

Corporate Management Committee

Thursday 30 October 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).**
- 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.
- 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

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b) Confidential Information

(No reports to be considered under this heading)

1. FIRE PRECAUTIONS

The Chairman will read the Fire Precautions which set out the procedures to be followed in the event of fire or other emergency.

2. NOTIFICATION OF CHANGES TO COMMITTEE MEMBERSHIP

3. MINUTES

To confirm and sign the Minutes of the meeting of the Committee held on 1 October 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. FINANCIAL FORECAST (DMT)

To consider the updated Financial Forecast covering the period up to the 2013/14 Financial Year and to recommend a target budget for 2009/10, as set out in the Financial Forecast at Appendix 'B' (separately circulated).

(TO RECOMMEND)

Background Papers

None

7. SUSTAINABLE COMMUNITY STRATEGY AND STRATEGIC PLAN AND COMMITTEE SERVICE PLANS (CEO)

1. Purpose of Report

1.1 **This purpose of this report is to seek approval for a combined updated Community Strategy (now required to be a Sustainable Community Strategy), and Strategic Plan and restructured content and layout for the Committee based Service Plans, so as to provide a new policy and performance framework over the next few years.**

2. Background Information

2.1 Policy formulation and identification of service priorities and new initiatives have developed over the last twenty years or so. The Annual Leader's Position Statement existed until 2004 and was a well regarded document internally. New legislative requirements and comments in the Audit Commission's CPA Report prompted a review and the Community Strategy (including the creation of a Local Strategic Partnership) and Strategic Plan (2005 – 2010) were put in place in 2002 and 2005 respectively.

2.2 Effective performance management has always been a priority focus in Runnymede for both Members and Officers, with a big emphasis on outcomes and making a difference. With the advent of the Best Value regime and nationally prescribed Best Value Performance Indicators in early 2000, a set of committee based Service Plans were

structured to capture all the performance information for regular scrutiny by Departmental Management Teams, Directors and appropriate committees.

3. Report

- 3.1 The Community Strategy and Strategic Plan are six and three years old respectively. Many of the original targets have been achieved. The Best Value Performance Indicator regime has been replaced by a new National Performance Framework and new set of National Indicators (NIs). This was the subject of a report to this Committee on 29 May 2008. Similarly, obligations under the new Local Government Public Engagement in Health Act 2007 have required the Council to co-operate with statutory partners and others in Surrey to create a Surrey wide Local Area Agreement (LAA) with effect from June 2008. This identified five broad themes (children and young people, safer and stronger communities, economic development, housing infrastructure and environment, health and wellbeing) and twenty-nine National Indicators against which targets have or are being negotiated with the Government Office for the South East for the three year period ending 31 March 2011.
- 3.2 In addition, there is a requirement for all Councils to produce a Sustainable Community Strategy (previously the Community Strategy) and this will be used to inform the work associated with the Local Development Framework, which is the subject of detailed consideration by the Planning Committee.
- 3.3 Against this changing background and the need to produce a Sustainable Community Strategy it is felt necessary to revisit the Community Strategy, Strategic Plan and committee based Service Plans. This will ensure they capture demographic, economic and other social changes, emerging needs, concerns and aspirations of residents and businesses, together with regional and national requirements.
- 3.4 In exercises of this nature, it is necessary to ensure credibility and transparency of the process, and to demonstrate to external inspectors the existence of a "golden thread" between the various inputs, views and statistical data and the resultant policy, service priorities and targets.
- 3.5 The existing Community Strategy and Strategic Plan, together with the committee based Service Plans, provided a start point in this process. As has already been mentioned, much has been achieved in each of these areas, which are amply demonstrated in the progress reports to committees.
- 3.6 The following additional sources/exercises have been undertaken and brought together and so provide a robust evidence base:

<u>Title</u>	<u>Date</u>
Housing Strategy Statement (2003 – 2006)	10/03
Housing Business Plan (2008 - 2013)	09/08
Private Sector Improvement Strategy (Runnymede Renewal 2003 – 2006)	10/03
Safer Runnymede Partnership Strategy (2005 – 2008)	03/05
Best Value Residents' Satisfaction Survey findings	12/06
Summary of Surrey County Council's Community Survey findings	10/07
Community Safety/Fear of Crime Review and Survey findings (Geoff Berry Associates)	11/07
National Community Safety Plan (2008 – 2011) - Home Office/DCLG	01/08

Index of Multiple Deprivation 2007	03/08
Safer Runnymede Partnership Plan	04/08
Residents' Panel findings on concerns and priorities	03/08
Community Strategy Visioning Event (Refresh) with statutory partners, residents and special interest groups	06/08

Copies of the original documents have been placed in the Members' Room for reference.

- 3.7 The proposed combined Sustainable Community Strategy and revised Strategic Plan is at Appendix 'C'. The issues are grouped under two major themes; Healthier & Safer Communities and Prosperous Communities. These consist of the following sub-themes:

- (i) Crime & Safety,
- (ii) Health & Social Care,
- (iii) Economic Development & Infrastructure,
- (v) Environment

These sub-themes capture the priority issues identified in the survey, refresh and associated material identified above.

- 3.8 A full set of the committee based Service Plans is at Appendix 'D' (separately circulated). This seeks to bring together those elements from the new document, the District Council requirements for the new National Indicators, the Council's obligations under the Surrey wide LAA and a range of other corporate and desirable measures, the details of which are summarised on the first page of each of the Service Plans. This will provide a control document for senior managers and the responsible committees to monitor and review, as well as highlighting where slippage or other difficulties are occurring and appropriate recovery strategies need to be put in place.

4. Legal Implications

- 4.1 The Local Government & Public Engagement in Health Act 2007 places a duty on local authorities and other prescribed public bodies to co-operate in delivering the County wide LAA targets. Councils are also required to develop a medium term Sustainable Community Strategy.

5. Equality Impact Assessments

- 5.1 As part of the identification of needs, concerns and aspirations, targeted survey work sought the views of "hard to reach" groups (e.g. the Geoff Berry Survey - November 2007, Residents' Panel - March 2008 and participants at the "refresh event" - June 2008).
- 5.2 It is proposed that as the individual policies, initiatives and service proposals are brought forward impact assessments will be undertaken. Where appropriate, these will form parts of reports to Committees.

6. Resource Implications

- 6.1 The Residents' Panel survey work, visioning event and publication/distribution of any resulting document(s) are being met from within approved budgets.
- 6.2 The policies and priorities identified in these papers are intended to be "mainstream" without requiring new capital and/or revenue provision. Should specific requirements emerge, reports will be made to appropriate Committees.
- 6.3 It is proposed that, subject to approval by Council, the Strategy and Service Plans will inform future Financial Forecasts, Capital Programmes and associated budgets.
- 6.4 The publication of these documents will be focussed on the Council's website. A limited print run will be organised for internal use (including distribution to all Councillors),

partner organisations and to meet individual requests. These costs will be contained within existing budgets.

OFFICERS' RECOMMENDATION that -

- i) the Committee endorses the form and content of the Sustainable Community Strategy/Strategic Plan and Committee-based Service Plans, subject to detailed approval by the service committees ; and**
- ii) final drafting amendments be approved by the Chief Executive Officer with the Chairman and the appropriate Chairmen of service committees.**

(TO RECOMMEND)

Background Papers

Sustainable Community Strategy - project file
Surrey LAA file

8. TREASURY MANAGEMENT AND INVESTMENT STRATEGY - INTERIM REPORT 2008/09 (DF)
(Ref: Minutes of Corporate Management Committee, 31 January 2008, page 718, para. 514 and 29 May 2008, page 10, para. 26).

1. Purpose of Report

- 1.1 **To update Members on treasury management activity in 2008/09 and set out the strategies and actions taken in response to the current difficulties in the banking sector and wholesale money markets.**

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 strategy, Annual Investment Strategy, and treasury policy schedules for 2008/09 were agreed by this Committee at its meeting on 31 January 2008 and approved by Council at its meeting on 4 March 2008.

- 2.3 The Council has no long-term debt. 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 needed to maintain services and keep the Council Tax at a low level.

- 2.4 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 June 2008) is placed in the Members' Room.

- 2.5 At its meeting on 29 March 2007, the Committee approved an investment strategy for the £15 million of funds prudently available for investment over the medium-term (periods from one to five years). 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 in order to give 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 for the remaining £10 million.

