority indicators detailed at paragraph 3.6 of this report be approved.**

**(TO RESOLVE)**

Background Papers

National Indicators for Local Authorities and Local Authority Partnerships:  
Handbook of Definitions - April 2008

11. BEST COUNCIL AWARDS (CEO) (Ref: Minutes of Corporate Management Committee, 28 February 2008, page 796, para. 558)

1. Purpose of Report

1.1 **This report seeks Member support for a number of staffing initiatives to be introduced or investigated.**

2. Background Information

2.1 As part of its consideration of the 2008 Annual Pay and Workforce Plan, this Committee agreed to enter Runnymede for the 2008 Best Councils Award competition.

2.2 In accordance with the resolution of the Corporate Management Committee on 28 February 2008, Councillors A J Davis and Mrs L M Gillham met with the Personnel Manager to review the staffing initiatives used by 'Best Councils' and to recommend those initiatives which they would like Runnymede to pursue. Notes of that meeting together with recommendations appear at Appendix 'L'.

2.3 One of the recommendations concerns the possible introduction of a Team Award Scheme and Members asked the Personnel Manager to undertake further investigations.

3. Report

3.1 The winner of the 2007 Best Council Award, Vale Royal, has in place a Team Award Scheme.

3.2 The Scheme, which was launched in 2004, provides the opportunity for teams across the organisation to work together to submit entries detailing particular achievements during the past year. Entries to the Scheme must demonstrate how the team has contributed towards achievement of one or more of the Vale Royal's four corporate priorities.

3.3 For information, Vale Royal's four corporate priorities are:

**Successful Vale Royal** - through major regeneration schemes; creating developments for quality jobs and opportunities; and keeping Vale Royal on the map.

**Sustainable Vale Royal** – through waste minimisation; improving the local environment; encouraging and providing sustainable communities through The Local Plan; and empowering neighbourhoods.

**Supportive Vale Royal**– through rural investment; services for children and young people and for older people; housing services and promoting independent living and actions to make our communities healthier and to promote and enable cultural development.

**Safer Vale Royal** – by reducing anti-social behaviour, the fear of crime and crime rates; and addressing civil contingencies and emergency planning issues.

Entries are considered by the Chief Executive and Directors Management Team and all participating teams are invited to an awards ceremony at a municipal venue. The awards take the form of a paid-for outing for the winning team, a £20 voucher for members of the second placed team and a bottle of wine for each member of the third placed team.

3.4 At Vale Royal, the Scheme has been found to be very successful in:

- Communicating and emphasising to staff the importance and relevance of the Council's corporate priorities
- Providing an opportunity for all staff across the organisation to participate
- Providing an opportunity to celebrate success
- Improving team spirit, morale and cohesion by introducing healthy competition
- Encouraging initiative and new ideas
- Increasing knowledge of and interest in what is happening in other parts of the organisation.

3.5 This self nomination scheme offers a distinct advantage over other 'Employee of the month' type schemes which can be divisive and tend to favour those in high profile or direct customer facing roles.

3.6 The benefits experienced at Vale Royal could be easily realised at Runnymede given the vision and support of Elected Members and Senior Management.

3.7 A budget of, say, £3,000 per annum could potentially deliver significant benefits for the Council and its staff through introducing such a scheme.

3.8 A scheme at Runnymede could be based around its five Strategic Objectives:

- achieve quality services
- achieve value for money
- improve the quality of life
- achieve economic prosperity
- achieve continuous improvement

- 3.9 Entries for the first awards could be invited towards the end of 2008 with a view to assessment of submissions in early 2009 with an awards reception and ceremony hosted by the Mayor held for all participants in April 2009.
- 3.10 The other recommendations from the Member meeting are as follows:

