

Corporate Management Committee

Thursday 5 February 2009 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.

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(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 8 January 2009, (attached at Appendix 'A').

4. APOLOGIES FOR ABSENCE

5. DECLARATIONS OF INTEREST

If Members have an interest in an item please record the interest on the form circulated with this Agenda and hand it to the Legal Representative or Committee Administrator at the start of the meeting. A supply of the form will also be available from the Committee Administrator at meetings.

Members who have previously declared interests which are recorded in the Minutes to be considered at this meeting need not repeat the declaration when attending the meeting. Members need take no further action unless the item in which they have an interest becomes the subject of debate, in which event the Member must leave the room if the interest is personal and prejudicial.

6. PRELIMINARY CONSIDERATION OF MAYORAL SELECTION (DAL)

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

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

The Committee is therefore asked to consider candidates for the office of Mayor and Deputy Mayor and recommend a nomination for each office for 2009/2010 to the next Ordinary meeting of the Council.

(TO RECOMMEND)

Background Papers

Standing Orders of Runnymede Borough Council

7. 2009/10 BUDGET AND COUNCIL TAX (DMT)

To follow.

8. EFFICIENCY INFORMATION PUBLISHED WITH COUNCIL TAX BILLS (DF)

1. **Purpose of Report**

1.1 **To inform the Committee of the form and content of efficiency information that the Council is required to publish with its Council Tax bills.**

2. **Background Information**

2.1 As reported to the last meeting of the Committee, when the Minister for Local Government announced the Local Government Finance settlement in November 2008, he confirmed that the Government intended to press ahead with its proposals to require local authorities to publish efficiency information on their Council tax bills.

2.2 The Government subsequently issued regulations (Statutory Instrument 2008, No 3264) on 18 December specifying the information that has to be provided on Council Tax bills and the supplementary information that has to be supplied with the bills. The Department for Communities and Local Government (DCLG) has also published a "Government response to the consultation on the inclusion of efficiency information with council tax demand notices" which includes a "mock-up" of how the efficiency information might be presented.

2.3 Each local authority was required to submit to the DCLG a forecast of the efficiency savings that it expects to achieve in the 2008/09 financial year. As reported in the Financial Forecast, the efficiency savings that the Council expects to achieve total £350,000.

3. **Report**

3.1 Runnymede's Council Tax bills will need to show efficiency information for both Runnymede Borough Council and Surrey County Council. The County will be required to report efficiency data for the fire and rescue service separately from other County services, so that the Government achieves benchmark comparisons with other areas of the country that have a separate fire and rescue authority. The Government state in their response to the consultation that they intend to bring forward proposals to include efficiency information on police authorities in time for the 2010/11 billing round.

3.2 The forecast efficiencies will be expressed as a percentage of a baseline figure that the Government has derived from each authority's 2007/08 revenue expenditure and an average of the previous three years capital expenditure. This is different from the Government's original proposals, which were based on revenue expenditure net of grant and capital expenditure net of receipts. The baseline figure for Runnymede is £24,449,000, calculated as follows:

Calculation of Runnymede's baseline	
£000	
Net Revenue Expenditure 2007/08	12,662
Minus Building Safer Communities Grant	-65
Revenue	12,597
Plus Average of Total Capital Expenditure for last three financial years	
2005/06	8,094
2006/07	12,029
2007/08	15,433
Capital	11,852
Grand Total	24,449

- 3.3 The baseline is much larger than the expenditure that the Council will actually incur in 2008/09. This is because capital expenditure over the last three years has included expenditure on the new civic offices, Addlestone and Egham leisure centres, the Wapshott Road housing scheme and the housing special repair works. The Government expects local authorities to achieve efficiency savings of 3% but calculating this benchmark on the basis of the baseline figure of £24.449 million produces a target of £733,000 which is higher than the Council can realistically be expected to achieve.
- 3.4 A fairer comparison for Runnymede would be to take the projected capital expenditure in 2008/09 excluding housing (£3,518,000) and add this to the revenue expenditure to produce a baseline of £16.115 million. This would result in a target of £483,000.
- 3.5 Based on Runnymede's baseline figure, the following information will appear on each Council Tax bill, with additional lines for Surrey County Council excluding fire and rescue and Surrey County Council fire and rescue service.

Forecast efficiency savings	by March 2009	as a % of 2008/09 spend
Runnymede B.C.	£350,000	1.4%

- 3.6 The Regulations require this information to be provided on the demand notice but do not specify that it has to be on the front of the bill. If the efficiency information is provided on the front of the bill, the software changes required to achieve this will not be available before the beginning of February. It has therefore been decided to print the information on the back of the bill, where the information is still part of the demand notice, in order to facilitate the production of the bills with the printing contractor.
- 3.7 Appendix 'B' reproduces a draft of the additional efficiency information that will be included in the leaflet accompanying the Council Tax bills. This is based on the suggested format published in the Government's consultation response. The saving per Band D dwelling quoted for Runnymede (£11) is calculated by dividing the forecast saving of £350,000 by the 2008/09 Council Tax base of 33,107. The national average figure of £22 shown alongside is calculated by multiplying the baseline figure of £24.449 million by 3% (to produce £733,000) and dividing by the Council Tax base.

4. Resource Implications

- 4.1 As reported to the last meeting of this Committee, the Government intend to pay a grant to all billing authorities to pay for the additional costs that these changes will incur. The amount that the Government has set aside nationally will be £2.35m capital funding in each of financial years 2008- 09 and 2009-10, plus £1.84m revenue funding in each of financial years 2008-09, 2009-10 and 2010-11. At the time of writing this report, it was not known what Runnymede's share will be.

5. Legal Implications

- 5.1 The information that the Council has to publish on its Council Tax bills and in the accompanying leaflet is a statutory requirement.

(FOR INFORMATION)

Background Papers

None

9. TREASURY MANAGEMENT STRATEGY AND ANNUAL INVESTMENT STRATEGY FOR 2009/10 (DF)
(Ref: Minutes of Corporate Management Committee, 30 October 2008, page 352, paragraph 272)

1. Purpose of Report

- 1.1 **The purpose of this report is to consider the Council's:**

- **Treasury management strategy for 2009/10, and**
- **Annual Investment Strategy for 2009/10.**