- 2.6 Tradition (UK) Limited were appointed and commenced the management of £10 million of the Council's funds on 3 September 2007. The mandate for this portfolio also allows fixed deposits up to five years. Tradition are also bound by the same investment parameters as for the management of internally managed investments.
- 2.7 The annual report on treasury management activity and performance for 2007/08 was presented to this Committee on 29 May 2008.
- 2.8 Information on investment activity is reported in the Members Bulletin each month.
3. The banking sector and wholesale money markets
- 3.1 The difficulties experienced in the global banking sector have been widely reported in the press. The media contains many opinions as to the cause, actions that (others) should take, who to blame, and future prospects. Long standing banks and financial institutions have come under pressure and some have failed, some have had to quickly merge with stronger banks, and some have had significant state support.
- 3.2 Runnymede Borough Council uses the wholesale money markets and banking sector for making investments. Officers have been very concerned as institutions that were recently considered solid and good credit risks have fallen into difficulties.
- 3.3 This is a worrying time. It has been difficult for market experts to keep up with events and there have been many surprises.
- 3.4 Even the traditionally highly secure building society sector has come under pressure. For instance, on 8 September Nationwide Building Society announced that it is to merge with both the Cheshire and Derbyshire Building Societies, subject to regulatory approval. The mergers are due to complete by the end of December 2008. News about other building societies also gives some cause for concern as it appears that some have been lending for commercial property and other purposes that are now considered higher risk.
- 3.5 However, it is the banking sector that has caused greatest concern. Banks that the Council has successfully used in the past have come under severe pressure. The following paragraphs outline some of the more significant events. Please note that this is not a comprehensive commentary or analysis, but is intended to provide a flavour of how widespread the problems are and how quickly events unfurled.
- 3.6 Earlier in the year Banco Santander acquired the Alliance and Leicester. On 17 September, HBOS plc (owner of the Bank of Scotland) announced that it was in advanced merger talks with Lloyds TSB. On 29 September, the UK Government bailed out Bradford & Bingley, with the bank's deposits and branch network sold to Banco Santander.
- 3.7 By late September, foreign banks were also in the news. The governments of Belgium, Luxembourg and Netherlands rescued Fortis Bank. The Icelandic Government purchased a 75% stake in Glitnir Bank, and on 7 October the Icelandic bank Landsbanki Islands was placed into receivership as the Icelandic Government used new powers to take control of the country's second largest bank. Hypo Real Estate was rescued by the German Government. In the USA, Wachovia Corporation agreed to sell Citigroup the banking part of its business for \$1.6bn in a deal brokered by the Federal Deposit Insurance Corporation.
- 3.8 On 30 September, the Irish Government decided to put in place with immediate effect a guarantee arrangement to safeguard all deposits (retail, commercial, institutional and interbank) with the following banks: Allied Irish Bank, Bank of Ireland, Anglo Irish Bank, Irish Life and Permanent, Irish Nationwide Building Society and the Educational Building Society. The guarantee covers all existing facilities with these institutions and any new facilities issued from midnight on 29 September 2008, and will expire at midnight on 28 September 2010.
- 3.9 During early October, Austria, Greece, Sweden, Portugal and Iceland all announced increased government guarantees of retail deposits. Iceland went a step further and

announced wide-ranging regulator powers to potentially control the banking sector, which was legislation designed to help the country avoid bankruptcy.

- 3.10 On 8 October, the Chancellor announced sweeping measures to shore up the UK banking system by injecting capital into UK banks. The institutions involved (Abbey, Barclays, HBOS, HSBC, Lloyds TSB, RBS, Standard Chartered and Nationwide) will be able to apply for an initial £25bn in order to increase their capital ratios. A further £25bn is on stand-by and available for other institutions. The Treasury stated that it would also provide at least £200bn under the special liquidity scheme. The Government will also guarantee short and medium debt issues by banks (for a fee) and it expects the take up of the guarantee to be around £250bn.
- 3.11 Later on 8 October, world central banks took the unprecedented action of a fully co-ordinated rate cut in another effort to unfreeze the money and credit markets. The Bank of England joined the Federal Reserve, the ECB, and the Swiss, Canadian and Swedish central banks in cutting base rates by 0.5%. The Bank of China joined in by cutting by 0.27%, while the Bank of Japan released a statement saying it strongly supported the action. The Bank of England stated that inflation pressures had started to moderate in a number of countries and inflation expectations were diminishing. The “recent intensification of the financial crisis has augmented the downside risks to growth and thus has diminished further the upside risks to price stability”. The problems in Iceland continued to grow. The Icelandic Government followed its seizure of Landsbanki with the seizure of both Glitnir and Kaupthing. All three banks are now in receivership and are currently protected under law from having to meet liabilities falling due. The FSA yesterday placed both Kaupthing Singer & Friedlander and Heritable Bank, the UK subsidiaries of Kaupthing Bank and Landsbanki, into administration. The FSA transferred their UK retail deposit bases to ING Direct. The FSA has also frozen other UK assets of Landsbanki. In better news for Dexia, the governments of France, Belgium and Luxembourg agreed to provide state guarantees for the bank’s borrowing in order to bolster confidence in the local government lender.
- 3.12 Hurried negotiations over the weekend of 11 and 12 October ended in announcements by the largest UK banks. Royal Bank of Scotland (RBS) Group announced an offer of £15bn of ordinary shares, underwritten by the Government, and also that the Government had subscribed for £5bn of preference shares, a move designed to raise the bank’s capital to higher levels. It had also been reported that Lloyds and HBOS have agreed government support through the plan. Lloyds have also confirmed that they have renegotiated the agreement to buy HBOS following a substantial fall in the latter’s share price. In other UK news, Britannia Building Society and Co-operative Financial Services are reportedly in talks regarding a merger, pending the passing of legislation allowing such a deal to take place. EU countries were also due to announce rescue plans similar to the UK plan, but more relevant to the different jurisdictions. This semi-coordinated action is designed to restore confidence in the European banking system and ease frozen money markets.
- 3.13 On Monday 13 October, the UK Government acted rapidly to implement its bank rescue plan when it became apparent that the announcement itself last week was inadequate to calm frantic markets. HBOS, Lloyds TSB and RBS became the beneficiaries of Government funds in a £37bn capital injection, which purchased stakes of around 60% in RBS and 40% in the bank that will be formed from the HBOS/Lloyds TSB merger. Barclays announced that it would pursue re-capitalisation privately. Other world governments announced that they were implementing similar plans to the UK. Germany, France and the Netherlands among others have announced multi-billion euro packages to buy bank stakes and guarantee interbank borrowing.
- 3.14 On Tuesday 14 October, the US administration announced its bank bailout plan, stating that \$250bn of the recent \$700bn rescue package could be used to purchase stakes in US banks. The US Government would also guarantee new bank debt in a bid to boost interbank lending. The focus of the plan appears to be on nine of the largest US banks, although the list may grow.
- 3.15 The situation is changing quickly and new developments are being reported on a daily basis. Hopefully, stability and confidence will be restored in the near future.

3.16 The Council's treasury management policy statement states:

"The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council."

3.17 Therefore, the security of investments has always been the main emphasis of the Council's treasury strategy. In balancing risk against return, Officers have put even greater emphasis on the control of risk over recent months. For the avoidance of doubt, it is confirmed that Runnymede Borough Council holds no investments in Icelandic banks.

3.18 The Council's investment strategy uses credit rating as a major way of assessing the credit worthiness of counterparties. It may be questioned why institutions that held good credit ratings have fallen into difficulty and, therefore, whether credit ratings remain credible. In particular, the credit rating companies (the big three being Fitch, Moody's Investor Services, and Standard and Poor's) have come in for some criticism. The credit rating companies seemed not to have understood the scope, scale and risk of the "structured" investment products that have caused damage to banks and institutions. However, other criticisms are unfair and it is not reasonable to expect credit rating companies to have foreseen the current market conditions. Credit ratings will remain the principal way of managing counterparty risk in a reasonable way once more stable conditions have been established in the banking sector.

4. Actions Taken

4.1 The principal actions taken by the Director of Finance over the past months in response to concerns over market developments are:

- Removing certain institutions from the Council's lending list, despite their acceptable credit ratings, as a defensive measure in response to perceived risk. This has been done in consultation with Runnymede's treasury advisors, Sterling. However, these consultants do not have special powers of foresight nor is it their responsibility to construct the Council's investment strategy. Therefore, the decisions taken by the Director of Finance regarding acceptable counterparties were, to a certain extent, arbitrary and primarily defensive.
- The Annual Investment Strategy provides authority to use money market funds. These are very low risk investment vehicles. On 5 September, an account was opened with the Aviva Sterling Liquidity Fund (formerly the Morley Sterling Liquidity Fund). Paragraphs 4.3 to 4.6 explain this decision in more detail.
- Since late September, new and maturing funds have been placed at notice or, for very short-term investment instruments, placed with institutions with the strongest credit worthiness only.