<b>Initiative</b>	<b>Comment</b>	<b>Recommendation</b>
Current initiatives	Over the years Runnymede has introduced a number of additional staff benefits.	Staff to be reminded of the range of benefits that are already in place
Charity days	Occasional charity days had been supported in the past – 'Jeans for Genes', 'Red Nose', 'Breast Cancer'.	To continue to support appropriate charity fund raising days.
Paid leave for volunteering/public duties	No standard policy currently. Each case considered on its merits but generally supported. Employers are only obliged to allow time off for certain public duties. Other than Reserve Forces, time off is often in staff's own time (ie not paid leave). Staff involvement in such activities was felt to be beneficial to the individual, the organisation supported and the employer. Personnel Manager to email staff to ask whether more staff would be willing to volunteer if paid time off were allowed.	Subject to sufficient interest from staff, to introduce paid time off for volunteering/public duties.
Annual 'Lets Think' roadshow with feedback via discussion groups	Could be useful in encouraging new thinking and two way communication. CEO has in the past arranged staff briefings throughout the organisation. CEO to be asked about viability of extending this concept further.	Subject to support from CEO, to introduce the 'roadshow' concept in Runnymede.
Team awaydays	These can be valuable but can present logistical problems in maintaining cover. Directors to be asked about viability.	Subject to support from Directors, to introduce team awaydays, funded from training budget
Quarterly 1 <sup>st</sup> line, middle and senior manager network meetings chaired by CEO	Various techniques have been tried in the past to encourage cross departmental working and understanding. CEO to be asked about viability and appropriateness of introducing this concept.	Subject to support from CEO, to introduce the 'network meetings' concept in Runnymede at whatever frequency and format was considered appropriate and helpful.
Discounted leisure centre membership £30 per annum	Staff currently enjoy a discounted membership rate of £288 or £360 per annum.	Subject to support from Head of Leisure Services and Chairman of Leisure &

	A further reduction would clearly reduce income from existing staff members but potentially could attract new staff members. Head of Leisure Services and Chairman of Leisure & Environment Committee to be consulted.	Environment Committee, a further discounted rate be offered to staff for leisure centre membership.
CEO takes personal responsibility for follow up on implementing staff suggestions	The CEO's personal involvement could encourage greater participation in the scheme. Presentation of awards should be made by CEO and Leader and reported to Corporate Management Committee.	CEO to take personal responsibility for follow up on implementing staff suggestions Presentation of awards to be made by CEO and Leader and reported to Corporate Management Committee
Funded Christmas party and summer ball	The event hosted by a previous Mayor had been well received by many staff. Whilst an annual event is not considered to be appropriate, there could be opportunities for arranging ad hoc events. The next occasion could be to celebrate moving into the new offices. Party Leaders to be consulted.	Subject to support from Party Leaders, occasional funded staff events be arranged.
Staff and team award ceremonies	Whilst considered to be a good idea in principle, it would be difficult to avoid favouring staff in high profile or customer facing roles. A concept that is probably more suited to a single function activity or organisation. Personnel Manager to contact authorities using such schemes.	Subject to sufficient safeguards being in place in order to avoid discrimination, the concept of staff and team award ceremonies be further investigated.

4. Resource Implications

- 4.1 Two of the Directors have expressed concerns about the resource implications of these proposals. In particular, they consider that the absence of staff on volunteering or team building activities would place unreasonable additional burdens on other staff which could ultimately adversely affect service provision. Such factors would need to be borne in mind before any initiatives were introduced.

5. Unison Comments

- 5.1 Unison notes the various comments that have been circulating and wishes to concur with what we perceive to be the view of the majority of Chief Officers that now is not the best time to be considering these initiatives. In addition, we feel that in the light of benefits that staff have actually lost, and the lack of resources - a continuing problem - it is not really appropriate to be creating more work which might attract negative reactions from already overstretched staff at this time.
- 5.2 Unison feels that concentrating on making a successful move to the new offices and ensuring staff are properly resourced and supported throughout is the priority at the

moment. Therefore, we would like to suggest that this item be deferred to allow time for consideration of other initiatives that might bring more tangible benefits to staff.

