



Corporate Management Committee

Wednesday 30 June 2010 7.30pm

**Council Chamber
Runnymede Civic Centre, Addlestone**

Members of the Committee

Councillors J R Furey (Chairman), P I Roberts (Vice-Chairman), A Alderson, M J Brown, Mrs L M Gillham, H W V Meares, P Taylor, P B Tuley, 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.
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বাঙলা

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اردو

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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 27 May 2010 (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. REFERENCES FROM OTHER COMMITTEES

i) HOUSING AND COMMUNITY SERVICES COMMITTEE – 9 JUNE 2010

a) Housing Revenue Account Subsidy – Government Self Financing Debt Settlement

At its meeting on 9 June 2010, the Housing and Community Services Committee noted that in late March 2010, the Government had published a consultation paper entitled "Council Housing: a Real Future". This document is a consultation paper and seeks a response from Local Authorities on the Government's preferred option for the replacement of the current Housing Revenue Account (HRA) Subsidy system.

The current HRA subsidy system is regarded by many as being unfair and as having many faults, particularly:

- the annual nature of determinations makes it difficult to undertake long term planning and develop housing investment strategies with great confidence.
- it offers only very limited local autonomy.
- it removes the clear link between rents paid and services provided locally.
- the spending assumptions in the system significantly under-provide for the proper repair and maintenance of the housing stock.

The Government have acknowledged these points and propose replacing the system with a self financing system that entails the local authorities taking on a share of "national housing debt". The debt calculation is based on a net present value calculation of notional income and expenditure. It uses Government assumptions for the amount each authority is likely to raise in rents and pay out for management, repairs and maintenance over a 30 year period.

Unlike the present subsidy system, whereby many authorities are paying large amounts of the rent collected to the Government in the form of negative subsidy, the new proposal allows for Councils to keep all of their rents. In Runnymede, £6.081 million will be paid to the Government in negative subsidy in 2010/11 and it is estimated that this will rise to £6.4 million in 2011/12. If the current negative subsidy system was to remain in place it is estimated that £235 million would be paid from the Runnymede HRA to the Government over a 30 year period.

The Government have indicated the likely level of debt to be allocated to each authority based on a range of discount rates. They propose a discount rate of 7% to provide headroom for authorities who are prepared to commit to providing new affordable housing.

Local Authorities are expected to review the details provided in the consultation document and to respond indicating whether or not they would be likely to take up the offer of voluntary implementation of self financing from 2011/12.

The debt proposed for Runnymede is £97.7 million, based on a discount rate of 6.5% and £93.3 million on the 7% discount rate that allows headroom for new affordable housing. Both assume implementation from April 2011. The table below provides a basic comparison in annual expenditure between anticipated negative subsidy and interest only on the debt (based on current PWLB rates).

| | £ million p.a. |
|---|----------------|
| Anticipated negative subsidy 2011/2012 | £6.4 |
| Debt of £93.3 million at interest rate of 4.51% | £4.2 |
| Debt of £93.3 million at interest rate of 5.5% | £5.1 |
| Debt of £97.7 million at interest rate of 4.51% | £4.4 |
| Debt of £97.7 million at interest rate of 5.5% | £5.4 |

The exact amount that would be paid would depend on the prevailing interest rates at the time the debt is taken on. However, if interest rates are below 5.5% the HRA would immediately benefit by over £1 million p.a. This surplus will be required to pay for future stock renewal and, potentially, additions to the housing stock.

The Housing and Community Services Committee have agreed the response to the consultation and a copy of this response is attached at Appendix 'B'. This indicates support in principle for the new arrangements but makes it clear that this is subject to further clarification on a number of points. The response will be submitted to the Government in early July 2010.

There are a number of operational and financial scenarios that need to be thoroughly evaluated in order to plan properly for the proposed new system. First, it is important that the stock assumptions contained with the current HRA Business Plan are robustly scrutinised to provide assurance that the full cost of managing and maintaining the existing stock can be met from the resources available within the proposed new system. An incorrect assumption could lead to major expenditure when factored across over 3,000 properties. It is therefore necessary to undertake a validation of the existing stock information to ensure that the Council has the required details to be in a position to confidently plan for the implementation of the self-financing system.

A quote for this work has been obtained from Maddisons. Maddisons have previously undertaken stock condition work for the Council and have a reasonable understanding of the Council's stock profile. They have indicated that the work would take 3 months, requiring a 2-3 week lead in to allow for notification of the tenants etc. The cost of the work is £22,124 and this would be a charge to the Housing Revenue Account.

All of the three main political parties acknowledge the need to change the existing housing subsidy system and Grant Shapps, the new Housing Minister, has recently made a statement indicating his support for reform of the current system. However, there is a possibility that the current proposal will be amended in part or full by the new Government.

HOUSING AND COMMUNITY SERVICES COMMITTEE'S RECOMMENDATION that –

a supplementary estimate be approved in the Housing Revenue Account in the sum of £22,124 for a stock validation exercise to be undertaken by Maddisons.

(TO RESOLVE)

Background Papers

DHCS File for HRA Subsidy review.
Report to Housing and Community Services Committee 9 June 2010

b) Beomonds Sheltered Housing Scheme, Heriot Road, Chertsey

At its meeting on 9 June 2010, the Housing and Community Services Committee approved the appointment of surveyors to assess the extent and cost of work to make the flats at Beomonds Sheltered Scheme self contained.

