



# Corporate Management Committee

Thursday 8 April 2010 7.30pm

**Council Chamber  
Runnymede Civic Centre, Addlestone**

## Members of the Committee

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

## AGENDA

### Notes:

- 1) Any report on the Agenda involving confidential information (as defined by section 100A(3) of the Local Government Act 1972) must be discussed in private. Any report involving exempt information (as defined by section 100I of the Local Government Act 1972), whether it appears in Part 1 or Part 2 below, may be discussed in private but only if the Committee so resolves.
- 2) The relevant 'background papers' are listed after each report in Part 1. Enquiries about any of the Agenda reports and background papers should be directed in the first instance to **Mr J Gurmin, Administration and Leisure Department, Committee Section, Runnymede Civic Centre, Station Road, Addlestone (Tel: Direct Line: 01932 425624). (Email: [john.gurmin@runnymede.gov.uk](mailto:john.gurmin@runnymede.gov.uk)).**
- 3) Agendas and Minutes are available on a subscription basis. For details, please ring Mr B A Fleckney on 01932 425620. Agendas and Minutes for all the Council's Committees may also be viewed on [www.runnymede.gov.uk](http://www.runnymede.gov.uk).
- 4) In the unlikely event of an alarm sounding, members of the public should leave the building immediately, either using the staircase leading from the public gallery or following other instructions as appropriate.

**'see overleaf'**

If you need help reading this document please contact Denise Morley on 01932 425610 who will try to provide a reading service, a large print version, or another format.

## বাঙলা

আপনি যদি ইংরেজি পড়তে বা বলতে না পারেন, ও এই লেখাটি পড়তে যদি আপনার কোনও সাহায্য লাগে তাহলে অনুগ্রহ করে 01483 750548 নাম্বারে উইটস্ লিঙ্কলাইন (WITS Linkline)-এর সাথে যোগাযোগ করুন ও আপনার নিজের ভাষায় একটা মেসেজ রাখুন।

## 简体中文

如果您无法阅读或说英语，需要协助以明白此文件，请与和景翻译服务处之语言专线连络 01483 750548，并用您的母语留下讯息。

## Italiano

Qualora non siate in grado di leggere o di parlare l'inglese, e necessitate assistenza che vi permetta di capire il presente documento, siete pregati di contattare la WITS Linkline allo 01483 750548 e lasciare un messaggio nella vostra lingua.

## اردو

اگر آپ انگریزی زبان پڑھ اور بول نہیں سکتے ہیں اور آپ کو اس دستاویز کو سمجھنے میں دقت پیش آتی ہے؛ تو برائے مہربانی سے وٹس لنک لائن کو اس نمبر 01483 750548 پر رابطہ کریں اور اپنی زبان میں اپنا پیغام چھوڑیں۔

## Polski

Jeżeli nie potrafisz czytać lub mówić po angielsku i potrzebujesz pomocy w zrozumieniu tego dokumentu, proszę skontaktować się z Linją Telefoniczną WITS pod numerem 01483 750548, zostawiając wiadomość w języku ojczystym.

## Español

Si no puede leer o hablar inglés, y necesita ayuda para entender este documento, por favor contacte a WITS Linkline al 01483 750548 y deje un recado en su idioma.

## **LIST OF MATTERS FOR CONSIDERATION**

### **PART I**

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

	<b><u>Page</u></b>
1. FIRE PRECAUTIONS	4
2. NOTIFICATION OF CHANGES TO COMMITTEE MEMBERSHIP	4
3. MINUTES	4
4. APOLOGIES FOR ABSENCE	4
5. DECLARATIONS OF INTEREST	4
6. JUBILEE LIFE MINISTRIES UK - APPLICATION FOR DISCRETIONARY RATE RELIEF	4
7. FINANCIAL STATEMENTS AND USE OF RESOURCES AUDIT PLAN	5
8. RUNNYMEDE PLEASURE GROUND AND ST. ANNE'S - CHARITY ACCOUNTING	6
9. ACCOUNTING ISSUES FOR 2009/10	9
10. APPLICATION OF PART OF THE DEVELOPER'S CONTRIBUTION – AVIATOR PARK	11
11. PROGRESS REPORT ON THE IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS	12
12. DISCIPLINARY CAPABILITY AND GRIEVANCE PROCEDURES FOR STAFF - REVISION	17
13. SAFETY COMMITTEE - MINUTES	18
14. REFERENCE FROM LEISURE AND ENVIRONMENT COMMITTEE	18
15. EXCLUSION OF PRESS AND PUBLIC	19

### **PART II**

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

a) Exempt Information

16. SHORT AND LONG TERM BUDGET SAVINGS PLANS (TO FOLLOW)	21
17. JOINT COMMITTEE FOR THE OVERSIGHT OF DELIVERY OF SURREY PUBLIC SERVICES	21
18. AFFORDABLE HOUSING SCHEME IN EGHAM	24
19. WRITE-OFFS	26

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 4 March 2010 (at Appendix 'A') (to follow).

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. JUBILEE LIFE MINISTRIES UK - APPLICATION FOR DISCRETIONARY RATE RELIEF (DF)  
(Ref: Minutes of Corporate Management Committee, February 2010, page to be added, para, to be added)

1. Purpose of Report

1.1 **The purpose of this report is to consider an application for discretionary business rate relief received from Jubilee Life Ministries UK.**

2. Background Information

2.1 The Committee last reviewed the policy guidelines on the determination of discretionary business rate relief on 4 February 2010. A copy of these guidelines is reproduced at Appendix 'B'.

2.2 Jubilee Life Ministries UK is a registered charity, so it is entitled to receive mandatory relief from business rates which reduces the rate liability by 80%. The application from the charity is for discretionary relief from the remaining 20%. Guideline 1 of the Council's policy guidelines states that "Organisations eligible for mandatory rate relief (80%) will not normally be considered for any discretionary relief". Their request needs to be determined by this Committee.

2.3 The Council has the discretion to grant further relief up to 20%, which would reduce the rate liability to zero. When an organisation is already in receipt of mandatory relief, 75% of the cost of awarding discretionary relief has to be borne by the General Fund and the remaining 25% is charged to the national pool.