**OFFICERS' RECOMMENDATION that –**

- i) subject to no adverse effect on staff or service provision, the recommendations set out in paragraph 3.10 of this report be supported; and**
- ii) the Personnel Manager be asked to draft a detailed Team Awards Scheme for consideration by this Committee.**

**(TO RESOLVE)**

Background Papers

Notes of meeting 11 March 2008  
2008 Annual Pay & Workforce Plan

12. REVIEW OF SALARIES 2008 (CEO)

1. Purpose of Report

- 1.1 **The purpose of this report is to recommend the level of adjustment to salaries of staff subject to the Runnymede pay scales with effect from 1 July 2008.**

2. Background Information

- 2.1 In February 2007 this Committee approved the following revised Pay Policy for its staff.

In this area of high employment and competition for staff, we operate Personnel policies and a remuneration package aimed at recruiting and retaining high calibre staff in order to deliver excellent, efficient and cost effective services to our residents.

In achieving this aim, the Council will ensure through benchmark reviews and salary surveys that the remuneration packages for its staff remain competitive in the market place and are not less than the median level. Benchmarking will take into consideration such data that is relevant to the Runnymede employment market. Primarily but not exclusively, this will include pay and conditions applying in other Surrey authorities. Account will also be taken of staff turnover levels. Ideally overall staff turnover should not be higher than median for Surrey Districts. If this overall figure is exceeded or if high staff turnover is experienced in particular sections, data such as reasons for leaving will be analysed in order to identify areas for attention. Recommendations having resource implications will be included in the annual Pay and Workforce Plan for implementation on the following 1 April.

Ad hoc reviews will also be undertaken by Directors as posts fall vacant and before they are re-advertised in order to ensure that the salary grades are appropriate.

The general annual review of salaries will take place on 1 July each year. In order that the review process not only secures the staffs' confidence but also ensures that the salaries do not fall below those applied elsewhere in local government the annual adjustment of salary grades will, subject to individual satisfactory performance, be not less than the level of NJC and JNC awards.

Clearly before making its final decision on the review the Council will take into account any representations made by the recognised local trade unions.

Staff will be appointed at a level in the salary scale that reflects their relevant experience and/or qualifications. Account may also be taken of salary levels of current staff in order to allow an appropriate differential in recognition of any additional experience and competence. Progression through the scale will be performance related. Career grades apply to some posts whereby in addition progression is linked to predetermined attainment of specific qualifications, skills or experience.

Where the effective continued provision of Council services is likely to be at risk during a particular period, short to medium term staff retention initiatives will be applied as necessary. These might include market supplements or other allowances and will be kept under review at least annually.

This pay policy will be kept under review and included in the annual Pay and Workforce Plan.

- 2.2 Staff turnover during the period April 2007 to March 2008 was 14.24%, representing a 0.66% decrease on the January – December 2007 figure reported in the Pay and Workforce Plan for 2007/8. This figure falls within the median for Surrey Districts (source 2007 Surrey Personnel Officers Benchmarking Survey). Reasons for leaving during this period are varied including a small number who have expressed reservations about the move to open plan working in the new offices. Turnover remains high at the Egham Leisure Centre (60%). The quality and quantity of applicants remains good in most cases, but with high housing costs the catchment area is restricted generally to those living within commuting distance of the Borough. The Council's relocation scheme continues to have had marked success during the past year in enabling recruitment from areas of lower cost housing. Certain posts in areas of national skills shortage remain difficult to fill.
- 2.3 The next two to five years presents a period of challenge and change during which an unprecedented number of key senior posts are anticipated to fall vacant due to retirements. This situation also presents opportunities for new thinking and ways of working. However, in the knowledge that the organisation will already be facing high turnover due to retirements, it is especially important that salaries remain competitive in order to minimise the risk of other key staff leaving in order to secure better packages elsewhere.
3. Report
- 3.1 The Surrey Districts' twice yearly comparison of a basket of mid range posts shows that for this group Runnymede salaries are currently between median and upper quartile (January 2008).
- 3.2 The South East Employers Pay and Benefits Survey (2007) shows Runnymede as being between median and upper quartile for posts surveyed.
- 3.3 The Local Authorities Chief Executives and Chief Officers Salary Survey 2007 shows Runnymede as paying at median level for Surrey Districts.
- 3.4 The National Management Salary Survey has been used in Runnymede as a basis for salary comparison for management posts for the past 20 years. Levels of responsibility in the survey have determined the local salary grades. A good fit exists at most levels and there is no evidence to suggest that any adjustment is necessary at this time.
- 3.4 For the National Local Government pay settlement for 2008, the National Employers have offered 2.45%, linked to a potential 3 year deal. This offer has been rejected by the Trade Unions, who will be balloting for industrial action.
- 3.5 Surrey Local Authorities on local conditions have so far agreed awards for 2008 between 2.13% and 3%. Neighbouring authority awards concluded so far are as follows: Elmbridge – 3%, Spelthorne – 2.75%, Surrey Heath – 2.13% (with a further review in the autumn), Woking 3% (approximate value of assimilation into new pay scheme). Surrey County Council has yet to settle. The current headline settlement for Local Authorities in the South East on local pay stands at an average of 2.93% (source South East Employers Organisation website).
- 3.6 Median settlements in the whole economy in the period up to February 2008 were 3.5% (source Local Government Employers Organisation Statistical Bulletin March 2008).
- 3.7 The increase in the Retail Price Index for April 2008 was 4.2 % compared to April 2007.