The scheme at Beomonds in Chertsey has 37 units of accommodation with 30 of them being sheltered housing bedsits provided in a specifically built 2 storey unit. There are 6 terraced bungalows on the same site and these are linked to the community alarm system and occupied by older people. There is also a larger flat occupied by the Sheltered Scheme Manager.

Each of the bedsits has a WC but they do not have a bath or shower and residents have to use shared bathrooms. For some time now the Government have encouraged local authorities to ensure that social housing units are self contained and therefore the Council needs to consider how it addresses this issue in this scheme.

In 2005, the Council appointed Pennington Consulting to undertake an options appraisal of both Beomonds and Pinefields sheltered housing schemes. They recommended demolition and redevelopment of Pinefields. This has now taken place. For Beomonds they recommended retention of the unit but conversion to general needs housing. Their recommendation was based on evidence provided by the County Council that demonstrated that the demand for traditional sheltered housing schemes was diminishing.

The Pennington report recommendations are reflected in the Housing Revenue Account Business Plan and the Housing Strategy and a target has been set to consider the future use of Beomonds, and in particular to assess the cost of modernising the current units.

Surveyors have examined whether or not the existing flats could be easily adapted to include a shower in the storage cupboard adjacent to the existing WC. However, this storage cupboard houses the electricity meter, the consumer unit and gas pipes, all of which would have to be relocated. The provision of a shower unit in this location would also lead to very cramped bathrooms with limited access and could preclude the use of wheelchairs. A more substantial alteration to the flats therefore needs to be considered.

The 2005 Pennington report estimated that to convert the units into 20 self contained flats would cost around £800,000. However, this was over 5 years ago and was therefore unlikely to hold good today.

To arrive at a more accurate cost of the changes needed and a more informed view of and the level of disruption to residents, it is suggested that arrangements be made to appoint a surveyor to draw up an indicative internal layout with options for how a flat floor plan may appear. This would include an assessment of impact on heating, water, drainage and basic cost analysis. It is estimated that this would cost £14,000.

The initial cost of a surveyor undertaking a feasibility study for the conversion of the existing units into self contained flats would be met by the Housing Revenue Account.

HOUSING AND COMMUNITY SERVICES COMMITTEE'S RECOMMENDATION that –

a supplementary revenue estimate in the Housing Revenue Account be approved in the sum of £14,000 for a feasibility study for the conversion of Beomonds sheltered housing scheme units into self contained flats.

(TO RESOLVE)

Background Papers

None

ii) LEISURE AND ENVIRONMENT COMMITTEE – 17 JUNE 2010

a) Purchase and Delivery of Additional Kerbside Containers for Recycling

At its meeting on 17 June 2010, the Leisure and Environment Committee recommended the approval of a capital estimate in the sum of £250,000 for the purchase and delivery of additional boxes and kerbside containers associated with the enhanced weekly recycling service, to be introduced from February 2011.

The additional boxes would be used to accommodate the wider range of materials being recycled in the future, including plastic bottles, other plastics, cardboard and kitchen (food) waste.

There is currently no provision in the capital programme for the purchase and delivery of the additional containers and kerbside boxes required to carry out the contract. Therefore, formal approval of the capital estimate is required.

Members are asked to note that the provision of £250,000 will be funded by the capital funding from Surrey County Council. This is a one-off sum which can be used towards capital set up costs.

LEISURE AND ENVIRONMENT COMMITTEE'S RECOMMENDATION that –

a capital estimate be approved in the sum of £250,000 for the purchase and delivery of additional boxes and kerbside containers, to be funded by the capital funding of £250,000 from Surrey County Council.

(TO RECOMMEND)

Background Papers

None stated

b) Egham Leisure Centre Improvements

At its meeting on 17 June 2010, the Leisure and Environment Committee recommended the approval of a capital estimate in the sum of £32,500 for:

| Item(s) | Cost £ |
|---|---------------|
| a new heating system in the fitness studios | 10,000 |
| the purchase of 21 spinning bikes | 13,500 |
| replacement dumbbells | 1,500 |
| new main hall dividing nets | 2,500 |
| the replacement of three internal doors at Egham Leisure Centre | 5,000 |
| | <u>32,500</u> |

These works would be funded by the reserve for the replacement of equipment at Egham Leisure Centre, the current balance of which was £151,000.

Members are advised that a lack of funding in the revenue budget necessitates this call on the Egham equipment replacement reserve. The reserve was established to ensure that the fitness equipment at the centre is kept up to date and in good condition to retain members and attract new people to use the facilities.

It is likely that a delay in undertaking the works would lead to lost income and usage of the centre.

LEISURE AND ENVIRONMENT COMMITTEE'S RECOMMENDATION that –

a capital estimate be approved in the sum of £32,500 for a new heating system in the fitness studios, the purchase of 21 spinning bikes, replacement dumbbells, new main hall dividing nets and specified new internal doors, to be financed from the provision for replacement of equipment in the capital programme.

(TO RESOLVE)

Background Papers

None stated

iii) ECONOMIC DEVELOPMENT COMMITTEE – 24 JUNE 2010

Corporate Property Strategic Maintenance – Revised Staffing Structure

To follow.