3. Report

3.1 The Trust is a registered charity established in 2002. The purpose of the trust is "to advance the Christian faith, to relieve and advise persons who are in conditions of need and hardship, to advance Christian education in accordance with Christian principles and to promote and fulfil other such charitable purposes as the Trustees deem fit."

3.2 The application for discretionary relief relates to the Youth Centre (known as "The Hub") in Chertsey Road, Addlestone. The Trust took over the premises on 11 December 2009 and the Trustees describe the main activities that take place there as "a centre for community activities, counselling, a youth club and non-profit coffee bar".

3.3 The rate liability of the premises for a full year in 2010/11 is £3,891.60. The Trust only moved into the premises in December, so the liability for the remainder of the 2009/10 financial year is £1,386.44. These amounts are reduced by 80% mandatory relief, leaving a balance to pay of £277.29 in 2009/10 and £778.32 in 2010/11. It is this liability on which the Trust is seeking discretionary relief.

4. Resource Implications

4.1 The following table shows the cost of awarding discretionary rate relief for the remaining 20% liability both in 2009/10 and the first full year of occupation in 2010/11:-

	2009/10	2010/11
	£	£
Gross rate liability	1,386.44	3,891.60
Mandatory relief @ 80%	-1,109.15	-3,113.28
Amount of discretionary rate relief requested	277.29	778.32
Percentage borne by the General Fund	x 75%	x 75%
Amount born by the General Fund	£207.97	£583.74

4.2 If the Committee decide to award 20% relief, thereby reducing the rate liability to zero, the total cost to the General Fund will be £208 in 2009/10 and £584 in 2010/11. This can be met from within the current budgetary provision.

5. Council Policy

5.1 Council policy in relation to the determination of relief is set out in the guidelines at Appendix 'B'.

5.2 If Members are minded to grant relief, then it should be awarded from 11 December 2009 and for the expected life of the new Rating List or until 31 March 2015, whichever is the shorter period, or until there is a material change in the use of the premises or the circumstances of the organisation, whichever is the sooner.

6. Legal Implications

6.1 Discretionary rate relief can only be backdated to the previous financial year if it is awarded by 30 September in the current financial year.

**THE COMMITTEE IS ASKED –**

**to determine whether or not discretionary rate relief should be awarded to Jubilee Life Ministries UK for the Youth Centre in Chertsey Road, Addlestone.**

**(TO RESOLVE)**

Background Papers

Application received from Jubilee Life Ministries UK.

7. FINANCIAL STATEMENTS AND USE OF RESOURCES AUDIT PLAN (DF)

1. Purpose of Report

1.1 **To provide the Committee with the opportunity to comment on the proposals set out in the Audit Plan issued by KPMG, and to report on the proposed audit fee.**

2. Background Information

2.1 The Audit Plan has been issued by the Engagement Lead, Mr Andy Sayers, a partner of the Council's appointed auditor, KPMG. Mr Sayers has replaced Mr Neil Thomas as the Council's audit partner. Officers discussed the plan with Mr Sayers in March.

2.2 External Auditors are appointed by the Audit Commission.

3. Report

3.1 The Audit Plan is reproduced at Appendix 'C' (separately circulated).

3.2 The Plan sets out how the auditors will deliver their work on:

- Financial Statements for 2009/10, and
- Use of Resources

3.3 The Plan identifies the factors that the auditor will focus on during their work. The issues regarding the Financial Statements for 2009/10 and on the preparation for the Implementation of International Financial Reporting Standards (IFRS) are considered in Agenda items which follow elsewhere on this Agenda.

3.4 The next Use of Resources exercise will include an assessment on the "effective management of the use of natural resources". Directors will consider how best to put forward evidence to support the Council's current range of activities in this area, and how the reporting of this can be embedded within the organisation.

4. Resource Implications

4.1 The Audit Plan also sets out the proposed audit fee for 2009/10. The table below summarises the proposed fee:

Proposed fees for work set out in the Audit Plan	
	£
Financial Statements and Whole of Government Accounts	70,000
Use of Resources Assessment	26,000
Certification of claims and returns	38,000
Total	134,000

4.2 In addition, the estimated fee for the Comprehensive Area Assessment audit is £9,000 and the National Fraud Initiative is £2,000.

4.3 The proposed fees are consistent with the provisions made in the Budget Book.

**THE COMMITTEE IS ASKED –**

**if it wishes any comments on the Audit and Inspection Plan to be conveyed to the Audit Commission and the appointed auditors, KPMG.**

**(TO RESOLVE)**

Background Papers

None

8. RUNNYMEDE PLEASURE GROUND AND ST ANNES - CHARITY ACCOUNTING (DF)

1. Purpose of Report

- To set out the background for the Runnymede Pleasure Ground and St Anne's charitable trusts and the need to account for the net income arising from activities of the charity lands, and**
- To set out the financial implications for the Council and request approval for the necessary supplementary estimates for the 2009/10 and 2010/11 financial years.**