3.8 The local branch of UNISON has submitted the following pay claim:

"UNISON wants to work with the Council for top quality public services; part of that is fair pay and fair treatment of the workforce. Therefore, in line with UNISON's National campaign, the Runnymede Branch of UNISON is seeking through our local agreement, a pay claim of 6% on all pay points or 50p an hour – whichever is the greater."

3.9 An adjustment of at least the level of the National award is required in order to comply with the Authority's policy and contractual requirement to pay no less than the National award. As the National award has yet to be settled, any decision locally will ultimately need to take into account the outcome from the National settlement.

3.10 The current situation shows that most Runnymede jobs are pitched at between median and upper quartile.

3.11 In the National local government pay negotiations, a settlement of at least 2.45% will be reached. The level of any final settlement cannot be predicted with any confidence and the timescale involved in reaching such a settlement could be protracted.

3.12 Taking into account the various indices and survey data above and the need to maintain Runnymede's competitive position and pay policy aim an award of 3% is recommended this year.

#### 4. UNISON Consultation

4.1 Comments have been received from UNISON as follows:-

"The Council is asked to note that UNISON's national campaign is to achieve an increase of 6% and the Runnymede branch of UNISON has submitted its claim accordingly.

The Runnymede branch of UNISON considers that a 6% increase would recognise the major contribution that the staff have made to the wellbeing of the organisation. It both compensates staff for the high cost of living in the South East and assists in attracting quality staff in the future.

It is however noted that the budgetary provision was for an increase of 2.5% for 2008/09, and in the circumstances, the upwards revision of 0.5% is to be welcomed.

The current position is that UNISON members on national conditions elsewhere in the country have voted to reject the employer's offer and consideration is now being given to a strike ballot."

#### 5. Legal Implications

5.1 The Council in its Local Pay Policy (and in individual contracts of employment) states that 'the annual adjustment of salary grades will, subject to individual satisfactory performance, be no less than the level of NJC and JNC awards'.

#### 6. Resource Implications

6.1 A 3% pay award in July will add £330,300 (including employer's costs) to the Council's expenditure in the 2008/9 financial year, of which £298,600 will fall on the General Fund and £31,700 on the Housing Revenue Account. There is a provision of £275,300 in the 2008/09 budget for a 2.5% award leaving a shortfall of £55,000 of which £49,700 will fall on the General Fund. This is shown in the following table together with the financial implications for a full year.

Impact in 2008/09 (9 months)			Full year effect		
Budgeted increase of 2.5%	Proposed award of 3%	Difference	Budgeted increase of 2.5%	Proposed award of 3%	Difference
£	£	£	£	£	£

General Fund	248,900	298,600	49,700	331,800	398,200	66,400
HRA	26,400	31,700	5,300	35,200	42,200	7,000
	<u>275,300</u>	<u>330,300</u>	<u>55,000</u>	<u>367,000</u>	<u>440,400</u>	<u>73,400</u>

- 6.2 A supplementary revenue estimate of £49,700 for the General Fund and £5,300 for the Housing Revenue Account will be required to cover the additional costs in 2008/09.