7. STATEMENT OF ACCOUNTS 2009/10 (DF)

1. Purpose of Report

1.1 The purpose of this report is to

- i) approve the Statement of Accounts for the 2009/10 financial year,
- ii) consider the findings of the review of the system of internal control, and
- iii) approve the Annual Governance Statement contained in the Statement of Accounts for the 2009/10 financial year.

2. Background Information

2.1 The Accounts and Audit Regulations 2003 (the Regulations) make rules for the preparation and approval and audit of local authority accounts. In particular the Regulations require:

- Authorities to approve and publish their Statement of Accounts by 30 June and 30 September respectively.
- The inclusion of a statement of internal control (the Annual Governance Statement) with the Statement of Accounts.
- The Statement of Accounts to be signed by the Chairman of the Committee that approves the Statement to signify formally the completion of the Council's approval process of the accounts.

2.2 It is accepted as good governance for Members to be presented with accounts as soon as possible after the year-end, so that they can:

- Receive assurance that accounting systems have operated adequately and been closed down satisfactorily
- Have confidence that the budget for 2010/11 and forecast for future years has a secure foundation
- Understand the corporate financial performance during the year and the position at 31 March 2010.

2.3 A comprehensive report on the financial results for 2009/10 was presented to this Committee on 27 May. The Statement of Accounts reports the same position but presents it in the form required by statute and recommended accounting practice.

3. Accounting and auditing standards

Accounting standards used in preparing the Statement of Accounts

3.1 The principal statements of the accounting practices applicable to local authority accounts are:

- 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.
- The Best Value Accounting Code of Practice. This sets out a mandatory service analysis for local authorities and a definition of "total cost" to be used in reporting service expenditure.

3.2 In England and Wales, both Codes constitute 'proper practices' under section 21 of the Local Government Act 2003 and are amended annually for changes in statute and accounting practice. Various other statutory provisions also affect the preparation of local authority accounts. The form and content of some accounts such as the Housing Revenue Account and Collection Fund are closely regulated by legislation.

3.3 This will be the last set of local authority accounts compliant with what is termed "Generally Accepted Accounting Practices" ("UK GAAP"). From 2010/11, the financial statements will be produced using International Financial Reporting Standards (IFRS). The Committee received reports in March 2009 and April 2010 on the implications of this change and the implementation process.

3.4 The 2009 Code introduced a significant change in the accounting for council tax and business rates. This change is only an accounting matter. The explanatory forward to the Statement of Accounts explains the impact on the financial statements in more detail. Otherwise, there are only modest changes introduced by the 2009 Code.

3.5 A report on accounting issues for 2009/10 was made to this Committee on 8 April 2010.

4. The Statement of Accounts

Format of the Statement of Accounts

4.1 The Statement of Accounts is set out at Appendix 'C' (separately circulated to Members of the Committee). The document has the following main sections:

- A financial review of 2009/10 by the Director of Finance
- Annual Governance Statement
- Statement of responsibilities
- Auditor's report (only in draft at this point in time; it assumes that the Auditor will have no qualifications to make)
- Main accounting policies used
- The core accounting statements and supporting notes
- The supplementary accounting statements and supporting notes
- Summaries of trust fund accounts administered by the Council

4.2 The main financial statements are divided into 'core' statements and 'supplementary' statements. The core statements are the

- Income and Expenditure Account,
- Statement of Movement on the General Fund Balance,

- Statement of Total Recognised Gains and Losses,
- Balance Sheet and
- Cash Flow Statement.

4.3 The supplementary statements are for the Housing Revenue Account and the Collection Fund.

Comparison with financial results report

4.4 The following table provides a reconciliation of the change in the General Fund balance reported in the Statement of Movement in the General Fund Balance (on page 38 of the Statement of Accounts) to that reported in the General Fund Summary reported to this Committee on 27 May.

| Reconciliation of change in General Fund Working Balance | |
|---|-------------|
| Item | £ |
| Use of working balance reported on 27 May 2010 | 2,262,139 |
| Transfer from specific reserves (see paragraph 4.5) | (154,337) |
| Balance of Aviator Park S106 receipt used towards the cost of the Yellow Bus scheme | (100,000) |
| Chertsey Museum (see paragraph 4.6) | 25,156 |
| Other items | 169 |
| Use of working balance reported in the Statement of Movement in the General Fund Balance (see page 38 in the Statement of Accounts) | (2,033,127) |

4.5 The decision to fund capital expenditure on Safer Runnymede and IT equipment from capital receipts rather than the specific reserves set up for these items was made by this Committee in May. This treatment enables the General Fund balance to be increased accordingly.

4.6 The Olive Matthews Trust contributes each year a fixed £27,000 and an index-linked £30,000 for the purpose of the upkeep of the Museum. This is in accordance with a Museum Agreement entered into in 2000. The auditors of the Olive Matthews Trust have recently questioned the VAT treatment of contributions they make towards the running expenses of Chertsey Museum. They now insist that the sums in the agreement are the maximum they will pay, and that they will not pay additional sums for VAT. This interpretation is supported by the Council's VAT consultants. Therefore, the Council must now bear the VAT element of the income and this means that the net income to the Council is reduced accordingly. The refund to the Trust and of VAT due to HM Revenues and Customs results in a net loss of £25,156 of income.