2. Background Information

2.1 Treasury management is defined as:

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

- 2.2 The Treasury Policy Statement requires the Director of Finance to report to this Committee on the proposed strategy for treasury management prior to the start of each financial year. The Government requires authorities to draw up an "Annual Investment Strategy" for each financial year and has published guidance on investments based on the policy objective that local authorities should invest prudently.
- 2.3 The Council has no long-term debt. Treasury management is concerned mainly with the management of the Council's investments and day-to-day cash management. The Council's investment portfolio comprises funds available for longer-term investment, and short-term investments sufficient to meet cash flow requirements without recourse to borrowing. Investment income is a major provider of the revenue resources that are needed to maintain services and keep the Council Tax at a low level.
- 2.4 Sterling Consultancy Services were re-appointed as treasury management advisors for a three-year period from October 2007. Sterling provide advice on all aspects of treasury management, including their own interest rate forecasts.
- 2.5 In 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 The Council's treasury management strategy and the Annual Investment Strategy for 2008/09 were updated by this Committee at its meeting on 31 January 2008. The Council subsequently approved the treasury management strategy at its meeting on 4 March 2008.
- 2.9 A report was taken to this Committee on 30 October 2008 to explain the actions taken in response to the difficulties in the banking sector and wholesale money markets.
- 2.10 Information on investment activity is reported in the Members Bulletin each month.
- 2.11 A separate report on this Agenda considers the setting of Prudential Indicators for 2009/10. A number of the Indicators relate to treasury management.
- 2.12 A full report on treasury activity and performance in 2008/09 will be made in May 2009.
- ## 3. The banking sector and wholesale money markets

- 3.1 The difficulties experienced in the banking sector and wholesale money markets have been widely reported. The media contains many opinions from economists 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 many 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. Runnymede Borough Council is treated as a “professional investor” and does not enjoy the protections offered to private investors. However, being a professional investor does not bestow any powers of foresight or special insight into the credit worthiness of banks and other financial institutions.
- 3.4 The traditionally highly secure building society sector has come under pressure and a number of societies have had to merge with stronger partners. 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 significant pressure. The failure of the Icelandic Banks has been the subject of significant comment and a number of local authorities had investments with these banks at the time of their collapse. Runnymede Borough Council had no investments with Icelandic Banks at the time of their collapse. However, the Icelandic Banks had enjoyed good credit ratings and a number of short-term investments had been made with Icelandic Banks in the past.
- 3.6 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.”*
- 3.8 It is the security of investments that 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.
- 3.9 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 sheer 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 still remain an important tool in managing counterparty risk in a reasonable way.

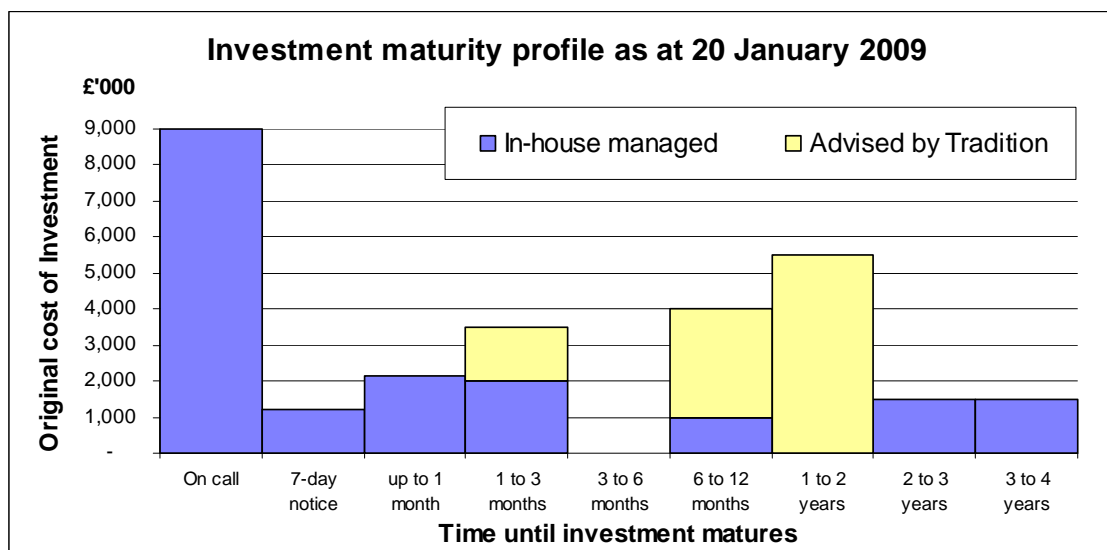
4. Actions Taken

- 4.1 The principal actions taken by the Director of Finance over the past months in response to market developments are:
- To remove all non-UK and some UK institutions from the Council’s lending list, despite their acceptable credit ratings, as a defensive measure in response to perceived risk.

- The Annual Investment Strategy provides authority to use money market funds. These are very low risk investment vehicles. Accounts have been opened with the Aviva Sterling Liquidity Fund and the Standard Life Investments GBP Liquidity Fund. Paragraphs 4.3 to 4.9 explain this decision in more detail.
 - Since late September, new and maturing funds have been placed in very short-term investment instruments with the Debt Management Office (an Executive Agency of Her Majesty's Treasury), money market funds, or 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 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. Both of the funds which the Council uses are AAA rated.
- 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. 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 Aviva publishes a statement on the holdings in their Sterling Liquidity Fund on a regular basis. A copy of their latest statement is attached at Appendix 'C'. The interest rate on deposits is struck on a daily basis. A schedule showing the interest rate on the Council's deposits in the Aviva fund during December 2008 is attached at Appendix 'D'.
- 4.7 Standard Life publishes a regular circular on their fund. A copy of their circular for December 2008 is attached at Appendix 'E'. The interest rate on deposits is struck on a daily basis. A schedule showing the interest rate on the Council's deposits in the Standard Life fund during December 2008 is attached at Appendix 'F'.
- 4.8 The difference between the interest rates reflects the relative differences in the credit quality and liquidity of holdings in each fund. Therefore, the lower rates earned on the Aviva fund reflects the higher liquidity and higher credit rating of holdings in their fund. Having deposits in funds with (modestly) different portfolios adds to the security of the Council's overall investment portfolio, whilst allowing a fair rate of interest to be achieved on the Council's short-term holdings.
- 5 Current Investment Portfolio
- 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 – especially of credit risk (default) and/or interest rate risk – these have always been made with extra caution.

5.2 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.

5.3 The following chart illustrates the maturity profile of the Council's investment portfolio at 20 January 2009, and also identifies the investments made on the advice of Tradition.



5.4 A list of the investments held at 20 January 2009 is shown at Appendix "G".

5.5 The large amount of money held "on call" and up to one-month maturity was required to pay large commitments over the next three weeks. These include the payment of the net amount of business rates (£1.8 million) and "HRA Subsidy" (£600,000) to the Government on 22 January, and the precept to Surrey County Council and Surrey Police on 3 February (£4.1m). The holdings shown as "on call" include the deposits held in money market funds and a deposit account at Alliance and Leicester.

5.6 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.

5.7 One counterparty with whom an investment of £1 million was placed in September 2008 has recently had its "individual" rating downgraded by Fitch from a B to a C. While it still has a short term rating of F1+ and a long term rating of AA-, this places the bank below the investment criteria approved by the Council. It is not proposed to request premature repayment of this investment, but there will be no further investments with this counterparty until their rating is upgraded.