2. Background Information

- 2.1 In August 1928 Mr Thomas Mason purchased sixteen acres of land at Runnymede and gave it to Egham Urban District Council on trust "for the perpetual use thereof by the public for the purposes of exercise and recreation as an Open Space and in particular to provide a free parking ground for the benefit of motorists and for char-a-bancs and motor cycles and subject thereto for the land to be used for the playing of impromptu games and for picnics...." The land is now known as Runnymede Pleasure Ground.
- 2.2 Subsequently Mr Mason funded the construction of a caretaker's cottage, a refreshment chalet, a tea garden, a roadway, and a parking area, and Egham UDC provided a bathing shelter.
- 2.3 In view of the expense of maintaining the open space, the Egham UDC Act 1948 permitted the Council to charge for parking to defray the costs of maintenance. This Act was repealed by the Surrey Act 1985 which created a more general power to operate a public car park on the land. However, neither statute freed the land from the basic charitable trust, and accordingly all income from the parking, rents, concessions, etc must be used for the purposes of the trust.
- 2.4 In March 1938 Mr Mason purchased the former residential property St Anne's, Windsor Road (then in use as a café), together with its garden stretching from Windsor Road to the River Thames. This property immediately adjoins the Pleasure Ground. Mr Mason immediately gave it to Egham UDC on trust "as an endowment for the benefit of the adjoining land known as Runnymede Pleasure Ground" on certain conditions preventing it being used in a way damaging to the Pleasure Ground and restricting the length of any leases. With the exception of car parking, which was again to be free, the purpose of this gift may in part have been to provide a source of income for the maintenance of the Pleasure Ground. It constitutes a separate charitable trust.
- 2.5 St Anne's was subsequently converted into two dwelling houses which have been let in the same way as the Council's normal housing stock. Day to day management has been undertaken by the Housing and Community Services Department. Again, all rental income (less the Council's reasonable management expenses) must be held for the benefit of the trust.
- 2.6 It is important to note that no trustee, including the Council, holds trust land for its own benefit. The land is held for the beneficiaries, which in the case of a charitable trust may be the public at large or a particular section of it. The trustee is strictly bound to follow the terms of the trust and not to profit from it personally (though expenses may be paid). Additional duties apply to charitable trustees, including the submission of returns and accounts to the Charity Commission.
3. Report
- 3.1 In most cases, the fact that the Council may hold an open space under a charitable trust presents no particular accounting issue as the cost of managing and maintaining open spaces, whether charitable or otherwise, far outweighs any income derived from the open space.
- 3.2 However, Runnymede Pleasure Ground is different in nature from other open spaces. There is considerable income generated from parking, and the concessions for refreshments. In 2002/03 Runnymede Pleasure Ground started to generate a small surplus. In 2006/07 this surplus grew to £23,300. In contrast, 2008/09 recorded a deficit of £10,000. However, it is clear that it is no longer credible to continue including the charitable trust within the Council's accounts. By the end of 2008/09 the cumulative surplus had reached £83,300, and there is the prospect of a surplus of approximately £51,600 in 2009/10 and £53,300 in 2010/11.
- 3.3 As mentioned above, surplus income must accrue for the benefit of the charity, and not to the Council.
- 3.4 Therefore, the treatment of this net income for Runnymede Pleasure Ground in the Council's accounts and budgets requires correction.
- 3.5 This is an unwelcome development. It means that the £83,300 net income recognised in the Council's accounts for 2008/09 will now need to be transferred to the Runnymede Pleasure

Ground charity account. The surplus in subsequent years will also have to be transferred to the charity, although some additional overheads can be charged against this amount to reduce its impact. The fact that the Council has borne the net cost of running Runnymede Pleasure Ground for the 50 or so years before 2002 is not relevant under charity law.

- 3.6 The financial forecast, and the 2010/11 Budget, was constructed on the basis of the Council being able to retain the net income from these two Trusts. This is no longer tenable. Therefore, the impact of the loss of net income will, inevitably, be that the Council's overall savings target will need to be increased.
- 3.7 The surpluses held by the Runnymede Pleasure Ground charity can only be used in accordance with the terms of the trust document. Broadly, this means that they can only be used for Runnymede Pleasure Ground. It may be possible to convince the Charity Commission to extend the objects of the charity, but this would be a tortuous process with no guarantee of success.
- 3.8 The surpluses can be used on works to the Pleasure Ground. This could include improvement to play areas or the buildings on site. However the construction of new substantial buildings would require careful consideration to ensure that they were lawful under the terms of the trust. It may also be possible to fund events on the site relating to the Magna Carta celebrations in 2015.
- 3.9 The following projects will be required at some point and the charity surpluses could be applied towards these:
  - Improvements to the entrance track into the park
  - Fencing improvements (play areas and frontage)
  - Replacement equipment for the play area
  - Improvements to the paddling pool
  - Replacement of furniture – bins/benches

#### 4. Legal Implications

- 4.1 It is undesirable for a charity to build up continual surpluses which are not then devoted to trust purposes and Officers will need to consult with the Charity Commission on the use of this money and on whether the objects of the charity could be enlarged. A further report will be brought as and when any further consideration is needed on this point.
- 4.2 It will also be necessary to consider a set of governance arrangements for the Runnymede Pleasure Ground and St Anne's charities that are appropriate to the type and size of the charities. Officers propose to bring forward proposals at an appropriate time.

#### 5. Planning and Technical Considerations

- 5.1 Runnymede Pleasure Ground is currently managed jointly on a day to day basis by the Parks Department and the operator of the Café who has a concession for the facility as well as providing some small children's rides. The operator is required to open and close the car park on a daily basis in the summer months, carry out litter picking duties in conjunction with the DSO and parks staff and operate the small paddling pool on site.
- 5.2 A member of the parks staff currently lives in the property on site and carries out opening/closing duties as required, general security for the site and litter picking as required.
- 5.3 The Wraysbury skiff and punt club is based at the Runnymede Pleasure Ground and there is a pick up point for people who would like to get on one of the boats that cruise up and down the river.
- 5.4 Runnymede Pleasure Ground is extensively used by visitors to the area and local residents being within easy walking distance of the Magna Carta Memorial and National Trust land. Events in the last year have included a free play day event and a band plays on at least one day in the park during the summer.

**OFFICERS' RECOMMENDATION that -**

- i) a further report on the governance arrangements for the Runnymede Pleasure Ground and St Anne's be made in due course;**
- ii) a supplementary estimate of £134,900 be approved for 2009/10 to recognise the net income on Runnymede Pleasure Ground and at St Anne's as accruing to the charity accounts for Runnymede Pleasure Ground and St Anne's; and**
- iii) a supplementary estimate of £53,300 be approved for 2010/11 to recognise the net income on Runnymede Pleasure Ground and at St Anne's as accruing to the charity accounts for Runnymede Pleasure Ground and St Anne's.**

**(TO RECOMMEND)**

Background Papers

None stated

9. ACCOUNTING ISSUES FOR 2009/10 (DF)

1. Purpose of Report

1.1 **To set out proposals for accounting for significant financial transactions in the 2009/10 Financial Statements.**

2. Background Information

2.1 It has been previous practice to set out the significant accounting issues for Members at the time that the financial results are reported to this Committee (typically in late May) and when the Statement of Accounts is presented in late June.