Noteworthy items in the Statement of Accounts

4.7 The Financial Review provides a commentary on the financial activities of the Council during the year and, particularly, the significant items in the Statement of Accounts. The following are worthy of bringing to the attention of Members:

- The impact that changes in general property prices has had on the Income and Expenditure Account and to the Balance Sheet generally.
- Pension Fund accounting (pages 8 and 9): The Surrey Pension Fund actuary, Hymans Robinson, has provided the figures for the FRS 17 accounting entries. The actuary emphasises that the figures must only be used for FRS 17 accounting purposes.
- The accounting entries for the lease of part of the Runnymede Civic Centre to Surrey Police (see page 12 of the Statement of Accounts).

4.8 Members are invited to read the Financial Review in the Statement of Accounts to gain a further insight to these issues.

Annual Governance Statement

- 4.9 The need to review arrangements for internal control and the Annual Governance Statement (AGS) is given statutory backing by the Accounts and Audit Regulations 2003 (the "2003 Regulations"), as amended by the Accounts and Audit (Amendment) Regulations 2006. In particular the Regulations say that the Council should:
- Ensure that the financial management and control systems are adequate and that there is effective risk management,
 - Include a statement of internal control, prepared in accordance with proper practice, in its financial statements, and
 - Conduct a review at least once a year of the effectiveness of its system of internal control.
- 4.10 The Guidance requires the AGS to be signed by the Chief Executive Officer and the most senior Member of the Council (the Leader). This signature is required at page 22 of the Statement of Accounts.
- 4.11 The Standards and Audit Committee reviewed the internal control framework of the Council and the proposed AGS at its meeting on 9 February 2010. Upon consideration of the evidence submitted, the Standards and Audit Committee agreed that the internal control framework appeared adequate from their perspective. The Standards and Audit Committee also considered the main areas of weaknesses identified in the 2008/09 statement and the progress made to address these areas, and also new areas where improvement could be made. The Standards and Audit Committee also reviewed the final draft of the AGS at their meeting on 8 June 2010 and made amendments to the text on pages 17 and 18 of the AGS in order to improve clarity.
- 4.12 The AGS concludes with a section that identifies the actions taken (or proposed) to deal with significant governance issues. The issues focus on areas that are very difficult to claim total control (e.g. risk management, business continuity, partnership working).
- 4.13 Members of this Committee are requested to review the AGS and, in particular, the action plan to satisfy themselves that the statement is consistent with their own experience and that the actions are appropriate and relevant.

Audit Considerations

- 4.14 KPMG are required to issue an audit report giving their opinion on the financial statements (including the Annual Governance Statement), and a conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in use of resources. The Statement of Accounts contains draft audit opinions only; KPMG are expected to issue their formal opinions in September. The Statements have been sent to KPMG in order to accommodate their preliminary views.
- 4.15 The Code of Audit Practice 2008 (issued by the Audit Commission) requires the auditor to issue two reports about the audit of these Statements. First, a report to those charged with governance summarising the conclusions of the auditor (the "ISA 260" report). The auditor will also prepare an audit report including their opinion on the Statements, and a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. KPMG plan to present this report to this Committee at its meeting in September.

Status of the Statement of Accounts

- 4.16 The statements are substantially in their final form. There will inevitably be a number of drafting and minor amendments.
- 4.17 There are a number of items in the Statement of Accounts that can be expected to be subject to close scrutiny by the auditor. The valuation of assets in the accounting statements will inevitably be closely reviewed given the current uncertainties in the property market and the Council can expect particular attention to be given to the accounting entries for the occupation of the Runnymede Civic Centre by Surrey Police. There is a risk that the

auditor may require significant changes to be made to the accounts for these or other matters before signing off these accounts. Should this be the case, it will be necessary to re-submit the accounts to this Committee for re-approval.

- 4.18 A set of summary accounts that is consistent with the full statement of accounts will be available in a variety of formats (web site, published in printed form, and in Runnymede Voice) once the audit of accounts has been completed.

5. Legal Implications

- 5.1 The basic requirement for the accounts of authorities in England to be made up and audited is contained in section 2 of the Audit Commission Act 1998.
- 5.2 The Accounts and Audit Regulations 2003 (the Regulations) require Members to approve the Statement of Accounts by a resolution of a Committee or full Council as soon as is reasonably practical and at least by 30 June 2010. The Regulations require the Member presiding at the meeting to sign and date the Statement of Accounts to indicate the Committee's approval (see page 25 of the Statement).
- 5.3 The Regulations also require the Director of Finance to sign and date the Statement of Accounts to certify that it presents a true and fair view of the financial position of the Council at the end of the year and its income and expenditure (also on page 25).
- 5.4 Authorities are required to publish a Statement of Accounts as soon as reasonably possible after the audit is concluded. In any event the Statement for 2009/10 must be published by 30 September 2010, even if the audit has not been concluded. The Regulations do not define what constitutes publication but the intention is to have a stock of printed copies (including a copy at libraries in the Borough) and a copy on the Council web site.
- 5.5 The Statement of Accounts has also to be published with the audit certificate and opinion and a copy of any advisory notices issued. If publication takes place before the conclusion of the audit (i.e. because the external audit has not been completed by 30 September) there must be a declaration and explanation of the fact that an opinion had not been given at the date of publication.
- 5.6 The Regulations require authorities to advertise that the audit has been concluded and that the Statement of Accounts is available for inspection by electors. If the auditor has required a material amendment to the Statement of Accounts since their initial publication, an explanation of the required amendments must accompany the audited Statement.
- 5.7 The Regulations set out the arrangements for advertising the rights of electors to question auditors and inspect the accounts and supporting documents.
- 5.8 The Regulations require a meeting of a Committee or full Council to consider the findings of a review of the effectiveness of the system of internal control as part of the account closing process. There is also a requirement for the system of internal audit to be reviewed once a year and for the findings of this review to be considered by the same meeting of a Committee or full Council.
- 5.9 The Regulations were updated in 2010 to require greater disclosure of the remuneration of senior Officer pay. The relevant disclosures are set out on page 44 of the Statement of Accounts.