6. Investment Income Projection For 2008/09

6.1 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.

- 6.2 Interest rates in the wholesale money markets during the first part of 2008/09 were higher than anticipated. However, it now transpires that this was 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 into difficulty. Regrettably, it now appears that these relatively high interest rates include a significant premium for risk of default. Therefore, Officers have been very mindful of the need to preserve capital and have not sought to “chase” the best interest rate offered.
- 6.3 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.
- 6.4 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%. Overall, the average rate earned is likely to be 5.2% in 2008/09, and this estimate takes into account the relatively low level of short-term interest rates offered by good quality institutions for the remainder of the year.
- 6.5 The report to this Committee on 30 October 2008 explained the impact of interest rates, the Council's cash flows (including capital receipt flows), and the level of Runnymede's reserves and balances on investment income in 2008/09 in some detail. The information contained in that report has not changed significantly.
- 6.6 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 advised 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

7. Investment Income Estimate for 2009/10
- 7.1 The investment income assumed in the Financial Forecast is based on an average interest rate of 5.0% for 2009/10 and the following years. Based on the projections used at that time, this was estimated to produce investment income of £1,200,000 for 2009/10.
- 7.2 An updated estimate of investment income can now be made. A summary of the estimate for 2009/10 is set out in Table 2:

Table 2: Investment income - 2009/10 estimate	
Source	£
Tradition advised investments	450,000
Internally managed money market investments	435,000
Gross external earnings	885,000
Interest payable on HRA balances	(80,000)
Interest payable on deposits and to other funds	(5,000)
Investment income estimate for 2009/10	800,000

- 7.3 The Financial Forecast assumed investment income of £1,200,000 for 2009/10. Therefore, investment income is now expected to be £400,000 lower than Forecast. A significant reason for the reduction is that the Forecast assumed that the sale of the old civic offices site would be completed in 2009. The latest cash forecast now assumes that the sale will take place in October 2010.
- 7.4 This estimate is based on the level of revenue and capital reserves for 2009/10 that is consistent with the latest capital and revenue budgets. As always, the calculation of investment income is particularly dependent on the phasing of forecast capital expenditure and timing of major capital receipts.
- 7.5 The Council enjoys a degree of protection against the current low level of short-term interest rates because of the fixed interest rates for the medium-term investment portfolio. However, there is no such protection for short-term cash, and the investment income projection uses an interest rate of 1.5% (the current Bank Base Rate) for short-term cash investments.
- 7.6 The overall average interest rate on the Council's investment portfolio for 2009/10 is now estimated to be 4%.

8. Cash Reserves and Balances in 2009/10

- 8.1 In addition to the funds available from capital and revenue reserves, the Council also has strong positive in-year cash flows. These primarily result from collecting local taxes in a 10-month cycle from April to January – whilst expenditure is from April to March – and from the tendency for the Council's spending to be weighted towards the later parts of the financial year. Together, the reserves and positive cash flows provide the cash funds to invest and generate investment income.
- 8.2 Total cash balances in 2009/10 are estimated to range from a high of £30m (in July 2008), reducing to £12m near the end of the financial year. Of these balances, £10m will be managed by Tradition, with the remainder managed in-house.
- 8.3 The cash forecast indicates that there will be no need to borrow at any time in 2009/10, subject to capital and revenue cash flows being realised as programmed. The report in this Agenda on Prudential Indicators for 2009/10 recommends setting an authorised borrowing limit of £3m to cater for any short-term borrowing requirement.
- 8.4 The cash flow forecast assumes that the sale of the Pinefields site will be completed in March 2009, and that the receipt for the Stoneylands site will be received in 2009/10. There are no other significant capital receipts expected in 2009/10. The receipt for the sale of the old civic office site is not anticipated until October 2010.

Medium Term Investments – Tradition (UK) Ltd

- 8.5 Tradition advise on the investment of a portfolio of £10 million of fixed interest deposits for terms of up to five years. These investments are bound by the same investment parameters as for internally managed investments. Tradition are

required to confirm the acceptability of the counterparty name with the Director of Finance before they make an investment.

- 8.6 The portfolio of investments made on the advice of Tradition is set out in the table at Appendix 'G'.
- 8.7 The investment performance of Tradition during the first 9 months of 2008/09 is set out in Table 3 below:

Table 3: Comparison of returns from April to December 2008 for investments managed by Tradition (UK) Ltd	
From 1 April 2008 to 31 December 2008	Annualised Return (%)
Average return on portfolio	6.25
Average 7-day notice return	4.60

- 8.8 The portfolio clearly benefited from longer-term investments made at favourable rates of interest during 2007 and 2008. The high return also reflects the risk premium that has applied to medium term investments over this period.

Internally Managed Investments

- 8.9 In house money market investments are managed to achieve optimum returns within the constraints of the Council's short-term cash flow requirements. In particular, care is taken to ensure that adequate monies are available to pay precepts, major capital scheme payments, and transfer business rates, HRA surpluses, and housing capital receipts to the respective Government pools. Recourse to short-term borrowing will only be used as a last resort.

9. Interest Rate Forecasts

- 9.1 The Council's medium-term Financial Forecast (approved by Council in December 2008) was based on achieving an overall average return of 5.0%.
- 9.2 The movement in Base Rate during 2008 and 2009 has been remarkable. Table 4 sets out the changes:

Table 4: Bank Base Rate movements during 2008	
Date of change	%
6 December 2007	5.50
7 February 2008	5.25
10 April 2008	5.00
8 October 2008	4.50
6 November 2008	3.00
4 December 2008	2.00
8 January 2009	1.50

- 9.3 Movements in Base Rate play a significant element in the direction of short-term interest rates. The large premium of wholesale money market rates over the Base Rate that was a feature of much of 2008 – reported in detail to this Committee in October - seems to be abating. Hopefully, this is because the significant premium for the potential of risk of default is no longer required. However, the narrowing of the gap between wholesale money market rates and Base Rate may be because banks are able to access relatively cheap funds from central banks and no longer rely on the market.

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

Table 5: Forecast interest rates provided by Sterling Consultancy Services (20 January 2009)					
	Base rate	1-Month	3-Month	12-Month	5-year gilt
	%	%	%	%	%
Current	1.50	1.64	2.23	2.54	2.49
Quarter 1 2009	1.00	1.20	1.70	1.90	2.50
Quarter 2 2009	1.00	1.20	1.60	1.80	3.00
Quarter 3 2009	1.00	1.10	1.50	1.70	3.20
Quarter 4 2009	1.00	1.10	1.50	1.70	3.30
First half 2010	1.50	1.75	2.00	2.50	3.50
Second half 2010	2.00	2.35	2.75	3.10	4.00
First half 2011	3.50	3.80	4.25	4.75	4.60
Second half 2011	5.00	5.10	5.25	5.40	5.50

- 9.5 Sterling's forecast predicts both short and long-term interest rates falling through most of 2009/10, although recovering during 2010/11. It should be remembered that forecasts are just guesses of what future rates might be. There of course is no certainty that interest rates will change in line with these projections. Of course, no mainstream forecast could sensibly have predicted the kind of turmoil in the wholesale money markets experienced during 2008.