4.2 However, it must be appreciated that such actions can only mitigate the risks, not remove all risk.

4.3 Money market funds have recently become more relevant to local authority treasury management. These are investments with high security and high liquidity and have become a safe option for managing short-term cash flow.

4.4 Money market funds, or liquidity funds, are pooled funds that invest in short-term money market instruments. Investors in pooled funds get access to a greater range of counterparties than they could invest in individually. This is particularly true for smaller institutional investors, such as local authorities, who may have difficulty placing funds with the largest, highest rated banks. The funds are actively managed within transparent guidelines and offer security of capital, high liquidity and competitive returns compared to other short-term investments. The quality of funds is monitored by the global credit rating agencies and by the IMMFA, the trade association for European AAA rated Money Market Funds. The safest funds are rated AAA by one or more of the three major global

credit rating agencies, indicating that they meet the highest criteria for preservation of capital. Liquidity of most AAA funds is also good. Investors have access to their funds on the same day. In order to retain their AAA rating, funds must maintain a weighted average maturity of 60 days or less, so that cash is always available to meet withdrawal requests.

- 4.5 In the past money market funds have been unattractive because of their low returns. However, fund returns have recently offered better value and, combined with the traditional high security, have become a much more attractive investment vehicle. This is because the fund manager is able to invest a proportion of the fund in longer dated instruments and this is valuable when rates are rising and long-term rates are much higher. This is the case now. The interest rates on AAA funds are still relatively low compared to that available in the wholesale money markets, but the level of security offered is better than investments with single institutions.
- 4.6 The Aviva Sterling Liquidity Fund is AAA rated. The latest "factsheet" provides a succinct description of this Fund and this is reproduced at Appendix 'E'. The Fund had no exposure to Icelandic banks.

5. Investment Income Projection For 2008/09

- 5.1 The main factors that determine the amount of investment income are:

- Interest rates
- Cash flow
- Level of reserves and balances

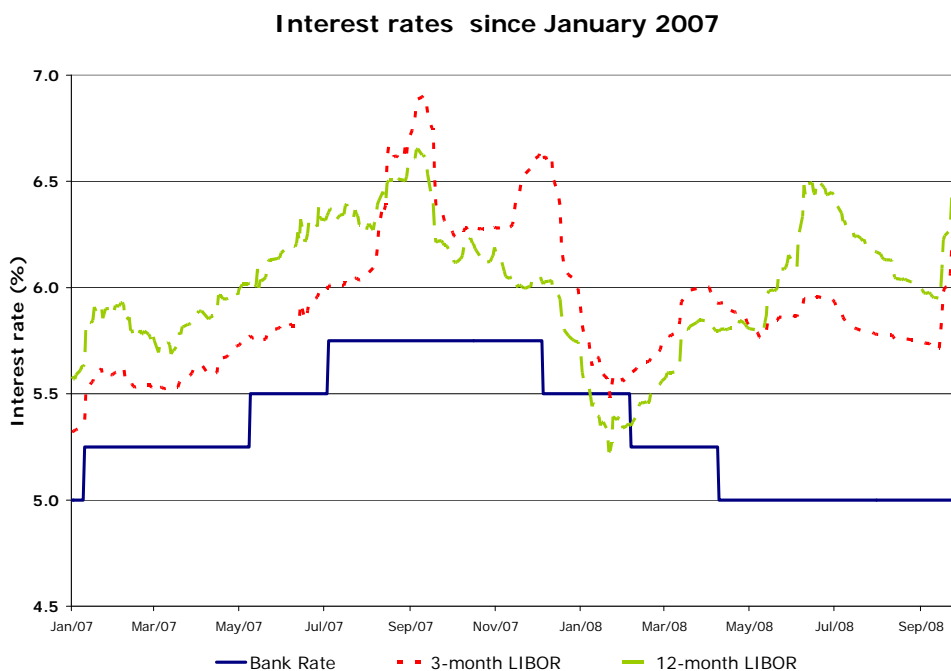
The impact of each of these factors in the first part of 2008/09 is explained in the following paragraphs.

Interest Rates

- 5.2 Interest rates in the wholesale money markets have been higher than anticipated. However, this is a reaction to perceived and actual credit risk concerns, and the liquidity shortage in the money markets. The best rates have often been with institutions that have subsequently come to difficulty. Therefore, Officers have been very mindful of the need to preserve capital and have not sought to "chase" the best interest rate offered.
- 5.3 The budget for investment income for 2008/09 was based on interest rates averaging 6.0% for investments managed by Tradition, 5.75% for the longer-term investments managed in-house, and 5.00% for short-term investments. This estimate took into account the interest rates established on the longer-term investments already entered into.
- 5.4 The average interest rate for 2008/09 on the Tradition investments is now expected to be 6.19%. For longer-term in-house investments the average rate is now expected to be 6.21%. Short-term investments are now expected to average 5.29% in 2008/09, and this estimate takes into account the likelihood that short-term interest rates offered by good quality institutions will be relatively low for the remainder of the year.
- 5.5 The higher than expected level of interest rates has alone provided a betterment of around £60,000 compared to the original estimate.
- 5.6 The movement in wholesale money market interest rates continues to be notable. Central banks have injected large sums of cash into money markets and governments repeatedly step into the breach to rescue financial institutions. However, wholesale money market interest rates have increased markedly. In the London money market 12-month sterling rates increased to over 6.50% on 30 September.
- 5.7 Generally, short-term money market rates for 3 to 12 month money have been significantly higher than the Base Rate for some time. This is now also the case for 1 to 3 month money. Regrettably, it now appears that these relatively high interest rates include a significant premium for risk of default. The increased ability of many good quality banks to access relatively cheap funds from central banks has also led to much

reduced activity in money markets. The risk here is that LIBOR (London Inter Bank Offered Rate - the rate at which banks lend money to each other) rates are now seen as setting interest rates for the reduced number of rather unfortunate banks that do not have access to central funds. The market distortion that this would cause is not helpful in locating good quality counterparties for the Council's funds. LIBOR rates had eased by 15 October, although activity in the money market is still very light.

- 5.8 It is notable that having market rates significantly higher than Base Rate is not the normally expected behaviour for interest rates. Previously, short-term wholesale money market interest rates had generally closely followed the Base Rate. This close relationship changed in summer 2007 when the liquidity problem surfaced and money market rates since then 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 in the past year.



- 5.9 However, movements in the Base Rate still play a significant element in the direction of short-term interest rates. The Base Rate was reduced to 5.0% on 10 April 2008. As stated in paragraph 3.11, the Base Rate was reduced to 4.5% on 8 October (this cut is not reflected in the above chart). The Base Rate still effectively sets the rate earned on short-term investments with good quality counterparties. For low risk investments (e.g. with the Government), the rate offered is often below the Base Rate.

Cash Flows

- 5.10 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. This beneficial cash flow has been broadly in line with expectations. However, the yield from business rates is causing some concern and this position is being closely monitored to ensure that the Council pays no more cash than it should do to the national business rates pool.
- 5.11 The cash forecast for 2008/09 assumed that capital receipts would be realised in accordance with the expected programme. In particular the receipt from the completion of the sale of the old civic office site was expected in March 2009 (with contract exchange much earlier) and Pinefields in June 2008. A number of other capital receipts, including the sale of the Stoneylands Club and Hythe Surgery sites, were expected during the 2008/09 financial year. The difficult state of the property market and other

factors has delayed these sales. The cash flow impact of delay is significant. This factor alone reduces investment income for 2008/09 by £175,000.

- 5.12 Conversely, the projected spend of the large sums in the capital programme was slower than anticipated in the Council's original cash forecast. This was particularly so for the affordable housing programme and the Civic Offices re-provision project.
- 5.13 The re-phasing of the capital spend commitments produce a beneficial impact on investment income of £170,000. These large movements illustrate that the greatest determinant of investment income is good cash flow. Quite simply, without cash to invest, the level of interest rates has no impact on yield.

Reserves and Balances

- 5.14 Reserves and balances at the start of the year were higher than anticipated. The detailed reasons for this were reported to this Committee in May 2008 with the report on the final accounts for 2007/08. The impact of revised capital expenditure cash flows is reflected in the paragraphs above. Higher than anticipated capital receipts in 2007/08, mainly from net council house and DIYSO portfolio sales, will add an estimated £20,000 to investment income in 2008/09.
- 5.15 Revenue balances at 1 April were £1.6m greater than anticipated. Of this sum, £800,000 represents higher Housing Revenue Account balances. The beneficial impact on investment income in 2008/09 of higher revenue reserves is £85,000.