6. Resource Implications

- 6.1 In recent years there have been a large number of additional statutory and profession-led disclosures and explanations required to support the Statement of Accounts. The statement for 2009/10 runs to 111 pages. By comparison, the statement of accounts for 2000/01 ran to only 48 pages. The additional disclosures and explanations include more detail on accounting for capital assets, supporting information for the HRA, pension fund accounting, financial instruments, the Annual Governance Statement, and a range of smaller areas that combine to produce a significant amount of extra information.
- 6.2 The compilation of the Statement of Accounts requires a great deal of concentrated work within the Accountancy Section. The Section traditionally deals with this workload by

planning the production process involving Budget Managers in the closing process in a positive way. The Section also has the benefit of a stable and experienced staffing complement.

- 6.3 This year, accountancy staff also contributed to the service review programme and the response to the Government consultation on the reform of housing finance at the time that these accounts were being prepared.
- 6.4 The burden will become more acute next year as it will be necessary to prepare accounts that are compliant with IFRS for the first time. The current internal protocols for compensatory staff leave and/or overtime for the senior staff do not cater for this now routine peak in work, and the Council is reliant on staff goodwill to carry out this exercise. Moreover, the sheer volume of work and the constant changes to accounting standards are becoming difficult to cater for within existing staffing resources

OFFICERS' RECOMMENDATION that –

- i) the Statement of Accounts for the financial year 2009/10 be approved;**
- ii) the findings of the review of the system of internal control be noted; and**
- iii) the Annual Governance Statement contained in the Statement of Accounts for the 2009/10 financial year be approved.**

(TO RESOLVE)

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. DCLG Circular 03/2006: Guidance on the Accounts and Audit Regulations 2003.
- 4. Actuarial valuation as at 31 March 2010 for the purposes of FRS17, Hymans Robinson, April 2010.
- 5. LAAP 84 - Closure of the 2009/10 Accounts and Related Matters (CIPFA).
- 6. LAAP 85 - Senior Officer Remuneration (CIPFA).
- 7. Code of Audit Practice 2008, Audit Commission, July 2008

8. REDUCTIONS IN GOVERNMENT FUNDING (DF)

1. Purpose of Report

1.1 **To inform the Committee of the reductions in grant funding announced by the Government.**

2. Background Information

- 2.1 On 24 May 2010, the Chancellor and the Chief Secretary to the Treasury announced plans to reduce Government spending by £6.2 billion in 2010/11. These savings are intended to be the first step in reducing the national deficit. The savings include £1.166 billion in grants to local government.
- 2.2 On 10 June 2010, the Government published details of the local government funding that will be reduced. The news release issued by the Department of Communities and Local Government (DCLG) is reproduced at Appendix 'D' and this includes a list of the grants affected.

3. Report

- 3.1 The reduction in local government funding in 2010/11 relates to specific grant programmes of which £805 million will be capital grants and £361 million will be revenue grants. The

Government have confirmed that the 2010/11 formula grant distribution will not be affected. The impact on each Authority will be capped at 2% of their grant entitlement.

3.2 The reduction in revenue grant funding is likely to reduce Runnymede's income by £258,500 in the following areas:-

i) Housing and Planning Delivery Grant

The national reduction in Housing and Planning Delivery Grant will be £146 million. This compares with the total of £200 million allocated to this grant when the 2010/11 Local Government Finance Settlement was announced. Runnymede's 2010/11 budget includes income from this source of £213,100 (see the Budget Book page 165) but in the light of the recent announcement Officers think it is unlikely that the Council will receive anything. The determination of each Authority's entitlement to this grant is not normally announced before November, so the Government can argue that there has not been a firm commitment to distributing this grant. The figure of £213,100 used in the budget was based on the 2008/09 grant award (the actual award in 2009/10, announced in March 2010, was £266,950). The Council's Directors are considering the implications of this reduction in grant.

ii) Local Authority Business Growth Incentives Scheme

Local Authority Business Growth Incentives grant will be cut by £50 million, thereby withdrawing the distribution proposed in the DCLG's provisional allocation in March. Runnymede's 2010/11 budget includes £45,400 (see the Budget Book page 1) from this source and none of this will now be forthcoming.

3.3 Surrey County Council's entitlement to Supporting People grant (now part of Area Based Grant) was originally going to be £17.9 million plus £426,000 in administration grant. All of the administration grant will be withdrawn as a result of the Government's announcement. It is not known if Surrey County Council will seek to pass on any of this reduction in the Supporting People funding that they award to Runnymede. The HRA budget for 2010/11 includes Supporting People grant of £215,700 relating to the sheltered housing and care alarms provided to Council tenants (see the Budget Book page 314) and the General Fund budget includes £32,200 for the Care and Repair Service (page 16 of the Budget Book) and £15,000 for the Careline system (page 54 of the Budget Book). The Council also indirectly benefits from Supporting People grant paid to specialist service providers (e.g. floating support services for vulnerable households). There is a possibility that both the Council's grant and that paid to other service providers may be at risk.