- 9.6 In the light of these recent declines in interest rates, the assumption used in the preparation of the 2009/10 budget is that the Council will achieve an overall investment return of 4% in 2009/10, 3.5% in 2010/11, and 5% thereafter.

10. Internal Funds

- 10.1 The Council holds a number of small balances and deposits on behalf of third parties (e.g. charitable bodies for which the Council is trustee). Allowance is made for the interest payable on these amounts in the estimate for 2009/10 (see Table 2).

11. Prudential Code Limits

- 11.1 The Prudential Code sets out a number of Prudential Indicators that relate to the treasury management function. These indicators are included in the report on the Prudential Code in this Agenda. They are consistent with the treasury strategy proposed in this report.

- 11.2 The Prudential Indicators that relate to the treasury management functions are:

- The Code of Practice on Treasury Management (the Council has adopted this Code).
- Interest rate exposures (to specify the limits of borrowing or investments that are exposed to fixed and variable rates).
- Maturity structure of borrowing (this will be short term and only used to meet temporary cash flow requirements).
- Sums invested for periods over 364 days.

- 11.3 The Prudential Limits set for 2009/10 are consistent with this report.

12. Annual Investment Strategy 2009/10

- 12.1 Local authorities must draw up an “Annual Investment Strategy” for the following financial year. The strategy is to be approved by full Council. This strategy may be revised at any time, but full Council must approve the revisions.
- 12.2 The Government has issued statutory guidance to local authorities that emphasises the policy objective that local authorities should invest prudently. This means that priority is to be given to security and liquidity rather than yield. Authorities should seek the best interest rate consistent with the proper levels of security and yield. This approach is inherent in the Council’s treasury management strategy.
- 12.3 It is, of course, essential to identify the risks in making investments. There is much to commend the approach of the Government guidance. However, the events in 2008 have illustrated that it is simply not sufficient to “follow procedures” or place too much reliance on one set of data (i.e. credit ratings).
- 12.4 Therefore, the approach taken in the construction of the Annual Investment Strategy is to continue to permit use of a wide range of investment types and flexibility in counterparty limits. However, the use of this flexibility will be tempered by caution by Finance staff.
- 12.5 Current policy for new investments is that:
- Investments will be made with UK banks that have explicit or implicit backing from the UK government
 - Investments with building societies will be for smaller amounts than usual (no more than £1m outstanding at any one time)
 - Investment terms will be for a maximum of three months
 - Money market funds will be used for short-term liquidity purposes as much as possible
 - No fixed term investments will be made with foreign banks (including Irish banks); although deposits in call accounts with UK subsidiaries of foreign banks may be made
- 12.6 Hopefully, liquidity and confidence will return to money markets and investor confidence in general. When this happens, it is proposed that the Council’s 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 Council’s treasury management strategy
- 12.7 The Government guidance requires local authorities to approve the following items in their Annual Investment Strategy:
1. The credit ratings the authority sets for “Specified Investments” and how it intends to monitor these.
 2. The policy the authority adopts for “Non-specified Investments”, and
 3. The policy of the authority towards long-term investments.
- 12.8 The concept of specified investments is to identify investments offering high security and high liquidity. Investments made with other local authorities or the Government automatically count as specified investments. In addition, investments with counter parties that have “high” credit ratings will count as specified investments. All specified investments must be made in sterling and with a maturity of no more than one year.
- 12.9 It is for each authority to determine the credit ratings that are appropriate. The Council uses credit ratings provided by Fitch Ratings Ltd that are supplied via the Council’s treasury management consultants. The Annual Investment Strategy includes a table that compares ratings used by other credit rating agencies to enable the appropriate comparisons to be made. However, credit ratings are only a guide to the credit-

worthiness of counterparties and other factors must be considered when making investment decisions.

- 12.10 All other investments are classified as non-specified investments. For Runnymede's purposes, investments that would fall under this category are those made with certain building societies and Sovereign banks. Investments with building societies that have not obtained credit ratings are classified as non-specified. However, the UK building society sector is regulated and supervised by the Building Societies Commission and it is considered prudent to invest with these organisations using the limits set out in the Strategy. Sovereign banks are considered safe because of their high status.
- 12.11 Long term investments are those where the investment instrument has a maturity date that is over 364 days from the time that the investment is made. The Council is required to set out its procedures for determining the maximum periods for which investments can be made. This requirement is intended to make the Council fully aware of the risks of investing funds over longer periods, particularly of the liquidity (how quickly they can be recalled and at what cost) of such investments. The guidance also requires the authority to decide on the proportion (or amount) of investments that are held short-term. The Annual Investment Strategy equally applies to investments made by external managers and, therefore, Tradition use the investment parameters set out in the Strategy.
- 12.12 The proposed Annual Investment Strategy is set out in Appendix 'H'.
13. Treasury Management Practices and Schedules
- 13.1 The Treasury Management Practices and Schedules will be updated to reflect decisions made by the Committee. Copies of these documents can be obtained from the Director of Finance (note that parts of the Schedules are confidential as they contain information about the Council's internal procedures and credit ratings of named organisations).
- 13.2 The CIPFA Treasury Management Panel issued a discussion paper in October 2008 on treasury risk management. The Panel intends to issue a guidance document in due course with an emphasis on active risk management in treasury activities. As appropriate, Officers will apply this guidance to the Council's strategy and policies and request the approval of this Committee to any necessary changes.
14. Legal Implications
- 14.1 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.
- 14.2 Section 15 of the Local Government Act 2003 provides the power for the Government to issue guidance about investments to which authorities are to have regard. This report takes account of the guidance issued by the Government.
- 14.3 The Government has issued Regulations to require investment in share and loan capital to be treated as capital expenditure. The Government state that this acts as a disincentive to local authorities to make such investments, as they would consume the authority's capital resources. However, the Government has excluded investments in money market funds and multilateral development banks from this definition, as it has no wish to deter authorities from considering these investments.
15. Summary and Conclusion
- 15.1 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 financial strategy. There would also be a considerable risk of the loss of the Council's enviable reputation for prudent and solid financial management.

- 15.2 Therefore, the management of counterparty risk is the treasury management priority. 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.
- 15.3 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.
- 15.4 The estimate for 2009/10 is based on achieving an overall return on investments of 4.0%. If prevailing interest rates or the cash flow forecast significantly change it will be necessary to revise the investment income budget and come back to this Committee with proposals for further action.