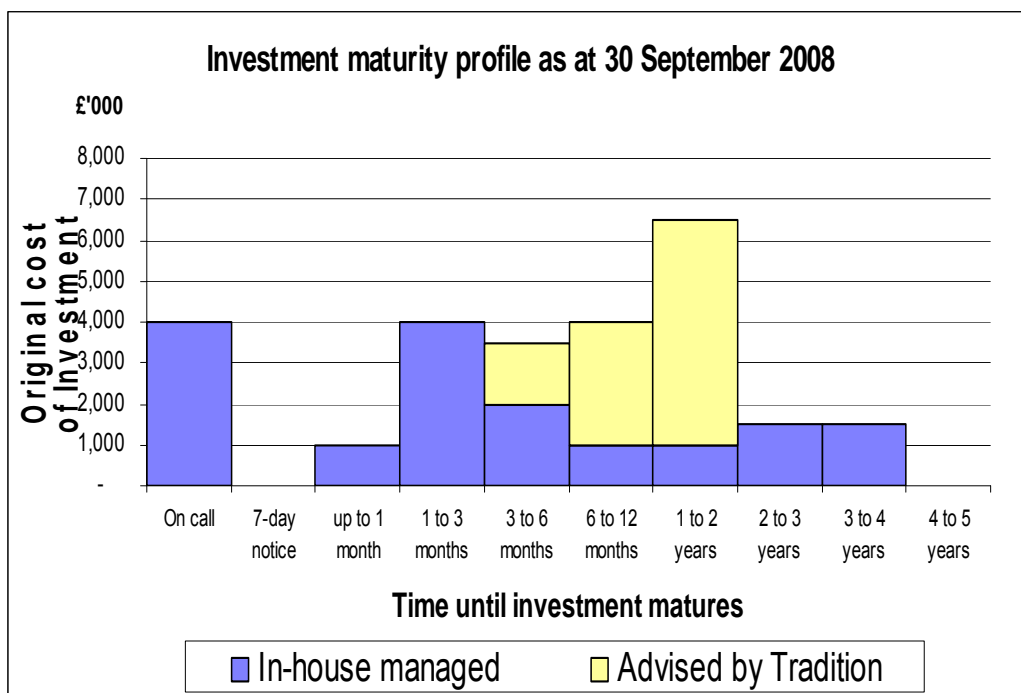
Investment Income – Revised Forecast

- 5.16 Taken together, the changes set out in the above paragraphs increase expected investment income for 2008/09 by £160,000.
- 5.17 Table 1 shows the original and revised forecast of General Fund investment income for 2008/09:

Table 1 - General Fund investment income 2008/09		
Source of Income	Original Estimate £000	Revised Estimate £000
Tradition managed investments	590	620
Internally managed investments	710	840
Gross external investment income	1,300	1,460
Interest on Housing Revenue Account balance	(93)	(145)
Interest paid on deposits and other balances	(7)	(15)
Net General Fund investment income	1,200	1,300

6 Current Investment Portfolio

- 6.1 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 – especially of credit risk (default) and/or interest rate risk – these have always been made with extra caution.
- 6.2 The current uncertainties in the wholesale money market, and the credit worthiness of institutions in particular, means that risk from longer-term investments is increased. However, once made, such investments must generally be held to maturity.
- 6.3 The following chart illustrates the maturity profile of the Council's investment portfolio at 30 September 2008, and also identifies the investments made on the advice of Tradition.



6.4 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 2.5). These investments were made with institutions with good credit ratings and with building societies. In terms of the interest rate received, the timing of the investments has proved beneficial. To date, there is no reason to believe that these counterparties will be unable to meet their obligations.

7. Legal Implications

7.1 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.

7.2 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.

8. Council Policy

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

9. Prospects

9.1 The Council's medium-term financial forecast is based on achieving an average return of 5.0% from the 2009/10 financial year.

- 9.2 Sterling Consultancy Services provide a set of interest rate forecasts at regular intervals. Their most likely scenario for interest rates, provided by Sterling on 17 September, is set out below:

	Base	3-Month	12-Month	25-Year
	%	%	%	%
September 2008	5.00	5.87	6.09	4.65
December 2008	4.75	5.50	5.70	4.60
March 2009	4.50	5.00	5.20	4.50
June 2009	4.50	4.80	4.80	4.55
December 2009	4.50	4.85	4.90	4.70
June 2010	4.75	4.95	5.10	4.95
December 2010	5.25	5.35	5.50	5.20
June 2011	5.50	5.55	5.60	5.30
December 2011	5.50	5.40	5.30	5.20
June 2012	5.50	5.30	5.20	5.10

- 9.3 Clearly, the cut in Base Rate to 4.5% on 8 October was not forecast by Sterling, although it is not surprising that they had not foreseen the scale of recent events. However, Sterling did correctly identify the downward trend in interest rates. 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.
- 9.4 Table 2 illustrates that Sterling are expecting interest rates to fall over the next 6 months, and for money market rates to gradually 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 5.0% return in 2009/10. However, the medium and longer-term investments – made at fixed rates of interest - will provide the protection for the Council's overall investment income.
- 9.5 Interest rates (and investment income) should not be viewed in isolation, but considered in conjunction with other economic factors. In particular, 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 used in the 2008/09 budget (2.5% for pay and 2.5% for prices). On 14 October, the CPI inflation index for September was announced and this measure disclosed a 5.2% annual increase in prices. Although reaching a new series high, most commentators see this as the peak in inflation and it is expected to fall back sharply. This would give scope to cut Base Rates further.
- 9.6 However, if the higher inflation feeds through to the Council's revenue budgets the impact will be significant and cumulative. The 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 future pay increases. It will be a significant achievement to contain these cost pressures within the provision (3% from 2009/10) made in the Financial Forecast. However, the cumulative effect of inflation will serve to make it significantly more difficult to balance income and expenditure over the medium-term.
10. Conclusions
- 10.1 The current uncertainties in the wholesale money markets and particularly the concerns over the credit worthiness of counterparties is worrying. Should the Council hold an investment with a failed institution, this could have a catastrophic impact on the Council's financial strategy. There would also be a considerable risk of the loss of the Council's enviable reputation for prudent and solid financial management.
- 10.2 Therefore, the management of counterparty risk has moved even higher up the treasury management priorities. Securing the capital invested is the objective that currently dominates new investment decisions. However, even a closely reviewed and highly

rated set of counterparty credit worthiness criteria does not provide absolute assurance that capital is secure. Therefore, further steps have been taken to minimise risk as far as reasonably possible.

- 10.3 This practice of investing over short-term with high quality institutions recognises the principal investment risk at this time, i.e. counterparty risk. However, this is not an approach for the longer-term. Hopefully, liquidity and confidence will return to money markets and investor confidence in general. When this happens, it is proposed that the investment portfolio will start to again follow an approach that recognises all types of investment risk in a holistic way as set out in the treasury management strategy.
- 10.4 Investment income is expected to be higher than estimated in 2008/09. Interest rates are higher (as is risk), and earnings have also benefited from higher than expected opening balances and re-phasing of capital spend. However, this has been partly offset by delays in securing capital receipts from the sale of assets. 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.

(FOR INFORMATION)

Background Papers

1. Sterling Consultancy Services interest rate forecast 17 September 2008 (DF's file 183)

9. CONCESSIONARY BUS PASSES (DHCS & DF)

1. **Purpose of Report**

1.1 **The purpose of this report is to:**

- i) update Members on progress made in implementing the new Concessionary Bus Travel Act 2007; and**
- ii) to seek approval for a supplementary estimate to cover the full cost of the new scheme.**

2. Background Information

- 2.1 The 11 District Councils in Surrey, together with the County Council, operate a joint countywide scheme of concessionary bus travel. This is a long established partnership arrangement. Regular meetings of the county-wide Concessionary Fares working group are held to co-ordinate the scheme.
- 2.2 The Surrey partnership is advised by consultants – the TAS Partnership – who advise on arrangements with the bus operators and collect and audit data from the bus companies. The arrangements with TAS were reported to the Housing and Community Services Committee in November 2007.
- 2.3 Runnymede grants free bus travel from 9.00am for the over 60s - an enhanced benefit that commences 30 minutes before the 9.30am start of the statutory entitlement. This concession has been agreed to allow Runnymede residents to benefit from local conditions that were in place prior to 1 April. Most of the other Surrey districts (but not Surrey Heath) offer this additional concession.
- 2.4 The scheme does not apply to community transport services.
- 2.5 In order to take advantage of these concessions residents must obtain a permit from their local council. The permit must be issued free of charge.
- 2.6 The Housing and Community Services Committee received a number of reports leading up to the implementation of the new scheme, and in June 2008 received a report reviewing the implantation process and considering future administrative arrangements.