2.2 However, considering some of the significant accounting issues earlier in the cycle will give Members a better opportunity to reflect on the implications of the proposed accounting treatments.

2.3 The Audit Plan set out in the previous Agenda item discloses the significant known accounting issues and risks on which KPMG will focus.

3. Accounting for council tax and business rate income

3.1 The accounting practices applicable to local authority accounts are set out in the *Code of Practice for Local Authority Accounting in the United Kingdom 2009* (the 2009 Code) and associated guidance. This is a comprehensive statement of the structure of local authority statements of accounts, and the accounting concepts, accounting policies and estimation techniques to be applied in preparing them.

3.2 The most significant change in the 2009 Code is about accounting for collecting council tax and business rates. This change was prompted by stakeholder (believed to be the Audit Commission) questioning about the relationship that billing authorities have with major preceptors. The view adopted in the 2009 Code is that billing authorities like Runnymede Borough Council act as the agent of the major preceptors (Surrey County Council and Surrey Police Authority). This is a peculiar assessment because it contradicts the statutory duties placed on billing authorities by the Local Government Act 1992. However, in order to comply with the Code, it means that the previous treatment of including gross council tax arrears and credits in the Council's Balance Sheet, and income in the Cash Flow Statement, must end. Now the Council must account only for its share of council tax, including just its share of arrears and credits in the Balance Sheet.

3.3 In a similar vein, the 2009 Code also concluded that billing authorities act as the agent of the Government when collecting business rates. This means that arrears and credits of

business rates no longer appear in the Council's Balance Sheet and are replaced by a simple cash account balance with the Government.

4. Asset Valuations

4.1 Officers are planning to adopt their normal practice in valuing assets. This involves valuing 20% of assets in line with the 5-year rolling valuation cycle permitted in the 2009 Code.

4.2 The valuation of the old civic offices site has now become a sensitive issue and KPMG regard it as a significant audit risk. The valuation of this asset in the 2008/09 accounts was £10.080m and this was based on a valuation date of 1 April 2008. KPMG questioned the basis of this valuation in their report on their audit of the 2008/09 financial statements and expressed concern that the value had not been reduced in the light of property market conditions.

4.3 The Valuer has agreed to prepare an updated valuation as at 1 April 2009, and assess whether this valuation holds good for 31 March 2010.

4.4 KPMG have stated that they wish to see evidence for the new valuation. Recent offers for the site and market intelligence relating to transactions in the south-east should suffice.

5. Runnymede Civic Centre: Lease to the Surrey Police Authority

5.1 The 2008/09 accounts included appropriate accounting entries that recognised the occupation by the Surrey Police Authority (SPA) of part of the Civic Centre and, in particular, the fact that they had not paid for their lease of the building.

5.2 The intention of the agreement with Surrey Police was broadly that the proceeds of the sale of the old police station site would be sufficient to pay for their share of the cost of building the Civic Centre. Any additional land receipt would be split between Runnymede and Surrey Police in the proportions set out in paragraph 5.3.

5.3 The current position with regard to the Civic Centre and Surrey Police is:

- Runnymede Borough Council has paid for construction of the Civic Centre.
- Surrey Police Authority has occupied their part of the Civic Centre since early May 2008.
- A lease agreement has been entered into with Surrey Police for a term of 125 years from 8 August 2008 at a peppercorn rent for the agreed areas of the building and associated parking areas.
- Consideration for the lease is based on a proportion of the build cost (or market value if lower) and a share of the sale proceeds of the site of the old police station. Surrey Police Authority had made no capital contribution as the obligation to do so does not arise until their former site is sold.
- The development agreement with Surrey Police provides that both parties obtain "best value" for the combined sale of the old police station and civic office sites, and that overage provisions may be incorporated into any sale to ensure that the Council and Police Authority benefit from any uplift in development value of their former sites.
- The development agreement provides for the distribution of surplus sale receipts in the proportion 60% Council, 40% Police should the old police station site be sold for more than the construction costs of the Police element of the new Civic Centre (or 110% of market value if lower).
- The development agreement provides that if the old police station site is sold for less than the construction cost, Runnymede Borough Council must bear the shortfall.
- The development agreement provides that the Council may call for the transfer of the old police station site to Council ownership should the site not have been sold within a year of the grant of the lease and in the meantime the Police Authority hold it as

trustee for the Council. The Council would pay the Police Authority their share (if any) when the site is sold, subject to any later overage payments. Since 8 August 2009, the Council has been in a position to exercise this right. Officers propose not to do so at this stage because the Council would then have to bear Stamp Duty Land Tax on the transfer.

- 5.4 These factors combined to present an unusual and unforeseen set of circumstances. The linking of the sale of the old sites to the payment by Surrey Police Authority for their lease of the Civic Centre left a degree of risk (i.e. amount and timing of receipt) with the Council in any case.
- 5.5 The lease of part of the Runnymede Civic Centre to the SPA was recognised in the 2008/09 financial year. The value of the lease was assessed as £3.12m. The accounting entries, using this valuation, included recognising a capital receipt in respect of the lease. This sum has not, of course, been paid to the Council. Therefore, it appeared in the Council's balance sheet as a debtor (as deferred consideration). The statement of accounts disclosed the nature of the accounting entries and, in particular, that the capital receipt has not been received.
- 5.6 Since 8 August 2009, the Council has been in a position to exercise the right to call for the transfer of the old police station site to Council ownership. Accordingly, the Council now holds the beneficial interest in the former police station site. However, Officers have not exercised the right for a legal interest at this stage because the Council would then have to bear Stamp Duty Land Tax on the transfer.
- 5.7 The holding of a beneficial interest is sufficient to recognise, in accounting terms, that the Council now holds the old police station site as an asset. In effect, the lease payment due from Surrey Police has been met by way of the transfer of the land, i.e. a barter transaction. The 2009/10 accounts will recognise these transactions accordingly.
6. Disclosure of Officers Pay
- 6.1 Member and senior Officer remuneration has been a highly topical subject since the exposure of irregularities with MP expenses.
- 6.2 In July 2009, the DCLG issued a consultation paper setting out proposals for enhancing the disclosures for senior officer remuneration in local authorities. In October 2010, the DCLG published their intentions. On 16 December 2009 the Accounts and Audit Regulations were amended to bring the proposals into force.
- 6.3 The main thrust of the new requirements will be an increased disclosure requirement for the pay and benefits for the Chief Executive and Director posts.