OFFICERS' RECOMMENDATION that -

- i) the Treasury Management Strategy for 2009/10 as set out in this report be approved;**
- ii) the proposed 'Annual Investment Strategy for 2009/10', at Appendix 'H', be submitted to the full Council meeting on 10 March 2009, and**
- iii) the Council's Treasury Policy Schedules be amended as appropriate to reflect the strategy for 2009/10.**

(TO RECOMMEND)

Background Papers

Local Government Act 2003.
 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and related letter & informal commentary issued by the ODPM on 10 December 2003.
 Letter & guidance on Local Government Investments from the ODPM dated 12 March 2004.
 Letter on Local Government Capital Finance System: Amendments to primary and secondary legislation from the ODPM dated 8 March 2004.
 Statutory Instrument SI 534 The Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004.
 Statutory Instrument SI 2044 The Local Authorities (Capital Finance) (Further Consequential and Saving Provisions) Order 2004.
 Statutory Instrument SI 1158 The Local Authorities (Functions and Responsibilities) (Amendment) (England) Regulations 2004.
 "An analysis of the credit worthiness common to all UK Building Societies", published by Sterling International Brokers, March 2003.
 Sterling Consultancy Services; prospects for interest rates 2009, 9 January 2009 (DF's file 183) – exempt (DF).
 Discussion Paper on Treasury Risk Management: published by the CIPFA Treasury Management Panel in October 2008 (DF)

10 PRUDENTIAL INDICATORS FOR 2009/10 (DF)

- 1. Purpose of Report
- 1.1 **The purpose of this report is to recommend the Council's Prudential Indicators and the affordable borrowing limit for 2009/10.**
- 2. Background Information

- 2.1 The system for controlling local government capital finance – the prudential capital finance system - came into operation on 1 April 2004. This was a major change in local authority finance and enabled authorities to take greater control of their investment in their fixed assets.
- 2.2 This Committee considered a report on the prudential indicators and affordable borrowing limit for 2008/09 and recommended the setting of these to Council in January 2008. Full Council subsequently approved these at its meeting on 4 March 2008.
- 2.3 The prudential system is based on self-regulation by local authorities. At the heart of this is compliance with a “Prudential Code for Capital Finance in Local Authorities” published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable; that treasury management decisions are taken in accordance with good professional practice; and that local strategic planning, asset management planning and proper option appraisal are supported.
- 2.4 Provided that the Government does not use its powers to control future capital investment, local authorities are able to choose between revenue or capital intensive options for service delivery, undertake ‘spend to save’ capital schemes and undertake additional self-funded capital investment where they can afford to do so.
3. Prudential capital finance system
- 3.1 Under the Prudential capital finance system local authorities are free to borrow and take out finance leases without Government consent – provided they can afford these commitments without extra Government support.
- 3.2 In these contexts, the term affordability has a natural and unrestricted interpretation. Affordability simply means that the Council will be able to meet the costs from anticipated revenues over the lifetime of the commitments undertaken. Decisions have also to be prudent.
- 3.3 The test on affordability means that the impact of capital spending on the Council tax (the “bottom line”) must be assessed. The impact includes the cost of borrowing (or reduced investment income) and the operating costs of the new scheme.
- 3.4 The Council has a methodology in place – the Financial Forecast - that carries out this test of affordability. The Financial Forecast looks at the impact of all the Council’s policy decisions (capital and revenue) over a 5-year timescale. The issue of affordability is central to this exercise. Quite simply, if the capital programme places too great a call on local taxpayers, it is not affordable and needs to be changed.
4. Prudential Code
- 4.1 The Prudential Code acts as a professional code of practice to support local authorities in taking their decisions about capital investment. The key objectives of the Code are to ensure, within a clear framework, that:
- Capital investment plans are affordable, prudent and sustainable
 - All external borrowings and other long term liabilities are within prudent and sustainable levels
 - Treasury management decisions are taken in accordance with good practice and in a manner that supports prudence, affordability and sustainability.
 - The local authority is accountable for decisions made
 - It supports local strategic planning, local asset management planning and proper option appraisal.

- 4.2 To demonstrate that these objectives are being fulfilled the Prudential Code sets out a series of indicators that must be used and the factors that must be taken into account.
- 4.3 Many of the indicators are of greater relevance to authorities that have net borrowings (Runnymede has only investments) and are difficult to set in the context of district councils that do not have any debt.
- 5 Prudential Indicators
- 5.1 Prudential Indicators are designed to support and record local decision making. They are not performance indicators and are not comparable between authorities.
- 5.2 In setting Prudential Indicators the local authority is required to have regard to the following matters:
- Affordability (i.e. on council tax and rents)
 - Prudence and sustainability
 - Value for money (option appraisal)
 - Stewardship of assets (asset management planning)
 - Service objectives (strategic planning)
 - Practicality (achievability of the plan)
- 5.3 The Prudential Indicators take information from the published Statement of Accounts and use definitions that are consistent with the accounts
- 5.4 There are 15 different Prudential Indicators, of which 7 also apply to the Housing Revenue Account (HRA). The indicators are set out in Appendix 'I' and they are a mix of estimated and actual figures, ratios, and limits. The Prudential Code sets definitions for the terms used and the method of calculating the indicators. The Appendix explains how they are calculated and interprets the meaning of the calculation and any trends.
- 5.5 Data for 2007/08 is derived from the Statement of Accounts. The data used to compile the indicators for 2008/09 and 2009/10 is derived from the revenue and capital budgets set before the Committee. Data used for indicators from 2010/11 onwards is derived from the Council's approved Financial Forecast updated as appropriate to take into account known variations.
- 5.6 A number of Prudential Indicators relate to the treasury management function. These indicators are consistent with the report on treasury strategy presented to this Committee. The Officers' Recommendation includes the setting of the authorised limit for external borrowing in 2009/10. This limit must be approved by full Council. The recommended limit of £3m is required to allow for any short-term cash shortages that necessitate external borrowing. A full explanation of this requirement is set out in the Appendix.
6. Resource Implications
- 6.1 The prudential system does not alter the amount or method of Government support for capital investment. For 2009/10 the method of Government support for capital investment is very similar to previous years. Some authorities receive an allowance for "supported borrowing" in their Formula Grant entitlement. Authorities are free to use this element of overall general Government support as they see fit. The Government may also award specific capital grants to support capital expenditure.
- 6.2 For Runnymede, there is no additional resource in its Formula Grant.

6.3 In future years it is hoped that the Government will move away from this complicated methodology and provide cash capital support to local authorities. However, there has been no indication that any change is planned.

7. Legal Implications

7.1 Part 1 of the Local Government Act 2003 (LGA 2003) established the legislative framework for the prudential capital finance system for local authorities.

7.2 The LGA 2003 requires each Council to set an affordable borrowing limit. The full Council must carry out this duty; it cannot be delegated. Having set this limit the Council may not exceed it, except for specified temporary purposes. However, the Council can make a new limit at any time.