- 2.7 This report would normally be made to the Housing and Community Services Committee in the first instance. It is being made to this Committee in order to notify Members as soon as possible and inform the Financial Forecast process. The report will also be presented to the Housing and Community Services Committee at their next meeting on 20 November.
3. Update on the implementation and operation of the scheme
- 3.1 The new scheme has been implemented successfully. There are now 9,300 passes distributed to customers in Runnymede. There continues to be a steady number of new applicants for bus passes (currently an average of 30 per week). These are people who have only recently learnt about the scheme or who have just become eligible.
- 3.2 Responsibility for the service now lies in the Community Services Division of the Housing and Community Services Department. Following the initial administrative phase, where work was largely undertaken by temporary part time staff, a more formal structure was introduced. This structure comprised of 2 members of staff on temporary contracts until the end of the calendar year, job sharing a 37 hour post.
- 3.3 The Council has a contract with Novacraft to supply the initial bulk issue of passes and the subsequent new passes. They were asked to continue producing passes on behalf of the Council until 31 March 2009.
- 3.4 At its meeting on 11 June, the Housing and Community Services Committee resolved to use the Novacraft *InNovator* card management system to replace the in-house developed database. *InNovator* is a web-based system that allows the bus pass team to enter new records, including pass holders' photos, onto a database that is immediately accessible by Novacraft. The Committee agreed that the system would be used for one year, initially, and then continued if satisfactory after review.
- 3.5 The *InNovator* system has proved robust and effective to date.
- 3.6 The Surrey Partnership are looking at the common disability criteria and a draft of their findings will be circulated to the Surrey Local Government Association (SLGA) Members Group on Concessionary Fares for consideration. It is likely that where changes affect individuals they would not lose their pass immediately but at the next reissue of their card (passes have a life of up to 5 years).
4. Cost of the Scheme
- 4.1 The major cost element in providing this service is payments to bus operators. This is to reimburse the bus operators for income foregone as a result of accepting concessionary fare passengers.
- 4.2 The arrangements for reimbursing the bus operators and the way that the costs were allocated to Districts changed on 1 April 2008.
- 4.3 In 2007/08 Countywide subsidy of £6.208m was paid to the bus operators in order to reimburse revenue foregone by accepting the permits. The level of reimbursement to bus operators was based on a mileage rate negotiated with the operators on the basis of limited (and unaudited) patronage figures available and average standard local fares. This cost was broadly allocated amongst Districts in proportion to the number of permit holders in each area. The Runnymede share of the cost of payments to bus operators was £367,615.
- 4.4 From April 2008 the method of reimbursement to bus operators changed to one of actual usage, with the bus operators being reimbursed 65% of the normal fare for each journey undertaken. Each Surrey district is charged for journeys starting in their Borough boundary.
- 4.5 In November 2007, TAS provided a set of initial costings that analysed the potential impact of the new national scheme, and the changes in reimbursing bus operators and allocating costs to Districts. TAS estimated that the sum payable to bus operators by Runnymede in 2008/09 would be £128,095, a significant reduction compared to the

£369,364 paid in 2007/08. A provision of £200,000 was made in the Council's 2008/09 estimates to allow some margin for increased use of buses, and potential data errors in the initial costings.

- 4.6 TAS has now provided data on the first quarter usage and cost apportionment for 2008/09. The result is significantly different to their initial estimate for Runnymede.
- 4.7 TAS supplied a report that sets out their findings in detail, reproduced at Appendix 'F', and a spreadsheet comparing costs to 2007/08 (Appendix 'G'). TAS has also since provided a "File Note" that helps explain the variations in more detail and this is supplied at Appendix 'H'.
- 4.8 Highlights from these documents are:
- Over 117,000 passes had been issued by the Surrey districts by April 2008. The total issued is likely to be much greater now.
 - There were nearly 1.7m free journeys starting in Surrey in the first quarter of 2008/09.
 - The average cost per journey paid to bus operators is £1.03.
 - Bus operators are now estimated to receive reimbursement of £6.87m from Surrey authorities, an increase of 7% over 2007/08 costs, and 3.7% over the initial estimate for 2008/09.
 - The change in the method of reimbursement to bus operators from the 37 pence mileage rate to the new scheme based on a reimbursement rate of 65% has led to significant changes in the amounts paid to individual operators.
 - The cost to Runnymede Borough Council for reimbursements to operators is now estimated to be £309,205 in 2008/09 (a considerable increase over TAS's initial estimate of £128,095).
 - There is a risk that the cost will increase further as a result of increased fuel prices, which will impact upon the calculation of average adult fare and therefore the value of concessionary journeys made.
- 4.9 The increase in payments from the initial estimate of £128,905 to a new estimate of £309,205 (with the prospect of further increases) is clearly very unwelcome. It is also well in excess of the provision of £200,000 made in the Council's 2008/09 budget. Allowing for a modest contingency, a revised budget for 2008/09 of £320,000 is now considered prudent. This is £120,000 greater than allowed for in the budget, and a supplementary estimate will be required for this sum.
- 4.10 The TAS report discloses that the latest estimate of the overall cost of reimbursing bus operators is 3.7% above their previous forecast. However, the cost falling on individual councils is considerably different with the smallest difference being 8% (Reigate & Banstead). The variation in Runnymede is the greatest, at 141%.
- 4.11 At a meeting of the Concessionary Fares Working Group held on 15 September, TAS were questioned about the wide variations between the initial estimate and the first quarter figures. The Councils that had seen large increases since the initial TAS forecast (Epsom, Runnymede, Surrey Heath & Woking) expressed particular concern at the findings and requested further information.
- 4.12 TAS will now start operator surveys and audits to provide a better degree of scrutiny over usage and costs. However, TAS do not believe that figures are manipulated by drivers over stating journeys.
- 4.13 TAS have disclosed that their initial estimate was based on very limited data (see their note at Appendix 'H'). In particular, TAS allocated costs in their initial estimate based on a bus route mileage basis, rather than when the passenger was likely to board a bus. At that time, TAS had limited information about where people boarded buses. Therefore, where a route travelled across boundaries, assumptions were made regarding which Council would be liable for what. It seems that the geography of bus routes in Runnymede means that this heavily understated the usage on a number of routes. Officers were not aware of this methodology used in the initial estimate, albeit it is unlikely that they would have realised the impact of this estimation method too. Also, in Runnymede no returns had been received on routes formally operated by Tellings and

Willtax (both now absorbed by Travel London), First Beehive, Peterbus or Dickens Travel.

- 4.14 Travel London is the bus operator providing the most used services in Runnymede. The following table shows the usage and subsequent costs to Runnymede of the services it operates:

Travel London services in Runnymede: Data for April to June 2008			
Service	Route	Passengers (Concessionary)	Cost £
426	Staines – Woking; via St Peter's Hospital, Ottershaw and Sheerwater	3,123	3,822
441	Heathrow Airport - Englefield Green; via Ashford Hospital and Pooley Green	11,082	11,218
446	Staines – Woking; via St Peter's Hospital, Ottershaw, Coombelands, New Haw, Woodham, West Byfleet and Sheerwater	6,077	6,900
451	Kingston – Staines; via Hampton Court, Byfleet and Thorpe Park	3,505	4,308
461	Kingston – Staines; via Hampton Court, St Peter's Hospital and Thorpe Park	6,734	8,284
471	Kingston – Woking; via Coombelands, Woodham, West Byfleet and Sheerwater	6,414	8,154
557	Hatton Cross – Addlestone; via Stanwell, Ashford Hospital, Upper Halliford, Chertsey and St Peter's Hospital	3,372	3,973
566	Staines - Knowle Hill; via Stroude and Virginia Water	774	789
567	Staines - Knowle Hill; via Virginia Water and Stroude	2,305	2,446
	Total	43,386	49,894

- 4.15 Bus operators in Surrey have not appealed (to date) against the level of reimbursement they are receiving. They have done so in other areas, albeit it appears that these are where reimbursement rates (65% in Surrey) are lower. However, there remains a modest risk that bus operators may appeal to the Department for Transport that the reimbursement offered by the Surrey scheme is insufficient. A successful appeal would further increase the Council's costs.
- 4.16 The Department for Transport provided Runnymede Borough Council with additional grant of £162,300 for 2008/09. This grant award is fixed.
- 4.17 The new scheme still represents a reduction in overall cost over the old scheme. The revised estimate in 2008/09 of £320,000 is still below the payment made in 2007/08 (£369,365). The Department for Transport grant of £162,300 is also new income.
- 4.18 TAS forecast inflationary increases of 5% for 2009/10. This level of cost increase is also unhelpful given the Council's restrained level of Government grant and council tax.
5. Governance Arrangements
- 5.1 There are currently two inter-authority groups discussing the detailed arrangements for concessionary fares in Surrey.
- 5.2 The **Concessionary Fares Working Group** has representatives from all Districts and is chaired by agreement by the County Council. The purpose of the Group is to discuss and come to a consensus agreement on administrative issues and decisions for which there is a general consensus.