**(FOR INFORMATION)**

Background Papers

1. Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice (CIPFA).
  2. Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice. Guidance Notes for Practitioners (CIPFA).
  3. Statutory Instrument 2009 No 3322, "The Accounts and Audit (Amendment No. 2) (England) Regulations 2009", made 16 December 2009.
10. APPLICATION OF PART OF THE DEVELOPER'S CONTRIBUTION – AVIATOR PARK (DF)
1. Purpose of Report
  - 1.1 **To seek approval to apply part of the developer's contribution for Aviator Park to meet the revenue costs of the Yellow Bus Service.**
  2. Report

- 2.1 The developer of Aviator Park in Addlestone paid a contribution of £615,000 towards a number of initiatives. The largest part of the contribution (£550,000) had no conditions attached; it was simply allocated to provide community benefits. The Leisure and Environment Committee approved the allocation of the monies at its meeting in June 2002.
- 2.2 Subsequently, £100,000 of the developer contribution has been kept aside for a potential scout hut at Aviator Park. There has been no formal Council approval for this allocation. There have been no firm proposals for providing a scout facility at Aviator Park, and there appears to be no demand for such a facility.
- 2.3 The probable budget for 2009/10 was based on the application of the £100,000 towards meeting the revenue costs of the Yellow Bus service. This application is consistent with the terms of the developer contribution and would assist significantly in meeting the cost of the Yellow Bus service in 2009/10. The consent of the original developer has been obtained for this purpose.
- 2.4 Officers consider that, for the purposes of good governance, that there should also be specific Member authority for the use of this provision towards the Yellow Bus service. Therefore, the recommendation to this report seeks authority accordingly.

**OFFICERS' RECOMMENDATION that -**

**the unapplied provision of £100,000 from the developer contribution for Aviator Park be applied towards the running costs of the Yellow Bus service in 2009/10.**

**(TO RESOLVE)**

Background Papers

None stated

11. PROGRESS REPORT ON THE IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (DF)

1. Purpose of Report

- i) **To report on the progress towards the implementation of International Financial Reporting Standards (IFRS), and**
- ii) **To explain the potential resource implications and how Officers propose to deal with these.**

2. Background Information

- 2.1 In March 2009, this Committee received a lengthy report on the plans for, and potential implications of, implementing IFRS in local authority accounts. This report sets out the progress made and the main areas of work still required.
- 2.2 IFRS will replace what is termed "Generally Accepted Accounting Practices" ("UK GAAP") for the production of local authority accounts with effect from the 2010/11 accounting statements.
- 2.3 In their Annual External Audit report 2007/08 KPMG stated that the Council will need to give early consideration to the following issues:
  - Review of all current leases to determine whether they should be classified as operating or finance leases in accordance with IAS 17. This may present challenges if original documentation for longstanding leases cannot be located.
  - Determination of the monetary value of unused employee benefits for all staff at the end of the fiscal year to account for the employee benefits accrual in accordance with IAS 38.

- Confirmation of previous review of all contracts to ensure appropriate disclosure of any embedded derivatives.
- 2.4 The Audit Plan set out elsewhere in this Agenda discloses that KPMG will look at the Council's progress in implementing IFRS and the steps taken to date. Officers have discussed some of the accounting issues with KPMG, particularly about the treatment of leases (see paragraph 3.5 onwards).
3. Accounting changes introduced by IFRS
- 3.1 There is a whole new terminology associated with IFRS. The accounting standards are set out in International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS). These are supported by interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).
- 3.2 The main accounting changes introduced by IFRS were reported to the Committee in March 2009, and include:
- First time adoption and presentation: IFRS1 applies when an entity adopts IFRS for the first time. IAS 1 sets out the requirements for presentation of financial statements (see paragraphs 3.3 and 3.4).
  - Leases: The requirements of IAS17 and IFRIC4 are extensive (see paragraphs 3.5 to 3.8).
  - Fixed assets: IFRS includes a number of standards on accounting for fixed assets. These deal with accounting for property valuation and revaluations, component accounting and depreciation, impairments, and assets held for sale. There are significant new requirements for investment properties (see paragraphs 3.9 to 3.13).
  - Public Finance Initiative (PFI) accounting: This is the change that has promoted the most headlines. Thankfully, Runnymede has not participated in PFI deals.
  - Employee Benefits: IAS 19 requires organisations to account fully for benefits during employment. This includes accounting for accrued holiday and other benefits as at 31 March. Regulations have introduced mitigation measures (see paragraph 3.16) that allow this transaction to be negated for the purpose of setting council tax and usable reserves.

#### Implementation and Presentation (IFRS 1 and IAS 1)

- 3.3 The starting point for introducing IFRS is, unsurprisingly, IFRS 1 entitled "*First-time Adoption of International Financial Reporting Standards*". IFRS 1 requires organisations that adopt IFRS to restate the accounts for the previous year to an IFRS compliant basis. This means that for the 2010/11 financial year (the first year of adopting IFRS), the accounts for 2009/10 will need to be restated. This, in turn, means that the balance sheet at 1 April 2009 will need to be restated on an IFRS basis (i.e. as if the Council had always applied IFRS). The accounting statements for 2009/10 will also have to be redrafted on an IFRS compliant basis. IFRS 1 sets out extensive disclosure requirements that require the organisation to set out the changes made. IAS 1 also introduces extensive additional on-going disclosures, for example, more information about judgements made in coming to figures for items such as valuations, bad debts and estimates of amounts owed or owing. Taken together, these are the main reasons for the significant increase in the length of the accounts published by organisations that adopt IFRS for the first time.
- 3.4 Some preparatory work has been carried out on the new financial statements required under IFRS. However, it will not be possible to create a full set of IFRS compliant statements until additional information on the valuation of assets has been provided (see paragraph 3.9 onwards). Inevitably, there will be a large number of changes to the accounts prepared for 2009/10 under UK GAAP, and the restated 2009/10 accounts prepared under IFRS. Preparing the evidence and accounting entries and explaining these changes to auditors and in the Statement of Accounts for 2010/11 will be a significant task for the Accountancy Section.