7.3 Regulation 2 of The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 requires local authorities to have regard to The Prudential Code when carrying out their duties under Part 1 of the LGA 2003. The Code requires that all prudential indicators are set, and revised, only by the full Council. This is because the need for Members to approve prudential indicators for capital finance is regarded as an important part of the governance responsibilities of a local authority.

7.4 The LGA 2003 provides the Government with reserve powers to set borrowing limits for local authorities that override their locally determined limits. This could be in the form of a national limit – this can only be imposed for national economic reasons – or a specific limit to prevent an individual authority borrowing more than it could afford.

8. Council Policy

8.1 The Council has a medium term financial strategy based on significant savings being achieved together with stepped increases in Council Tax. This strategy includes the control of capital spending and treasury management decisions. The indicators proposed in this report are consistent with this strategy.

OFFICERS' RECOMMENDATION that –

- i) the authorised limit for external borrowing by the Council in 2009/10 be set at £3,000,000 (this being the statutory limit determined under Section 3 (1) of the Local Government Act 2003); and**
- ii) the prudential indicators set out in Appendix 'I' be adopted and incorporated into the Budget Report for 2009/10.**

(TO RECOMMEND)

Background Papers

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

11. LOCAL PUBLIC SECTOR AGREEMENT (LPSA) VOLUNTEERING REWARD MONEY (DHCS)

1. Purpose of Report

1.1 **This report seeks approval for the use of 80% of the Local Public Service Agreement (LPSA) volunteering reward money by Runnymede Association of Voluntary Services (RAVS).**

2. Background Information

- 2.1 Surrey authorities are predicted to be awarded £2,095,408 of Performance Reward Grant (PRG) for achieving LPSA target 12 for encouraging volunteering. The share of this total for Runnymede Borough Council is £83,816. The PRG will be paid to Surrey County Council, the lead authority for the Surrey LPSA, in 2 instalments expected to be in March 2009, and later in the 2009/10 financial year.
- 2.2 RAVS staff have been instrumental in securing this grant and between April 06 and April '08, have put in a huge amount of time and effort to achieve the challenging targets set by the Government.
- 2.3 The countywide LPSA project delivered over two thousand new volunteers in Surrey. The whole of the RAVS team worked hard to increase the number of volunteers in this area. They exceeded their targets in placing volunteers in the identified LPSA categories, for example in the Health category, RAVS placed 142 of the 1,129 volunteers placed by the 15 organisations participating in the LPSA project, ranking them third in the county.
- 2.4 RAVS seconded the Volunteer Development Officer (Ronnie Spary) to the project for 12 months to promote corporate volunteering across the county. Ronnie Spary and the Chief Officer of RAVS (Rosie Hatton) worked hard to further develop the RAVS corporate volunteering programme and increased by 21 the number of private organisations (corporates) engaged with the voluntary sector in Runnymede. Rosie Hatton carried out promotional work and radio interviews for the whole of the county. The Chairman of RAVS (Arthur Birkby) sat on the LPSA steering group from its inception in November 2005, making a consistent contribution to the strategic direction of the project. He was also instrumental in setting up the "one telephone number" for the county service and continued to monitor and resolve any problems with this. RAVS were also one of the telephone answering team and played a major role in arranging for advertisements for volunteers to be placed in community transport countywide.
- 2.5 Runnymede Borough Council also played an active part in achieving the LPSA target by promoting volunteering in the Civic Offices, where a display was placed in the canteen, and during 'Make a Difference Week' staff spoke to members of the public about volunteering. Runnymede Borough Council arranged for the display of promotional posters in all its community display boards and in its day centres and worked jointly with RAVS on events in Make a Difference Week. At these events volunteers from RAVS, businesses and the Borough Council co-operated on joint projects, such as the clearing of invasive plants on St. Ann's Hill to improve the recreational area. The Council already has well established annual volunteering awards in place, to recognise the importance of volunteering. Volunteering was also promoted at the Runnymede Business forum.
- 2.6 In recognition of the work undertaken by RAVS the Corporate Management Committee at their meeting on the 4 September 2008 approved the Community Services Core Grant Programme 2009 – 2014, which included the proposal to allocate 80% of the Runnymede share of PRG for the volunteering target to RAVS. The remaining 20% was to be retained by Runnymede Borough Council. The allocation of funds to RAVS was subject to them providing a proposal for use of the funds.

3. RAVS Proposal

- 3.1 Attached at Appendix 'J' is a copy of RAVS' proposal for the reward grant.
- 3.2 RAVS will support the voluntary and community groups in the Borough by creating a project that will implement a targeted outreach scheme in areas of the borough, which have a low amount of volunteers i.e. Egham and Englefield Green. Those seeking to volunteer in Egham and Englefield Green during the last year were 12% and 11% of the total number of enquiries received from the Runnymede area, whereas the corresponding figures for Chertsey and Addlestone were 36% and 32%. Recruiting additional volunteers in the Egham and Englefield Green areas will strengthen the services already operating in those areas and will enable volunteering projects meeting an already identified need, to be piloted.

- 3.3 A part time (18 hours per week) Outreach Worker will be recruited to:
- Research the need and existing voluntary services in these areas.
 - Increase the number of volunteers recruited in the three areas by 10% (see Appendix 'J').
 - Enhance joint working between the voluntary and statutory sector to address the areas of need and strengthen the community infrastructure
 - Help to achieve the new N17 National Indicator – Local Area Agreement (LAA) target to create 'An environment for a thriving third sector'. This target will measure the increase in partnership working between statutory and voluntary sectors.
 - Assist in the achievement of the Runnymede Community Strategy to build a safer and stronger community. Evidence has shown where there is greater volunteer involvement, links are made within communities, and individuals gain insight into the difficulties others face, and a caring, stronger community is established.
 - Act as a pathway by helping volunteers into employment and enable them to gain greater prosperity.
 - Improve individual's sense of worth and well being, which can lead to improvements in their physical health and mental health, thus reducing the demand on health services.
 - Work with Runnymede CAB and Runnymede Age Concern to target hard to reach groups to increase the take up of government benefits, and receive debt and budgeting advice.
- 3.4 The outline costs are set out in Appendix '1' to Appendix 'J'. They include a significant marketing campaign by RAVS to increase volunteering across the borough. RAVS will identify premises initially in the north of the borough in Egham and Englefield Green, which could be used on a regular, weekly or fortnightly basis, for volunteer recruitment. These premises may not be office based but may be in accessible locations, with a large foot fall, such as supermarkets, shops, leisure facilities, community buildings or any other premises where people gather. If practicable these premises will be situated in a location, which is likely to be frequented by those most in need, e.g. the elderly and the unemployed. The Outreach Worker will also be at the premises to promote volunteering and place volunteers, as well as sign posting to other agencies. Once the model has been established in the north of the borough, the outreach work will be rolled out, according to identified local need, which will include Addlestone.
- 3.5 After two years, the need for the Outreach Worker will cease as RAVS will be able to incorporate the maintenance of the links and relationships established from its core work, using existing resources. RAVS will seek alternative funding and fundraise to continue the volunteer recruitment outreach posts, across the borough, responding to locally identified need and gaps in provision including other areas of the borough.
4. Resource Implications
- 4.1 The PRG for the six targets in the Surrey LPSA that Runnymede has signed up for is now expected to total £326,455. Of this sum, £83,816 is expected to be awarded because of the success in achieving the LPSA target for volunteering. There is a possibility that additional grant will be awarded if performance in some of the other LPSA targets improves.
- 4.2 Of the £326,455 PRG now expected to be awarded, £180,070 has been recognised in the Council's revenue account in the 2006/07 and 2007/08 financial years. Therefore, the balance of £146,386 will need to be recognised in the 2008/09 financial year.
- 4.3 It is now proposed to pay a grant of £67,052 to RAVS. This is 80% of the PRG of £83,816 that is expected for the volunteering target.
- 4.4 There are two other spending commitments based on using the PRG. One of these has been approved, while the other commitment is to be considered in another item on this Agenda. These are