- 5.3 In November 2007, the SLGA established a **Member Board** reporting to the SLGA to drive forward the delivery of the new scheme and to seek consensus on countywide issues and lobby Government as appropriate. It is modelled along the lines of the Members' Group on Waste, namely with one Member representative from each District (normally the relevant portfolio holder) and 3 from the County Council. The Group had two main aims. Firstly, it would consider any outstanding operational issues on which it would be necessary or desirable to reach common agreement before the new scheme came into operation. Secondly, it would keep the scheme under review and make recommendations for changes (if any were needed) to SLGA and Member authorities as the scheme progressed. It should be noted that this Group is not an executive body. It remains for authorities themselves to make decisions which are binding on them.
- 5.4 The latest meeting of the Members Board was on 9 October. The Board received another set of proposals for Surrey Districts to consider a scheme to pool money from Districts that gained in overall terms from the new arrangements to subsidise those that did not. A similar proposal was rejected earlier this year. Using the latest data, nine districts are expected to be in "surplus" (including Runnymede) and two (Guildford and Surrey Heath) in deficit. However, there remains little merit in selecting a service area in isolation as requiring special treatment for such pooling in Surrey. It also ignored the specific financial circumstances of Runnymede i.e. the need to find revenue reductions. Therefore, Runnymede did not support the proposal.

6. Legal Implications

- 6.1 The Concessionary Bus Travel Act 2007 came in to effect on 1 April 2008. Under this Act, travel concession authorities (District Councils in Shire areas) must provide all residents over the age of 60 and people with qualifying disabilities with free travel on buses between 9.30 am to 11 pm on week days and all day at weekends. Bus operators are obliged to honour the statutory concessions but must be reimbursed on a cost-neutral basis for doing so.
- 6.2 The Transport Act 1985 provides local authorities with discretionary powers to extend the scope of these concessions, although operators cannot be compelled to participate in an enhanced scheme.

7. Conclusions

- 7.1 9,300 bus passes have now been issued by Runnymede. The operational aspects of the scheme are generally running well and the service offered by Novacraft is good.
- 7.2 The data on reimbursement of costs to bus operators supplied by TAS for the first quarter represents a considerable increase over that allowed for in the 2008/09 budget. A supplementary estimate of £120,000 is required.

OFFICERS' RECOMMENDATION that –

a supplementary estimate in the sum of £120,000 be approved to meet the full cost of reimbursing bus operators for concessionary travel in the 2008/09 financial year.

(TO RESOLVE)

Background Papers

1. Report from TAS on first the Surrey Concessionary Fares: Quarter 1 Reimbursement Costs; Surrey County Council and participating TCAs, August 08
 2. File note from TAS on allocation of concessionary fare reimbursement costs, 30 September 2008.
10. BEST COUNCILS AWARDS 2008 (CEO)
1. Purpose of Report

1.1 The purpose of this report is to apprise Members on the results of the Council's entry in the 2008 Times Best Councils to Work For Competition and to identify any future appropriate actions.

2. Background Information

2.1 The Times Best Councils to Work For competition is based on the views of employees and the policies and processes of employers. This is the second year for the competition drawn from a survey which uses a methodology developed by Best Companies Ltd. This is designed exclusively for the British workplace and identifies best practice and ranks councils according to their performance in key indicators of staff satisfaction.

2.2 One of the decisions made by Members of this Committee at the time of considering the Annual Pay and Workforce Plan in February was to enter Runnymede Borough Council in the 2008 Best Councils Competition.

2.3 Survey forms were distributed to a random selection of staff in June and these were completed confidentially and returned for analysis direct to Best Companies Ltd in a pre-paid envelope.

2.4 In addition, the Personnel Manager completed a questionnaire providing detailed information on the Council's employment terms and conditions and workforce statistics.

3. Report

3.1 In September, it was announced that Runnymede Borough Council was ranked 17th Best Council to work for in the UK. In 2008, nearly 100 local authorities entered the competition, of which 75 were shortlisted.

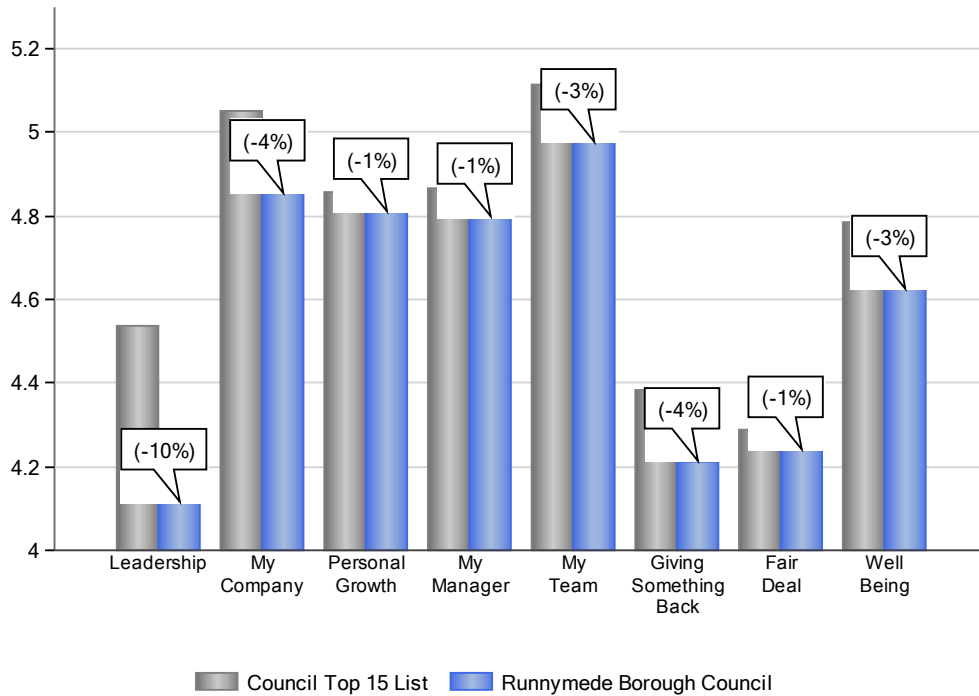
3.2 This is a remarkable achievement, bearing in mind that the survey was undertaken during a period of disruption shortly after the move to the new offices. It seems likely that once the remaining teething problems with the new building have been resolved and staff have fully adapted to their new working environment, scores in 2009 would be even higher. The ability to display the 'Best Councils' logo is bound to have a positive effect on staff recruitment.

3.3 The eight factors by which Councils are judged are:

- Leadership – how staff feel about the head of the organisation and senior management
- My Company – feelings about the organisation that staff work for
- Personal Growth – whether staff feel challenged by their job, their skills are being used and if there is scope for advancement
- My Manager – staff's feelings about their immediate boss and their day to day managers
- My Team – staff's feelings about their immediate colleagues
- Giving Something Back – how much Councils are thought by staff to put back into society and into environmental protection
- Fair Deal – how happy the workforce is with pay and benefits
- Wellbeing – how staff feel about stress, pressure and the balance between their work and home life

3.4 The following table compares Runnymede's results with those of the top 15 Councils. These are all positive scores and interestingly, other than for the Leadership factor, the Runnymede results follow the same pattern as the benchmark. Clearly, there are varying degrees of scope for improvement.

Overall by Factor



- 3.5 Whilst there is scope for improvement in each factor, the main area for improvement, when compared with the top 15 Councils, appears to relate to the Leadership factor where Runnymede is shown as scoring 10% below average. Whilst the move to the new offices will have undoubtedly contributed to this outcome, Officers are unable to say with any confidence what other factors might have contributed to the final outcome.
- 3.6 Whilst not playing a part in the final scores, the analysis also compares various facilities and staff profiles in each Council. The table below compares Runnymede with the top five Councils:

	Wychavon 1 st	Chorley 2 nd	Broadland 3 rd	Castle Morpeth 4 th	Epsom & Ewell 5 th	Runnymede 17 th
No of Staff	304	422	266	272	320	491
Gross Expenditure	£11.9m	£44.2m	£41.8m	£27.7m	£35m	£54.9m
Male/Female Ratio	34/66	51/49	36/64	52/48	49/51	43/57
Average Age	42	43	41	42	45	48
Staff Turnover	11%	14%	10%	30%	18%	13%
Earning £35k+	9%	5%	18%	9%	13%	13%
Flexible Working	Yes		Yes			
Career Breaks		Yes	Yes			
Wellness		Yes	Yes			
Charity	Yes	Yes	Yes	Yes	Yes	
Senior Women	Yes	Yes			Yes	