3.4 None of the reductions in capital grants in the Government announcement will affect Runnymede's budget.

3.5 In addition to the reduction of local government grants of £1.166 billion, there will also be a reduction of £100 million in the national affordable housing programme. This is likely to place further constraints on the ability of the Homes and Communities Agency to support affordable housing in the Runnymede area with the result that Council funding from the capital programme could be the only mechanism that will ensure that some schemes go ahead.

3.6 There is no indication at this stage if the Chancellor's budget on 22 June will include further budgetary implications for the Council. It is to be hoped that the impact on future grant funding will become clearer before the Council considers its next Financial Forecast in October.

4. Resource Implications

4.1 The 2010/11 General Fund budget approved by the Council includes £213,100 in Housing and Planning Delivery grant and £45,400 in Local Authority Business Growth Incentives grant. The withdrawal of this funding will add £258,500 to the Council's net expenditure. There will be a similar impact in future years unless the Council takes steps to make a corresponding reduction in its expenditure.

(FOR INFORMATION)

Background Papers

None stated.

9. SURREY PENSION FUND (DF)

1. Purpose of Report

1.1 **To report the estimated valuation of the Surrey Pension Fund at 31 March 2010 and to propose a response to consultation on the way that the Actuary will calculate contributions to the Fund.**

2. Background Information

2.1 The Surrey Pension Fund is administered by Surrey County Council on behalf of all the Councils in Surrey and other public sector bodies (e.g. colleges, parish councils) as required by the Superannuation Act 1972.

2.2 In accordance with the requirements of the Local Government Pension Scheme, staff make a statutory contribution of between 5.5% and 7.5% of their pay to the Pension Fund (in Surrey the average is 6.6%). The employer's contribution to the Fund is based on an actuarial calculation of the amount required to meet future liabilities of the Fund.

2.3 The Actuary is required to value the Surrey Pension Fund every three years. The Fund was last valued by the Actuary in 2007 using valuation data at 31 March 2007. This information enabled the Actuary to determine the level of contributions required from each contributing authority for 2008/09, 2009/10 and 2010/11. The Actuary appointed by Surrey County Council is Hymans Robertson. Exhibit 1 below shows the Actuary's valuation of the fund in 2007 compared with the previous valuation in 2004 and his assessment of Runnymede's share of the fund:-

| Valuation Date | Whole Fund | | Runnymede | |
|---------------------------------|-------------------|----------------|------------------|--------------|
| | 2004 | 2007 | 2004 | 2007 |
| | £m | £m | £m | £m |
| <u>Past service liabilities</u> | | | | |
| Employees | 713.2 | 983.8 | 20.5 | 30.1 |
| Deferred pensioners | 271.7 | 389.8 | 5.8 | 8.5 |
| Pensioners | 638.3 | 845.2 | 16.9 | 20.5 |
| Total liabilities | 1,623.1 | 2,218.8 | 43.2 | 59.1 |
| Assets | 1,107.4 | 1,759.3 | 35.8 | 53.3 |
| Surplus / Deficit | (515.7) | (459.5) | (7.4) | (5.8) |
| Funding level | 68.2% | 79.3% | 82.9% | 90.2% |

2.4 Since 1995 the Actuary has calculated the position for each contributing body separately. The Council made lump sum contributions of £5,838,000 in 1996/97 and £5,729,000 in 2002/03 to reduce its share of the deficit. This is the main reason why Runnymede's element of the Fund is still the best funded in the County.

2.5 Contributions by each of the participating authorities are calculated in two ways. The first is based on a percentage of employee salaries that the Actuary calculates will pay for the Fund's liability to pay for the future benefits of current employees. The second is an annual amount that is intended to extinguish the accumulated deficit over a defined period. Runnymede's contribution in 2010/11 is 16.3% of salaries plus an annual amount of £417,000. Exhibit 2 on the next page shows how this compares with the Fund as a whole and with the 2004 valuation.

| Exhibit 2: Contribution Rates | | | | |
|--------------------------------------|--------------|--------------|--------------|--------------|
| Valuation Date | Whole Fund | | Runnymede | |
| | 2004 | 2007 | 2004 | 2007 |
| | % of pay | % of pay | % of pay | % of pay |
| <u>Future service costs</u> | | | | |
| Total cost | 17.1% | 21.0% | 18.0% | 22.5% |
| Employee contributions | -6.0% | -6.6% | -6.0% | -6.6% |
| Expenses | 0.5% | 0.4% | 0.5% | 0.4% |
| Net employer share | 11.6% | 14.8% | 12.5% | 16.3% |
| <u>Past service adjustment</u> | | | | |
| Annual amount over 20 years | £18.2m | £15.3m | £481,000 | |
| Annual amount over 17 years | | | | £380,000 |
| Expressed as % of pay | 8.9% | 6.2% | 5.4% | 4.3% |
| Overall contribution rate | 20.5% | 21.0% | 17.9% | 20.6% |