### Leases (IAS 17)

- 3.5 The transition to IFRS may introduce significant changes on the way in which local authorities account for leases. Lease accounting applies where Runnymede is the lessee (e.g. lease agreements are used for purchasing some vehicles) and acts as a lessor (in particular, in letting out properties on leases). It is in land and property transactions that the major implications arise.
- 3.6 Officers have identified 60 leases where Runnymede is the lessee, and 160 potential leases where Runnymede is the lessor. These range from relatively minor leases of small items of plant and equipment, to major property transactions. IAS 17 sets out the rules for classifying leases as an operating or finance lease, and the subsequent accounting treatment. The flowchart set out in Appendix 'D' sets out the tests that need to be carried out to determine the accounting treatment of a lease.
- 3.7 It is possible to carry out a considerable amount of work in classifying leases. Consultants are very keen to sell their services to the Council accordingly. However, Officers have sought to minimise the work by adopting a pragmatic stance including applying a de minimis level, disregarding short-term property leases that clearly do not require any change in accounting treatment, and using the knowledge of experienced staff in the legal, valuation and accounting sections to provide reasonable assurance about some of the tests. At this stage, no changes to the Council's current accounting treatment for leases have been identified.
- 3.8 This approach has been discussed with KPMG. They have helpfully also taken a pragmatic approach and have requested that full information be provided to support only a sample of leases.

### Fixed Asset Accounting: Investment Properties (IAS40)

- 3.9 There is a significant change in the accounting rules for what are termed "investment properties". The definition of investment properties under IAS 40 is more precise than under UK GAAP. Under IAS40, investment properties are land, buildings, and/or parts of buildings, that are held solely to earn rentals or for capital appreciation or both. Officers have identified 16 blocks of property with 55 separate units that potentially come under this definition. Not all properties currently treated as investment properties come under the IAS 40 definition (e.g. garage block on housing estates), and these will be reclassified as operational properties in the Council's IFRS accounts in 2010/11.
- 3.10 Investment properties must be recorded in the Council's Balance Sheet at their "fair value"; this being (broadly) the sale value reflecting market conditions at the end of the financial year. This means that the 5-year cycle of revaluations adopted for valuing other categories of assets is much less appropriate for investment properties. Although a full revaluation of every investment property is unlikely to be necessary every year – this only needs to be done if there are material changes in the value – it will be necessary for the Valuer to review the current value of investment properties each year to assess whether a change in valuation is necessary. The auditor will require, again at the very least, evidence that the review has been undertaken.
- 3.11 The difference in the fair value of investment properties (i.e. the profit or loss) must be recorded in the revenue account. However, Regulations require local authorities to reverse out such profits or losses for Council Tax setting purposes.
- 3.12 Over the years the quantum of valuation work needed to provide asset valuations in line with accounting standards has steadily increased. Last year, the valuation exercise was particularly difficult given the extraordinary set of circumstances in property markets, mainly surrounding the availability of credit that impacted on property valuations. KPMG expressed reservations about the valuation of the old civic offices site in particular and their audit plan for 2009/10 also identifies valuation of assets (and the old civic offices site in particular) as audit risks.
- 3.13 The additional work for the valuation of investment properties, and the quantum of valuation work needed overall to support the Statement of Accounts, inevitably has resource implications for the Valuation Section. Every effort will be made to agree a pragmatic

approach with KPMG to minimise unnecessary valuation work. However, IFRS does require at least some extra work and Officers will prepare a report that brings forward specific proposals that will identify the additional resource implications accordingly.

#### Implementation Timetable: Progress

- 3.14 The Audit Commission and CIPFA have recommended that local authorities have their opening IFRS balance sheet (for 1 April 2009) ready by December 2009. This target has not been met. However, it is now Officers' intention to have the full set of restated 2009/10 IFRS compliant accounts ready by December 2010 and this will bring the Council back on track with the recommended timetable.
- 3.15 It has been agreed with the Valuer that the valuations required to prepare the opening IFRS Balance Sheet at 1 April 2009, and the IFRS Balance Sheet at 31 March 2010, will be provided by September 2010. These valuations will provide the final pieces of information necessary to create the financial statements under IFRS for 2009/10. These statements will form the comparative year for the 2010/11 statements – the first full set of accounting statements required under IFRS.

#### Mitigation Measures

- 3.16 In November 2009, the DCLG consulted on a set of regulations to make sure that, where appropriate, accounting entries arising from IFRS are "reversed out" for the purposes of determining council tax and available reserves. In February 2010 the DCLG issued its response to the consultation and the Regulations were issued on 11 March 2010.
- 3.17 Inevitably, the need for an increasing number of "statutory overrides" to convert IFRS statements to the costs chargeable against council tax and reserves adds further complication to local authority accounts.
- 3.18 The Regulations enable the Council to negate the charge under IFRS to account for holiday entitlement not taken up at the end of the year. This charge was recognised, for the first time, in the Council's accounts for 2008/09 in the sum of £279,000. The Regulations will allow this charge to be reversed out in 2010/11.