Definitions

- Flexible Working – Councils that provide at least five different flexible working options to at least 50% of staff
 - Career Breaks – Councils that offer staff the chance to take a sabbatical or career break, either paid or unpaid
 - Wellness – Councils that provide a wellness programme for their staff
 - Charity – Councils that allow staff to undertake charity/voluntary work during working hours
 - Senior Women – Councils where at least 33% of senior managers are women.
- 3.7 The following conclusions can be reached from the data in the above table:
- 3.7.1 The top five Councils are smaller than Runnymede in terms of number of staff and gross expenditure.
- 3.7.2 There does not appear to be an obvious pattern in the Male/Female ratio in the top Councils.
- 3.7.3 At age 48, Runnymede has the highest age profile of any Council in the top 25 and is somewhat higher than any in the top five. Runnymede has a high number of long serving staff, a number of whom are anticipated to retire within the next three years. This presents both an opportunity and a challenge to the authority.
- 3.7.4 Runnymede's level of staff turnover and those earning £35,000 or above compares well with the top Councils.
- 3.7.5 The offer of a range of flexible working opportunities is available in two of the top five Councils. Whilst Runnymede does offer some flexible working facilities such as flexitime, part time and term time working, the Council does not offer the range of options that qualify for meeting this criterion.
- 3.7.6 Two of the top five Councils offer the opportunity of career breaks or sabbaticals – either paid or unpaid.
- 3.7.7 Three Councils offer a wellness programme for their staff. Whilst Runnymede has no 'wellness programme' as such, many facilities such as regular health checks, counselling and discounted gym membership are in place.
- 3.7.8 All five top Councils allow staff to undertake charity or voluntary work during working hours. Members may recall that this was an option recently considered and rejected by the Committee on the grounds of practicality.
- 3.7.9 Three of the five top Councils have at least 33% of senior management posts held by women. Runnymede currently has 13% of senior management posts filled by women. This is a situation that has been highlighted over a number of years through the Best Value Indicators and is due in part to a very low turnover of posts at senior management level together with a very low number of suitable female applicants. The situation will continue to be kept under review.
4. Recommendations for Action
- 4.1 This is the second year of the Times Newspaper Best Councils to Work For competition. It is anticipated that as the award gains in prestige, more Councils will enter and therefore the competition for the top places will increase. If, in the current climate, Members are minded to enter the Best Councils to Work For competition in 2009 and aspire to reach a higher position than 17th, Officers will require further detailed data analysis in order to bring forward appropriate recommendations for Members' consideration.
- 4.1.1 As part of the 2007 Pay and Workforce Plan, Members decided that a staff survey be commissioned in the current municipal year. In view of the valuable comparative data that is available from the Best Councils survey and the risk of survey fatigue, it is recommended that no separate staff survey be undertaken in 2008/9.

- 4.1.2 The 2008 Best Councils competition was sponsored by IDeA and LGE and was free of charge for participating Councils. The basic feedback of results is also provided free of charge. More detailed levels of analysis are available in packages that range between £4,455 and £7,645. The first upgrade at £4,455 provides detailed analyses of individual questions and also provides a schedule of the narrative responses to the questions 'What do you think makes this a great workplace?' and 'What do you think would make this a better workplace?' Further upgrade options providing analyses by benchmark, demography and sector cost £5,500, £7,200 and £7,600 respectively. It is recommended that the basic level of upgrade (£4,455 at 2008) is taken and funded from provision made for the staff survey and the Chief Executive's flexibility budget.
- 4.1.3 The Best Council awards ceremony is held each September in London. A number of Councils invited to attend bring with them up to a dozen or so staff. The cost of attendance is met by seeking sponsorship from local companies and organisations. It is recommended that for 2009, sponsorship be sought from local companies and organisations to fund attendance by a number of peer selected staff at the awards ceremony should Runnymede be invited to attend.

5 Resource Implications

- 5.1 Current costs can be contained within current budgetary provision. Members will need to evaluate the benefits in considering any future initiatives that have additional cost implications.

6 UNISON Comments

- 6.1 UNISON notes the recommendations in the report and looks forward to being consulted on detailed proposals, as indicated, on how the Council can improve its terms and conditions for all staff regarding Work-Life balance, wellbeing and other measures in a flexible and reasonable way within the existing legal framework.

UNISON considers that in order to gauge a way forward on improvements which responds to the workforce, a staff survey, particularly now that we have moved offices, would be a good idea.

UNISON recommends that sponsorship should be the determining factor of attendance at future Best Councils awards ceremonies so that scarce resources are not diverted from service delivery or other initiatives that could benefit staff.

OFFICERS' RECOMMENDATION that -

- i) the Committee indicates whether it wishes Runnymede to be entered into the 2009 Best Councils to Work For competition, and if so;**
- ii) a first level analysis of the 2008 survey results together with narrative responses be ordered and funded from budgetary provision made for the staff survey and the Chief Executive's flexibility budget and, from that detailed analysis, Officers bring forward in the Annual Pay & Workforce Plan appropriate recommendations for actions to be taken in order to achieve a higher position in that competition;**
- iii) sponsorship be sought from local companies and organisations to fund attendance by a number of peer selected staff at the 2009 awards ceremony, if the Committee decides to enter the competition, and if the Council is invited to attend the ceremony; and**
- iv) no separate staff survey be undertaken in 2008/9.**

(TO RESOLVE)

Background Papers

The 2008 Times Newspaper Best Councils to Work For competition

11. PERSONNEL SERVICES MEMBER WORKING GROUP - NOTES (CEO)

The notes of the Personnel Services Member Working Group meeting of 1 October 2008 can be found at Appendix 'I'.

UNISON Comments

UNISON was pleased to be invited to the meeting and found it a useful experience and looks forward to further discussions on the appraisals and PRP in order to have a constructive input into the ways these are developed and refined to improve the terms and conditions of all staff.

(FOR INFORMATION)

Background Papers

None stated

12. PAY AND CONDITIONS (CEO)

At the meeting of this Committee on 4 September, Officers were asked whether it was possible to find data comparing Runnymede with the private sector for comparable jobs in terms of the total remuneration package consisting of basic salary, performance pay and pension and if so, report it to the Committee.

Such a comparison would require access to detailed and sensitive data from other organisations which is not readily available. The only comparisons that can be made are those available via regional and national surveys such as Remuneration Economics and IDS Benchmark. Whilst comprehensive, these surveys do not contain the level of detail that would facilitate reliable comparisons in the format as sought.

A request for information from the South East Employers Organisation resulted in the following response 'I'm afraid we don't have such information and I'm not sure where this could be found. As regards the 'total package' concept you refer to, this is an area that the LGE (Employers) are looking at as part of the revisions to the Green Book to try to make the remuneration package of local government employees reflect the real value of what they are getting - outside the salary alone.'

Private sector pension schemes vary considerably between those that are similar to that offered in local government (a number of these have been reduced for new employees in recent years, but some remain, particularly amongst large employers) and those that offer minimal provision.

The Local Government Pension Scheme (LGPS) is a statutory scheme that has to be made available to local government employees. The Runnymede (employer) contribution for the provision of the LGPS is currently 16.3% of pay with staff paying between 5.5% and 7.5%. In addition, the cost of meeting the shortfall in funding also falls on the Council. The annual deficit contribution of £380,000 in 2008/09 is equivalent to 4.3% of pay. The average pension paid from the Surrey LGPS is £3,937.

The March 2008 Employee Rewards Report published by Thomsons shows that from a survey of over 700 employers in the private and public sectors, only 14.85% are currently offering a final salary pension scheme to their staff. Whilst the majority of respondents offered an average employer pension contribution of less than 10% (as a percentage of payroll), the most common contribution rate was 5% (15.91% of respondents). Whilst the LGPS is a much valued benefit by staff (source staff survey 2004) and clearly must have an impact on staff recruitment and retention, it is important that base salaries remain competitive. Runnymede is in a complex marketplace where staff come from and go to the public and private sectors. The headline salary figure is likely to have the most immediate impact on perceived competitiveness, particularly amongst younger and mid-range age groups.

Other benefits, such as Performance Related Pay (PRP) and Bonuses are equally difficult to compare with any degree of reliability. Such payments can be substantial in some areas of the private sector and at senior level can even exceed the value of the base salary. PRP in

Runnymede is at a more modest level either being paid by way of incremental progression within the salary range or as one-off lump sum payments for high performers having reached scale maxima. Staff with insufficient service or failing to reach a sufficiently high standard of performance receive no PRP. In April 2008, the average PRP progression was 1.3% and the budget for lump sum payments represented 1.5% of base salary costs. (source 2007/8 Annual Pay & Workforce Plan). The following table summarises the outcomes.