3. Report

- 3.1 The Actuary is expected to be in a position to report the outcome of his valuation of the Surrey Pension Fund by November. In the meantime, he has provided an indication of the likely valuation at March 2010 for the Surrey County Council portion of the Fund. He estimates that this moved from a funding level of 74% at 31 March 2007 to 63% at 31 March 2010. While the Actuary cautions that the March 2010 position is not yet finalised, he does not expect the final position to be very different from this estimate.
- 3.2 Based on this information, it would be reasonable to assume that Runnymede's portion of the Fund has moved from a funding level of 90.2% at 31 March 2007 (see Table 1) to an estimated 80% funding level at 31 March 2010.
- 3.3 The Actuary has advised Surrey County Council that, based on a traditional valuation approach, his estimate implies that their future contribution rate will increase by 3% from 14.8% to 17.8% and their annual deficit contribution to increase by 90%. If this pattern is consistent across the whole Fund, it implies an increase in Runnymede's annual contribution rate from 16.3% to 19.3% (costing roughly £300,000) and the annual deficit contribution increasing by almost £400,000.
- 3.4 Surrey County Council is canvassing the views of the Surrey Districts about adopting an alternative approach for the 2010 valuation. The Actuary has reported that many of their other clients have opted for a "stabilisation" approach, whereby changes in the contribution rate are limited to plus or minus 1 per cent. The argument in support of this arrangement is that in the very long term underrecoveries in the bad times will be compensated by overrecoveries in the good times. A slide (Exhibit 3) produced by the Actuary illustrates this point, in one possible scenario.

Exhibit 3: Illustration of the stabilisation approach

For long term secure employers only...

- Limit increases and future decreases (+1 and -1% p.a.) without harming expected long term funding level
- Underpay in bad times, overpay in more favourable conditions



- 3.5 If the Actuary were to adopt this approach for the 2010 valuation, it is likely that Runnymede's contribution rate for current employees would remain around its present level of 16.3% and the annual deficit contribution would increase by around £100,000. In other words, the "stabilisation" approach implies an annual increase of £100,000, in line with the Financial Forecast, compared with £700,000 using traditional valuation methodologies.
- 3.6 Given the financial challenges facing the Council and the prospect of the Government imposing a freeze in the Council Tax next year, there is an overwhelming case for adopting the "stabilisation" approach. This is being advocated by Surrey County Council. The alternative is simply not affordable at the present time.
- 3.7 However, there is a risk in moving away from the traditional methodology. There is no guarantee that the Fund deficit will improve in future, so the danger is that by limiting future increases and decreases, the funding gap will become so large that there will be no prospect of restricted contributions paying for the deficit. The Actuary has modelled future outcomes under both the traditional and stabilisation methodologies and it is reassuring that the median outcome for both is remarkably similar over the long term. However, the fact remains that at the present time the stabilisation approach will have the effect of deferring the cost of paying for the Fund deficit. The risks to the Pension Fund will be monitored by Surrey County Council and the Actuary.

4. Resource Implications

- 4.1 The Financial Forecast provides for an annual increase of £100,000 in General Fund contributions to the Pension Fund with effect from 2011/12 and a further increase of £100,000 from 2014/15. If the Actuary were to adopt a stabilisation approach for the 2010 valuation, the outcome for Runnymede is likely to be similar to the provision made in the Forecast.
- 4.2 By contrast, the Actuary's traditional valuation methodology could increase the Council's annual contribution by £700,000, which is £600,000 more than the provision in the Financial Forecast. This outcome would require the Council to make compensating savings of £600,000.

5. Legal Implications

- 5.1 There is a statutory requirement for the Surrey Pension Fund to be revalued every three years. The Council is required to make contributions to the Fund in accordance with the determination of the Fund Actuary. The Actuary is expected to issue a determination for the March 2010 valuation towards the end of the current financial year; this will set out the contributions required from the Council for the 2011/12, 2012/13 and 2013/14 financial years.

6. Risk Management

- 6.1 The purpose of the actuarial valuations is to determine the appropriate level of contributions to the Pension Fund which will provide enough money to pay for future pensions. The valuation has to make assumptions about future investment returns, future rates of pay (inflation) and how long members of the Fund will live and these are all factors over which there is no certainty.
- 6.2 As stated in paragraph 3.7, the risk in adopting the stabilisation approach is that it limits current contributions at a level that assumes a view of the future that is too optimistic. If this turns out to be the case, the repercussions will be felt by a future generation.

OFFICERS' RECOMMENDATION that -

Runnymede Borough Council supports the proposal that the Actuary to the Surrey Pension Fund adopts the "stabilisation" approach described in this report.

(TO RESOLVE)

Background Papers

Presentation by Hymans Robertson to the meeting of the Surrey Treasurers.

10. REPORTING COUNCIL EXPENDITURE TO THE PUBLIC (DF)

1. Purpose of Report

1.1 **To inform the Committee of arrangements to publicise details of the Council's spending on goods and services.**

1.2 **To recommend that this information is produced once each year.**

2. Background Information

2.1 The Government is urging all Councils to publish details of all spending over £500. The Communities Secretary wrote to all Councils on 4 June calling on local government to adopt transparency and openness as the "default setting for the way councils do business". In addition to spending data, the letter also encourages Councils to publish information on salaries, job titles, allowances and expenses and minutes of meetings.

2.2 The Government would like to see a swift response to this initiative. Ministers believe that Councils ought to be in a position by September to make details of spending on all goods and services that fall above the £500 threshold available for the public to see and scrutinise. By 2011/12 they expect this to be extended to the publication of invitations to tender and final contracts on projects over £500. The Government concedes that some of this information is already in the public domain but not always in a format that makes it easy to be republished or understood and would like to see information published in a standard format.