- (i) in June 2008, this Committee agreed to set aside PRG of £39,000 as a contribution towards 'joint working' in respect of the Surrey Waste Strategy.
 - (ii) a separate report on this Agenda considers the possible usage of PRG to pay for increased grant towards the Rentstart service.
- 4.5 These three commitments can be met from within the £146,386 of PRG to be credited to the 2008/09 Financial year.
- 4.6 The grant will be paid to RAVS as soon as the PRG is received from Surrey County Council.
5. Equality Impact Assessment
- 5.1 The proposal enhances equality by targeting hard to reach groups and improving access to volunteering and debt/budgeting services for local residents.
6. Conclusions
- 6.1 Achievement of the LPSA volunteering target has been largely the result of the efforts of RAVS. Officers therefore support the principle of rewarding RAVS for this work.
- 6.2 The LPSA reward grant offers a rare opportunity to increase funding for the voluntary sector. This will in turn actively engage the local community, while achieving the objectives of the Runnymede Community Strategy and the Local Area Agreement N17 agreement. It is therefore proposed that 80% of the reward is given to RAVS to continue to strengthen the voluntary sector.

OFFICERS' RECOMMENDATION that –

- i) the Committee approves the outreach work outlined in the proposal submitted by RAVS; and**
- ii) RAVS be awarded 80% of the PRG expected to be received in respect of the LPSA target for volunteering, a sum of £67,052, to deliver the outreach work outlined in their proposal.**

(TO RESOLVE)

Background Papers

None

12. RUNNYMEDE ACCESS LIAISON GROUP (DAL)

1. Purpose of Report

The purpose of this report is to advise Members of recent discussions with Runnymede Access Liaison Group (RALG) concerning the ongoing status of the Group and to seek authority to ratify the intended new arrangements.

2. Background Information

- 2.1 The Runnymede Access Liaison Group (RALG) was set up as an advisory group to the Council in 1991 to advise it how the needs of disabled users might be best met within its public buildings and facilities. Much of its work took the form of site visits whereby the group, including individuals with various disabilities, carried out an appraisal of those

facilities. More recently, RALG has provided an invaluable resource for the Council by providing a representative 'voice' for disabled residents. The Council regularly consults with the Group and seeks its members' advice in relation to the various aspects of its work and the formulation of its strategies and policies. The Council maintains a small budget for the incidental expenses incurred by RALG's activities. There is no other funding for RALG's work and it relies heavily on the goodwill of its members and others.

- 2.2 In addition to its advisory work for the Council, RALG can be a channel of advice to residents, to community associations and tenants' groups. This usually relates to how those residents might access services and facilities for the disabled and also provides a link to other organisations, such as the Highway Authority, that might be able to assist with practical solutions to problems.
- 2.3 There is a demand for RALG to become involved in some work that is strictly outside its Council remit.

3. Report

- 3.1 Following discussions with RALG in which issues such as its purpose, consultation arrangements, funding and administrative support were explored, it has been agreed that the Group's contribution is too valuable to terminate (particularly given the increasing requirement to consult and take into account various community interests, and the assistance that liaison with the Group can give in meeting the Equality Standard for local authorities). It would, however, be more useful if the Group's legal position was recast to enable it to function as an independent body rather than one which is technically beholden to the Council for everything it does.
- 3.2 Becoming an independent body would enable the Group to enlarge its remit to include more advice to the public and liaison with other bodies, to have opportunities to seek funding from other bodies, to eventually apply for charitable status if it wished to do so, to have more clarity in its dealings with the Council by enabling it to enter into a service level agreement for a minimum period of five years and also to be able to direct its own activities to reflect the changing needs of disabled individuals.
- 3.3 Officers have supported RALG in formulating ideas to progress this proposal and believe that the Group can reconstitute itself and, in conjunction with a service level agreement, be able to make an enhanced contribution to the needs of the Council.
- 3.4 RALG has now formally considered and ratified these proposals at its meeting on 19 January 2009.

4. Equality Issues

- 4.1 Members of RALG participate in the Council's Corporate Equalities Group. Some Members attend the meetings and others comment on equalities impact assessments by e-mail. Members of the Group give an invaluable perspective on the services the Council is providing and the impact services have on people with different disabilities.
- 4.2 The Group has opened up channels of communication for consulting with other special interest groups and individuals and has offered to work together to ensure the Council's communications reach people who might not be able to access Council publications as a matter of course.
- 4.3 The Council is currently at level 2 of the Equality Standard for Local Government and has set itself the objective of reaching level 3 before April this year (Corporate Management Committee Service Plan October 2008 – March 2010). Dialogue with an aware and active local group such as RALG is of substantial assistance in meeting this objective and in demonstrating the measures in place.

5. Resource Implications

- 5.1 As in previous years, budgetary provision of £1,000 has already been made for 2009/10 to cover the anticipated annual expenses of RALG. This can be converted to grant aid without additional financial implications. By reconstituting itself as an independent body,

the Group will need to carry public liability insurance as well as incur some minor expenditure in relation to administrative support. This will require the Council to provide an additional £500 p.a. for the duration of the service level agreement. Officers would support this small additional expenditure. As with annual grant aid to other voluntary bodies, the sum would not increase with inflation.

- 5.2 In the past, RALG has enjoyed some administrative support from the Council in the nature of printing and circulation of agendas and minutes. This support would no longer need to be provided.
- 5.3 Both RALG and the Council have identified means by which requests for advice from RALG and feedback thereafter might be better handled, using technology and electronic communications wherever possible, and which will simplify the administration for all concerned. These arrangements can be accommodated within the existing establishment in conjunction with an officer who already handles requests for documents to be provided in a variety of formats to reflect residents' needs.