**OFFICERS' RECOMMENDATION that –**

- i) with effect from 1 July 2008, subject to the performance related criteria being met, individual salaries for staff on the local contract be adjusted by 3%;**
- ii) if the 2008 national award exceeds this figure, the local award be adjusted accordingly to meet the national award;**
- iii) a further information item on budgetary implications together with a funding solution be submitted in due course if the national award, once agreed, exceeds 3% ; and**
- iv) a supplementary revenue estimate of £49,700 for the General Fund and £5,300 for the Housing Revenue Account be approved to cover the additional costs in 2008/09.**

**(TO RESOLVE)**

Background Papers

South East Employers' Pay and Benefits Survey  
National Management Salary Survey  
South East Employers' Pay and Trends Bulletin  
Local Government Employment Digest  
Surrey Districts Salary Survey  
Surrey Personnel Officers Benchmarking Survey  
Local Authorities Chief Executives & Chief Officers Salary Survey

13. MEMBER WORKING GROUPS 2008/09 (DAL)

1. Purpose of Report

- 1.1 **To confirm the arrangements for this Committee's Member Working Groups in the 2008/09 Municipal Year.**

2. Background Information

- 2.1 From time to time the Council convenes small informal cross party working groups of Members to consider specialist topics in greater detail than could be achieved in full committee. The Groups have no decision –making powers and are not subject to the same access to information or political balance requirements as committees or sub-committees of the Council, (although in practice the membership tends to broadly reflect the political composition of the Authority as a whole). This Committee receives the Minutes and, where appropriate, recommendations of each of the Groups it has established at its next available meeting.

- 2.2 The Corporate Management Committee has asked for the role of Member Working Groups within the Council's Constitution to be reviewed and a future report will be brought on this.

3. Report

- 3.1 The following Member Working Groups currently exist under the auspices of this Committee:

i) Local Government Act Member Working Group

Terms of Reference: To deal with matters emanating from the Local Government Act 2000 including the Best Value Regime, requirements of Comprehensive Performance Assessments, review of the Council's Constitution and preliminary consideration of related Government consultation papers and subsequent legislation.

Composition in 2007/08: Eight Members, comprising six Conservatives and two Runnymede Independents.

Programme of meetings: ad hoc

ii) Communications Review Member Working Group

Terms of Reference: To oversee the direction of the corporate communication strategy and the form and content of the associated work programme.

Composition in 2007/08: Four Members, comprising three Conservatives and one Runnymede Independent.

Programme of meetings: ad hoc

iii) IT Member Working Group

Terms of Reference: To examine proposals for the purchase of new IT systems, changes to existing systems and the ongoing development of corporate projects, and to make recommendations on corporate ICT Strategy.

Composition in 2007/08: Eight Members, comprising six Conservatives and two Runnymede Independents.

Programme of meetings: Monthly

iv) Personnel Services Member Working Group

Terms of Reference: To be determined by the Corporate Management Committee from time to time, and for the immediate future, to report upon the outcome of the pilot for the new Competencies and Performance Pay Framework commencing in March 2008.

Composition in 2007/08: Four Members, comprising three Conservatives and one Runnymede Independent.

Programme of Meetings: ad hoc.

- 3.2 The Committee is asked to confirm whether it wishes each of the Member Working Groups listed above to continue in the 2008/09 Municipal Year and, if so, to indicate whether it is content with the respective terms of reference. It will also be necessary to appoint the members and (if desired) Chairmen for the new Municipal Year. Alternatively, the Chairmen could be elected when the Groups meet. Substitute Members are permitted where necessary.

**THE COMMITTEE IS ASKED TO –**

- i) confirm whether it wishes each of the Member Working Groups listed in paragraph 3.1 to continue in the 2008/09 Municipal Year with the terms of reference and composition set out in the report; and**
- ii) subject to i) appoint Members to the Groups and, if desired, elect the respective Chairmen for the 2008/09 Municipal Year.**

**(TO RESOLVE)**

Background Papers

None.