#### 4. Other Accounting Issues

##### Management Accounting Information – Notional Interest

- 4.1 The Audit Commission have stated that organisations that perform strongly in closing their accounts have a close relationship between their management accounting (used by setting and controlling budgets) and financial accounting systems (used to construct the statement of accounts). This enables those organisations to minimise the year-end workload. This has generally been the practice at Runnymede.
- 4.2 However, recent accounting changes (introduced through adoption of UK GAAP) have not always been used in the Council's management accounts. In particular, the Council continues to use "notional interest" in accounting for the use of capital assets in its management accounts. The main purpose of using notional interest is to recognise the financing costs/ holding costs/ opportunity costs of capital assets used in the provision of services. It is a crude measure – it is simply a percentage of 4.7% or 3.5% (dependent on the type of asset) of the book valuation of the asset – but has proved helpful in at least partly recognising the full cost of providing services.
- 4.3 Although once common, it is understood that few other local authorities, and no other Surrey districts, continue using a systematic system of notional interest in their management accounts. Moreover, the work required in maintaining the accounting entries for notional interest, but then removing these from Council Financial Statements and external Government returns, has become increasingly burdensome. The accounting entries for capital under IFRS are even more involved and this will create a further burden if notional interest is maintained.
- 4.4 Therefore, it is recommended that the use of notional interest in the Council's management accounts is discontinued. It will be helpful to remove notional interest from 2009/10

accounting entries in order to facilitate year-on-year comparisons in future, and to ease the production of IFRS compliant accounts for 2009/10.

- 4.5 Notional interest still has a place in making decisions where the use of capital assets is an important element. For instance, when setting charges for car parking, Members may wish to factor in the holding/opportunity cost of car park assets. This approach will still be encouraged as a tool to aid decision making. It will also be possible to select an interest rate or other mechanism that is more appropriate to the asset in question.

#### Capital Receipts

- 4.6 The generally accepted interpretation of statutory arrangements for capital receipts had prevented the costs of disposing of a fixed asset to be charged against the sale proceeds. An exception to this was for housing sales where, by Regulation, certain costs can be set against the capital receipts. The Regulations issued on 11 March 2010 will, from 1 April 2010, allow disposal costs (e.g. legal fees) up to 4% of the sale price of non-housing disposals to be charged to the capital receipt. This is a helpful relaxation and will allow disposal costs (up to the 4% ceiling) to be charged to the capital receipt rather than to revenue.

#### 5. Resource Implications

- 5.1 Financial reporting is one of the judgements used to assess how well Councils manage their use of resources (UoR). Runnymede scored 3 out of 4 in this area in 2009. The Audit Commission report that the pace of change in the SORP (arising from implementation of UK GAAP and now IFRS) has caused problems for many authorities. Clearly, Runnymede has more to lose in terms of reputation if the precise requirements of accounting standards and associated controls are not met, and this increases the pressure on accountants.
- 5.2 It has been possible to absorb some of the burden of adopting UK GAAP (and now IFRS accounting standards) on accountants through using the time saved from the incremental adoption of more efficient working practices and systems. Nevertheless, there has been a real and increasing cost to produce the Council's statutory accounts. Meeting these additional burdens within existing staffing resources will need continued investment in accounting systems. The Committee agreed an upgrade to the Council's accounting software in September 2009, with the objective of generating operational efficiencies. The implementation of the system is underway.
- 5.3 The burden for the requirement for greater information about fixed assets and leases also falls on the Valuer (see paragraph 3.13).
- 5.4 There is no recognition of the additional burden of introducing IFRS in the current grant settlement (covering the 2008/09 to 2010/11 financial years). It seems very unlikely that the Government will recognise the additional burden of implementing IFRS in grant settlements for 2011 onwards.
- 5.5 In December 2008, the Audit Commission issued its "*Work programme and scales of fees 2009/10 and indicative fee proposals 2010/11 and 2011/12*". The publication stated that the transition to IFRS will increase auditors' work, particularly in the first year when local authorities will need to restate their previous year's accounts on the new basis to provide prior year comparatives. This will result in a real additional increase in audit fees of 6% in 2010/11 and a net ongoing 3% in subsequent years. This would increase the basic audit fee by £5,600 in 2010/11 and by £2,800 a year thereafter.
- 5.6 However, on 5 February 2009, the Audit Commission announced that it is to use savings from its efficiency programme to help Councils with the cost of moving to the IFRS. The package is designed to cover the transitional costs (i.e. the additional 3% in 2010/11) of moving to the new standard which the Government requires of all public bodies. Regrettably, in the long-term it seems inevitable that the real additional cost of auditing IFRS compliant statements will fall onto local authorities through increased audit fees.

#### 6. Conclusions

- 6.1 Progress has been made a number of areas that require significant attention in the move to IFRS, in particular on identifying leases and the capital accounting implications. A programme for the necessary additional valuation work, especially in respect of investment properties, has been agreed with the Valuer.
- 6.2 Officers continue to seek opportunities to create the internal resources necessary for the additional workload required for the introduction of IFRS. A way of saving some staff time is to cease the use of notional interest for capital assets in the Council's management accounts.
- 6.3 However, the implementation of IFRS remains a significant new burden. In particular, there is a need for additional resources to provide the necessary valuations, and the associated audit trails and evidence required by auditors.

**OFFICERS' RECOMMENDATION that -**

**management accounts no longer include a charge for notional interest to represent the cost of capital, as from the 2009/10 financial results.**

**(TO RESOLVE)**

Background Papers

1. "Changes to the capital finance system – consultation. Summary of responses", published by DCLG, February 2010 (DF).
2. Letter from DCLG dated 11 March 2010, "Changes to the capital finance system" and accompanying Regulations (SI 2010/454) and informal commentary. (DF).
3. "LAAP Bulletin 80: Implementation of IFRS – Outline project plan", published by CIPFA, March 2009 (DF).