Staff qualifying for full PRP salary progression	170 (35%)
Staff receiving no annual PRP payments	114 (23%)
Staff qualifying for partial PRP payments	49 (10%)
Staff qualifying for full lump sum payments only	158 (32%)
Total	491

An equal pay audit is scheduled to be undertaken in 2009. If Members were minded to pursue this matter in more detail, the specialist consultancy support engaged for the equal pay audit could also be asked to attempt to undertake a total remuneration package comparison exercise. Officers could bring back to Members costs of such an exercise, if it should prove feasible to be undertaken.

(FOR INFORMATION)

Background Papers

March 2008 Employee Rewards Report published by Thomsons

13. REGULATION OF INVESTIGATORY POWERS ACT 2000 - POLICY REVIEW (DAL)
(Ref: Minutes of Corporate Management Committee, April 2008, page 1043, para 680)

1. Purpose of Report

- 1.1 The purpose of this report is to advise Members of an inspection by the Office of Surveillance Commissioners on 30 July 2007.**

2. Background Information

- 2.1 The Regulation of Investigatory Powers Act 2000 came into effect in September 2000 and seeks to protect a person's human rights whilst ensuring that enforcement and security agencies can function effectively.
- 2.2 Powerpoint presentations were given to relevant staff and Chief Officers to ensure that the Act and regulations were properly implemented. A meeting with an Assistant Surveillance Commissioner (ASC) took place on 26 February 2002 and a Policy on Covert Surveillance, incorporating his recommendations, was adopted by the Council on 25 April 2002.
- 2.3 Following the adoption of the Policy in 2002, limitations have been placed on the powers of Local Authorities to use covert surveillance. The authorisation of covert surveillance may now only be given for the purpose of preventing or detecting crime or preventing disorder.

3. Report

- 3.1 Amendments were made to the Policy following an inspection by the ASC in 2005 and following the most recent inspection on 30 July 2008 the ASC has made further recommendations. These recommendations relate to:-
- the detail of the Policy particularly in relation to describing Monitoring Officer functions and the requirements for necessity and proportionality
 - the need for further Officer training
 - records retention matters
 - a more pro active role in overseeing the RIPA process to be undertaken by the RIPA Monitoring Officer (the Head of Valuation, Law and Committees).

- 3.2 The ASC recommendations have been implemented other than the requirement for further training which will be undertaken within six months.

(FOR INFORMATION)

Background Papers

Assistant Surveillance Commissioners Report, 30 July 2008

14. REPORT OF REVIEW BOARD ON PARKING AT ST. PETER'S HOSPITAL, CHERTSEY

1. **Purpose Of Report**

1.1 **To consider the findings of the Review Board regarding a review of car parking provision at St Peter's Hospital, Chertsey.**

2. **Report**

2.1 At its meeting on 9 October 2008, the Council's Review Board reviewed car parking provision at St Peter's Hospital, Chertsey because of public concerns about the adequacy of the provision and the ability of patients, visitors and staff to adequately access the site and its services.

2.2 Three representatives of the Ashford and St Peter's Hospitals NHS Trust advised the Board of the latest position at the meeting.

2.3 A report of the review is attached at Appendix 'J'. The Board's conclusions are set out at paragraph 23.

2.4 The Board agreed that their findings should be reported to this Committee with a recommendation that this Committee adds any comments of its own and makes a further recommendation to the full Council meeting.

REVIEW BOARD'S RECOMMENDATION that -

- i) the report of the Review Board at Appendix 'J' be noted; and**
- ii) the Committee adds any comments of its own on this issue and makes a further recommendation to the full Council meeting.**

(TO RECOMMEND)

Background Papers

Parking Assessment for Proposed Additional Visitor Parking Provision, Denis Wilson Partnership, October 2006. (Supporting document to planning application RU 06/1220)

15. THAMES BASIN HEATHS JSP – REPRESENTATION (DAL)

1. **Purpose Of Report**

1.1 **To review the operation of the Thames Basin Heaths Joint Strategic Partnership (TBH JSP) Board and Officer Support Group, and to recommend continued Member and Officer representation.**

2. **Background Information**

2.1 At its meeting on 27 September 2007, this Committee was advised that the South East England Regional Assembly (SEERA) had set up a Board to promote a strategic partnership to co-ordinate policy for the protection and management of the Thames Basin Heaths Special Protection Area (SPA) and considered representation on the Board and Officer Support Group.

2.2 A strategic Partnership had been set up to provide a forum for joint-working and liaison between local planning authorities and other bodies affected by the Thames Basin

Heaths SPA. The Partnership had been created as a response to the Assessor's recommendations in respect of the strategic implications of the Thames Basin Heaths SPA for the South East Plan. SEERA had taken on the co-ordinating responsibility for this Partnership and had constituted a Thames Basin Heaths Joint Strategic Partnership (TBH JSP) Board to address the executive role. Work on drawing up the draft Terms of Reference was ongoing and Runnymede Officers, in consultation with the Chairman of the Planning Committee, had made a number of suggested revisions/amendments to earlier drafts to try to contain the JSP within reasonable resource limits.

- 2.3 It was intended that the Board would act in an advisory role for the local planning authorities affected by the protection of the Thames Basin Heaths SPA on their strategic decision making process and as a means of liaison between LPA's, Regional Planning Bodies, and Government Offices. Based on the draft Terms of Reference at that time, the TBH JSP would consist of a Board, comprising elected Member representatives from the member organisations with voting rights, and an Officer Support Group, consisting of appointed Officers from the member organisations.
- 2.4 The current draft Terms of Reference as then drafted envisaged that Local Planning Authority organisations that were affected in some way by the SPA, together with those bodies/organisations who had significant land holdings, would be invited to be full Members of the Joint Strategic Partnership with full voting rights at meetings of the Board. A number of advisory members of the Strategic Partnership, with rights of attendance and participation in discussions at all meetings of the JSP, but with no voting rights, were also proposed.
- 2.5 The Officer Support Group which would meet at least every two months, would comprise appointed Officers of the member authorities and organisations and Officers or technical/professional representatives of stakeholder organisations, by invitation of the JSP. Meetings of the Board would be held during the day, at least three times per annum, and more frequently, if required. The venue would be set by the Board Chairman and would normally be fixed for at least one year. It was intended that Officer support and secretariat services would be provided by the organisation chairing the venue or as otherwise agreed. The proposed draft powers for the Board and for the Group, which were very wide ranging, were noted.
- 2.6 The Committee noted that these proposals clearly had the potential for significant but, as yet, unquantified financial expenditure for which no specific budgetary provision had been made in the Council's estimates. Furthermore, the envisaged Officer Support Group might cause staffing implications whereby Officer resource, which was particularly stretched in the Planning Section at this time, might be extended still further as a result of the extra demands of the Officer Support Group. The Committee considered that Runnymede should be involved, but it would be necessary to monitor the workload which might result from the operation of the Board and Support Group.
- 2.7 The Committee therefore agreed that Member representation with planning experience on the Board supported by an Officer on the Officer Support Group was required, but that Councillor representation should be reviewed after a year to establish whether the time commitment was justified, in terms of the benefits being gained by the Council.
- 2.8 The Committee accordingly resolved to appoint Councillor G.B Woodger to serve as Runnymede Borough Council's representative on the JSP Board, initially for a period of one year and that the Director of Technical Services be authorised to appoint an appropriate Officer from his department to serve as the Council's Officer representative on the JSP Board's Officer Support Group.

3. Report

- 3.1 The workload which has resulted from the operation of the Board and Officer Support Group has not proved to be excessive and Officers consider that the time commitment has been justified in terms of the benefits gained by the Council.
- 3.2 It is therefore proposed that Officer representation on the Support Group and Member representation on the Board should continue. Councillor Woodger was reappointed to

serve as the Member representative on the Board at the External Appointments Sub-Committee on 28 May 2008.

- 3.3 The Board will be continuing for at least another year and there are likely to be three meetings of the Board and of the Support Group over the next year.

OFFICERS' RECOMMENDATION that –

the Council retains Officer representation on the Support Group and Member representation on the Board.

(TO RESOLVE)

Background Papers

None

16. EXCLUSION OF PRESS AND PUBLIC

OFFICERS' RECOMMENDATION that –

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

(TO RESOLVE)

PART II

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

	<u>Exempt Information</u>	<u>Paras</u>
17.	WRITE OFFS	3
18.	APPLICATION FOR DISCRETIONARY RATE RELIEF	3
19.	NON-DOMESTIC RATES - APPLICATION FOR HARDSHIP RELIEF	3
20.	APPOINTMENT OF CHIEF EXECUTIVE OFFICER	3
21.	CONFIDENTIAL STAFFING MATTER	3
b)	<u>Confidential Information</u>	

(No reports to be considered under this heading)