OFFICERS' RECOMMENDATION that -

- i) the proposal that RALG become an independent body be approved and the Director of Administration and Leisure be authorised to work with RALG in facilitating this change;**
- ii) the Council enter into a minimum of a five-year Service Level Agreement with RALG to define its role in relation to the Council and each party's responsibilities, and to provide a spur to continuous improvement in the service; and**
- iii) provision be made for annual grant aid to RALG to be increased in the sum of £1,500 for the duration of the Service Level Agreement.**

(TO RESOLVE)

Background Papers

Communications and records of discussions held on DAL file 61 62 19.

13. LAPTOP AND REMOTE WORKING SECURITY (CEO)

1. Purpose of Report

- 1.1 **To advise Members of the need to improve the security on laptop computers and computers accessing the local area network remotely and to seek approval for procuring the identified hardware, software and licences.**

2. Background Information

- 2.1 The Council is making increasing use of laptop computers as this enables staff and Councillors to work more flexibly by freeing them from the need to carry out their computing from a fixed location. This mirrors working practices in many organisations including central Government.
- 2.2 Unfortunately the very mobility of the device greatly increases the risk of the information it contains being compromised. A laptop in transit is at risk of being lost or stolen and although all the machines are password protected this security measure can be easily circumvented given time and resources.
- 2.3 A number of high profile cases of data loss by Government agencies have highlighted the danger of confidential information being misappropriated and so this is very much in the public eye. The risk of data loss having a high impact on the Council's reputation is therefore now much higher than was the case in the past.

2.4 In addition, to make use of the Government Connect Secure Exchange (GCSx) email system, the Council will have to ensure a higher level of security on its network so that machines that are to use the secure email facility are protected.

3. The Present Position

3.1 To date the security on laptop computers has consisted of password protection. When the user starts up the computer they must enter a valid account name and password to start using the device. The data itself is stored in files that generally do not have any additional protection.

3.2 This has been viewed as acceptable in the past as few machines in transit have contained information that is either confidential or private. To a great extent this is still the case as the data being used is actually stored on central servers in a secure environment within the Civic Centre.

3.3 However a security risk does exist as staff can save information locally and as things stand this is a potential security vulnerability.

3.4 Staff who work remotely, be it on a laptop or a desk top computer gain access to the Council's systems using a Virtual Private Network (VPN). This in itself provides a secure connection between the private facilities at each end of the line and the public internet used to transport the signals but best practice dictates that a further level of security should be added.

4. Options

4.1 The Information Technology (IT) Member Working Group has discussed security on the laptops and access to the network as part of a general remote access security issue. The Members of that Group propose the issue be tackled with a two pronged approach:

4.1.1 by encrypting the whole disk on laptops.

Encryption will encode all files on the laptop so that it becomes difficult, if not impossible, for files to be read without the necessary password. At best a thief can wipe the disk clean and have a useable machine but the data it contained cannot be read.

4.1.2 by applying two factor authentication for remote user log-ons.

Two-factor authentication is a security process in which the user provides two means of identification, one of which is typically a physical token and the other is memorised, such as a security code. A common example of two-factor authentication is a bank card. The card itself is the physical item and the personal identification number (PIN) is the data that goes with it.

4.1.3 Use of this technology would greatly reduce the risk of a stolen laptop being used to gain access to the Council's network or for unauthorised access to be made through the Aventail VPN from a remote location.

4.1.4 There are a number of ways of providing the physical item referred to in 4.1.2 above but the most suitable for the Council's use would be a small device that could be hung on a key ring, with house and car keys for example, that randomly generates a response number.

4.2 These two systems, encryption and two factor authentication, could be managed from a central management console minimising the administrative support required.

5. Financial Implications

5.1 The cost of encryption for 50 machines and the purchase of 100 tokens would be as shown in Table 1 below.

5.2 This would ensure that 50% of the Council's laptops were secured by disk encryption and is the route recommended by the members of the IT Member Working Group.

- 5.3 The encryption software is a one off purchase price that would last for the life of the laptop computer. The tokens have a 3 year life and would require replacement in 2012. Maintenance on all of the equipment and licences is charged at the rate of 20% per annum.
- 5.4 For total protection, that is placing encryption on all laptop computers including those used by Councillors, 100 licences would have to be purchased resulting in the costs shown in Table 2 below.
- 5.5 The capital programme includes a sum of £77,000 in 2007/08 to provide for upgrades to systems and new initiatives. This budget is able to support this provision and will be used for the purchase.

T A B L E 1

Item	Number	Cost £
Capital		
Encryption	Cost of 50 Licenses	4,000
Tokens	Cost of 100 tokens	4,000
Integration Software		400
Implementation	2 days	2,000
Total		10,400
Revenue	20% per annum	1,680

TABLE 2

Item	Number	Cost £
Capital		
Encryption	Cost of 100 Licenses	7,000
Tokens	Cost of 100 tokens	4,000
Integration Software		400
Implementation	2 days	2,000
Total		13,400
Revenue	20% per annum	2,280

6. Conclusion

- 6.1 The IT Member Working Group considered the level of financial equipment indicated in Tables 1 and 2 above and concluded that initially it was only necessary to encrypt 50 laptop computers, as long as the position was kept under review.
- 6.2 The Group therefore agreed to recommend to this Committee the approach indicated in Table 1 and were of the view that this should be implemented as soon as possible.

IT MEMBER WORKING GROUP'S RECOMMENDATION that –

- i) the software, tokens and licences specified in Table 1 above be procured for a sum not exceeding £10,400;**
- ii) this expenditure be met from the upgrade and new initiatives budget;**
- iii) the revenue implications of the purchase be noted; and**
- iv) the number of laptop computers encrypted be kept under review.**

(TO RESOLVE)

Background Papers

None stated

14. IT MEMBER WORKING GROUP - MINUTES

The action notes of the meeting of the IT Member Working Group held on 19 January 2009 are attached at Appendix 'K'.

(FOR INFORMATION)

Background Papers

None

15. SAFETY COMMITTEE – MINUTES (DAL)

Appendix 'L' sets out the latest position, as advised by the Council's Building Services section, on new Civic Offices health and safety issues, which have been the subject of discussion at Safety Committee meetings. The minutes of the meetings of the Safety Committee held on Wednesday 3 September 2008 and Wednesday 26 November 2008 are also attached for information at Appendices 'M' and 'N' respectively.

(FOR INFORMATION)

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>Para</u>
a)	<u>Exempt Information</u>	
17.	REFERENCE FROM HOUSING AND COMMUNITY SERVICES COMMITTEE	3
18.	WRITE-OFFS	3
b)	<u>Confidential Information</u>	

(No reports to be considered under this heading)