12. DISCIPLINARY, CAPABILITY, AND GRIEVANCE PROCEDURES FOR STAFF – REVISION (DAL)

1. **Purpose of Report**

1.1 **To seek approval of revised Disciplinary, Capability, and Grievance Procedures.**

2. Report

- 2.1 Employers need to deal consistently and fairly with disciplinary issues, problems of capability, and grievances arising in the work place. Failure to do so could lead to awards against the employer at an Employment Tribunal or for breach of contract.
- 2.2 Employers are advised to have sound written procedures setting a framework for these matters. The Council's procedures were last revised a number of years ago.
- 2.3 During 2009 new ACAS guidance was published on the content of such codes. Though issued by authority of the Secretary of State under Section 199 of the Trade Union and Labour Relations (Consolidation) Act 1992, compliance with the ACAS Code is not mandatory. Unreasonable failure to follow it by either employer or employee could, however, result in awards made by Employment Tribunals being adjusted by up to 25%.
- 2.4 The Council's existing procedures required only minor modifications to take account of the new code. The opportunity has been taken to introduce further clarifications and updates, and make the procedures more internally consistent.
- 2.5 Particular provisions to allow for independent investigation must by law be included in Disciplinary and Capability Procedures for the Head of Paid Service (Chief Executive), and the Monitoring Officer and Chief Financial Officer (currently the Director of Administration and Leisure and the Director of Finance respectively). These provisions must also be reflected in the authority's Standing Orders. Model procedures are provided by the Joint Negotiating Committee for Local Authority Chief Executives. In addition, proceedings in respect of other Directors raise particular issues which would not apply to staff generally and a model procedure is provided by the Joint Negotiating Committee for Chief Officers of Local Authorities. All procedures should, however, comply with the ACAS Code.

- 2.6 Following consultation amongst Officers and with Unison, the following revised procedures are attached for the Committee's approval:
- i) General Staff Disciplinary Procedure (at Appendix 'E').
  - ii) General Staff Capability Procedure (at Appendix 'F').
  - iii) General Staff Grievance Procedure (at Appendix 'G').
  - iv) Disciplinary and Capability Procedure for Head of Paid Service, Monitoring Officer and Chief Finance Officer (at Appendix 'H').
  - v) Disciplinary and Capability Procedure for other Directors (at Appendix 'I').
  - vi) Grievance Procedures for Chief Executive (at Appendix 'J').
  - vii) Grievance Procedure for other Directors (at Appendix 'K').
- 2.7 Members will observe that to cover certain review or appeal procedures in the cases of the Chief Executive and Directors, a "Senior Appeals and Grievance Committee" may be constituted.
- 2.8 An Equalities Impact Assessment is attached at Appendix 'L'.

**OFFICERS' RECOMMENDATION that -**

**the revised procedures set out at Appendices 'A' to 'K' be approved with immediate effect.**

**(TO RESOLVE)**

Background Papers

Internal emails consulting on and commenting on the procedures held by DAL.

13. SAFETY COMMITTEE - MINUTES

The minutes of the meeting of the Safety Committee held on 2 December 2009 are attached at Appendix 'M'.

**(FOR INFORMATION)**

Background Papers

None

14. REFERENCE FROM LEISURE AND ENVIRONMENT COMMITTEE

Renewal Of Kerbside Recyclables Collection Contract

At its meeting on 18 March 2010, the Leisure and Environment Committee considered the renewal of the kerbside recyclables collection contract and the implications for the refuse collection service.

The report to the Leisure and Environment Committee on the renewal of the kerbside recyclables collection contract is at Appendix 'N', Surrey district and borough recycling statistics are at Appendix 'O', UNISON comments are at Appendix 'P' and an Equality Impact Assessment is at Appendix 'Q'. Exempt Appendix '1' contains evaluation criteria and tenderers scores and Exempt Appendix '2' consists of tender analysis and details of Options A to D.

The Leisure and Environment Committee considered four options for the future of refuse and recycling. These were the maintenance of the existing service (Option A), a move to weekly recycling (excluding kitchen waste) and fortnightly refuse collection (Option B), fortnightly collection

of recycling and refuse (Option C) and fortnightly refuse collection and weekly recycling (including kitchen waste) (Option D).

Although Option C (fortnightly collection of recycling and refuse) was the most cost effective option, Option D was the most comprehensive, and took into account the forthcoming Waste Framework Directive which would make the collections of plastics and cardboard mandatory from 2015.

Members were aware of the need to increase Runnymede's recycling rate, which at 27% was the lowest in the county. Option D had the potential to increase the rate to between 45 and 50%.

Having considered the outcome of the complex evaluation of the tenders, the Committee agreed to recommend that Option D be chosen and that Biffa Waste Services be awarded the contract.

It was agreed that a communications strategy was a vital part of the process to help residents accept the change to the service and that the Committee should receive a further report on this matter.

The Committee noted comments from staff and UNISON and was advised that further comment could be submitted as the matter would be referred first to this meeting, with a recommendation to full Council on 22 April 2010.

**LEISURE AND ENVIRONMENT COMMITTEE'S RECOMMENDATION that -**

**having considered the views of UNISON and individual staff,**

- i) the contract be awarded for the provision of a weekly recycling service for those materials in Option D at Exempt Appendix '2' to this Agenda, including a weekly collection of kitchen waste;**
- ii) if the Council adopts recommendation i) above,**
  - a) the recycling contract be awarded to Biffa Waste Services commencing on 1 February 2011;**
  - b) the collection of refuse be introduced on a fortnightly basis commencing on 1 February 2011; and**
  - c) a further report outlining a communications strategy be brought forward to a future meeting of the Leisure and Environment Committee.**

**(TO RECOMMEND)**

Background Papers

The Waste Framework Directive (WFD) (Directive 2008/98/EC).

Stage One : Defra Consultation on the transposition of the revised Waste Framework Directive.

Memorandum of Understanding for the implementation of the Surrey Joint Municipal Waste Strategy.

15. EXCLUSION OF PRESS AND PUBLIC

**OFFICERS' RECOMMENDATION that -**

**the press and public be excluded from the meeting during discussion of report(s) under Section 100A(4) of the Local Government Act 1972 on the grounds that the report(s) in question would be likely to involve disclosure of exempt information of the description specified in paragraphs 1, 3 and 5 of Part I 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>Paras</u>
a) <u>Exempt Information</u>	
16.     SHORT AND LONG TERM BUDGET SAVINGS PLANS	3
17.     JOINT COMMITTEE FOR THE OVERSIGHT OF DELIVERY OF SURREY PUBLIC AUTHORITY SERVICES	5
18.     AFFORDABLE HOUSING SCHEME IN EGHAM	3
19.     WRITE OFFS	1 and 3

b)     Confidential Information

(No reports to be considered under this heading)