14. SAFETY COMMITTEE – MINUTES

The Minutes of the meeting of the Safety Committee held on 27 February 2008 are attached at Appendix 'M'.

Stress is one of the major reasons for sickness absence in the UK and the Health and Safety Executive recommend that employers have in place a Stress Management Policy. The policy at Appendix 'N', which has been the subject of detailed consultation with management, staff, UNISON, the Safety Advisor and the Personnel Manager, aims to provide a framework within which cases of high stress can be minimised and where such cases occur, they can be identified at an early stage and effective interventions put in place.

Members will be aware that Runnymede has suffered from high levels of staff sickness absence in recent years. A more proactive approach has been introduced whereby managers undertake return to work discussions on every occasion, and, where appropriate, referrals are made to the occupational health advisor in cases of persistent short term absences or long term absences. Despite these initiatives, sickness absences remain at a high level and, following advice from the Health and Safety Executive and detailed consultation with management, staff, UNISON, the Safety Advisor and the Personnel Manager, further initiatives are now proposed. The proposed revised procedures set out at Appendix 'O' represent current best practice and incorporate regular management reports using the Bradford Factor tool for measuring sickness absence. Members will be kept informed of progress.

Alcohol and drug abuse is an increasing concern in today's society and is impacting on the UK's workplaces. Utilising resources from specialist agencies and consistent with the Government's Health of the Nation Policy, a wide ranging consultation has resulted in the proposals at Appendix 'P'. In addition to clarifying the Council's position on alcohol and drugs in the workplace, the policy provides a framework for addressing any issues that arise in a sensitive and appropriate manner.

The Committee is accordingly requested to endorse the Stress Management Policy at Appendix 'N', the revised Absence Management Policy at Appendix 'O', and the Drugs and Alcohol Policy at Appendix 'P'.

**OFFICERS' RECOMMENDATION that –**

- i) the Minutes of the Safety Committee held on 27 February 2008 be noted;**
- ii) the Stress Management Policy (at Appendix 'N'), the revised Absence Management Policy, (at Appendix 'O') and the Alcohol and Drugs at Work Policy (at Appendix 'P') be endorsed.**

**(TO RESOLVE)**

Background Papers

None

15. PERSONNEL SERVICES MEMBER WORKING GROUP MINUTES (CEO)

The notes of the Personnel Services Member Working Group meeting of 17 April 2008 can be found at Appendix 'Q'.

**(FOR INFORMATION)**

Background Papers

Papers from the Personnel Services Member Working Group

16. URGENT ACTION - STANDING ORDER 42

The following action has been taken after consultation with the Chairman of the Committee under Standing Order 42.

<u>Officer</u>	<u>Action</u>	<u>Central Index No</u>
Director of Housing and Community Services	Approving Runnymede's commitment to the terms and conditions of the Surrey Concessionary Fares Scheme 2008/09.	660
Director of Housing and Community Services	Agreeing the approach to be taken to the Regional Housing Board bid for Private Sector initiatives and approving the use of funds within the Capital Programme for match funding to deliver the energy efficiency measures within the bid.	661
Director of Housing and Community Services	Approving amendments to Runnymede's terms and conditions of the Surrey Concessionary Fares Scheme 2008/09.	662

(In each of the urgent actions above, consultation was also undertaken with the Chairman of the Housing and Community Services Committee).

**(FOR INFORMATION)**

Background Papers

Proforma Nos. 660, 661 and 662 dated 12 March, 19 March and 26 March 2008 respectively.

17. EXCLUSION OF PRESS AND PUBLIC

If Members are minded to consider any of the foregoing reports in private, it is the

**OFFICERS' RECOMMENDATION that –**

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

**(TO RESOLVE)**

**PART II**

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

- a) Exempt Information  
(No reports to be considered under this heading)
- b) Confidential Information  
(No reports to be considered under this heading)