2.3 Runnymede Borough Council has for many years made a virtue of publicising details of its proceedings and its financial affairs. This includes the minutes of all its meetings, details of all budgets and the expenditure incurred against those budgets, allowances paid to Councillors, contracts awarded (including the contract amount) and forthcoming tenders.

2.4 As the Government announcement implies, the challenge of publicising details of the payments made by the Council is to find a way of doing this that will be intelligible to the public. The Council pays 12,000 supplier invoices every year and simply publicising a list of these payments on the web-site would not help most people to understand the Council's financial affairs. Providing a framework within which the spend details are reported, for example by category of supplier or by spending objective, will be necessary to enable the casual enquirer to relate individual transactions to the Council's overall expenditure.

2.5 From an accountant's perspective, the most effective way of reporting on the Council's spending would be through the framework of accounts used for financial reporting purposes. However, this would introduce a degree of complexity and overhead that the Government clearly do not have in mind and the desired timescale suggests that the Government would like to see Councils adopt a simple solution.

3. Report

3.1 Officers received a proposal from a company called Spikes Cavell to provide information on the internet about the Council's payments that would meet the Government's aspirations. The company has undertaken work for the Surrey local authorities relating to their spending on goods and services with a view to driving down procurement costs. They have been offered funding by Improvement & Efficiency South East (IESE) which enables them to provide a free reporting service to all the Surrey local authorities for the next three years.

3.2 The free service being offered by Spikes Cavell applies to the annual reporting of payments. If the Council wished the reporting to be undertaken at more frequent intervals, the additional cost would have to be borne by the Council. Quarterly updates would cost £3,000 per annum and monthly updates would cost £4,500 per annum. In addition there would be the cost of staff time to extract and cleanse the data of information not related to the supply of goods or services.

3.3 The service will work in the following way:

- At the end of each reporting period (e.g. annually) the Council will provide Spikes Cavell with an extract of the creditor transaction file.

- The creditor file has to be cleansed to remove payments that do not relate to goods and services (e.g. benefit payments) and Spikes Cavell will present this on-line through a series of drill-down screens categorised by payment (telephone costs, postages, IT, electricity, ground maintenance etc).
 - The payments will be allocated to each category on a simple basis using pre-existing relationships established on the Spikes Cavell database (e.g. BT = telephones, Manpower = agency staff) thereby producing a sensible analysis of the payments.
 - The data will be hosted on the Spikes Cavell web-site to which there will be a seamless link from the Runnymede web-site.
- 3.4 Spikes Cavell already have Runnymede's payments data for the 2009/10 financial year because this was supplied for a recent spend analysis undertaken jointly with the other Surrey authorities. It will therefore be possible to implement the Spikes Cavell proposal immediately with very little additional input required from the Council.
- 3.5 Officers have accepted the proposal from Spikes Cavell for four reasons.
- i) the service will be free for the duration of the IESE framework agreement;
 - ii) the information can be presented in a meaningful way immediately without the need to develop user-friendly web pages;
 - iii) it provides a timely response to the Government initiative;
 - iv) it will provide an opportunity for the Council to assess if this is the way it wishes to report its spending details or if it wishes to develop its own reporting format in future.
- 3.6 It is anticipated that the Council's spending details for 2009/10 should be available for the public to view on the internet by August.
4. Resource Implications
- 4.1 There will be no charge made by Spikes Cavell for the annual service. Improvement & Efficiency South East have given a commitment to fund this arrangement for the next three years.
- 4.2 It is estimated that the task of extracting and cleansing the data supplied to Spikes Cavell will take approximately three days each time the information is required, equivalent to around £1,000 in Officer time. This cost is borne by the Council. If the data extract were required more frequently than annually, it would be necessary to design a data extract routine that automates as much of this process as possible. This exercise has not been undertaken up to now because the requirement to produce the spend analysis in this form has only been required once before.
- 4.3 There is no budget available to pay for any enhancement of this service. Any decision to commit any of the Council's budget to this exercise would be referred to this Committee. In view of the cost of undertaking monthly and quarterly updates, (see paragraph 3.2), Officers recommend that the Council reports the payments on an annual basis.
5. Legal Implications
- 5.1 The requirement to publish all spending over £500 is not yet a legal obligation. It is being strongly urged by the Government as good practice.
- 5.2 Details of some payments will need to be edited to avoid sensitive personal data being disclosed, e.g. anything which could identify individuals in receipt of disabled facilities grants.
- 5.3 The service provided by Spikes Cavell will be the subject of a framework agreement with IESE. If the Council were to decide to enhance the service from Spikes Cavell at its own cost without seeking alternative quotes, it will be necessary to obtain Committee approval to waive Standing Orders.

6. Risk Management

- 6.1 There is a risk that if funding from IESE were withdrawn (for example, if IESE were disbanded by the Government) the Council would feel obliged to continue with the service from Spikes Cavell. Under these circumstances the Council would have to bear the cost, which is likely to be £4,500 per annum.

OFFICERS' RECOMMENDATION that –

details of the Council's spending on goods and services be reported annually.

(TO RESOLVE)

Background Papers

None

11. SAFETY COMMITTEE MINUTES

The Minutes of the meeting of the Safety Committee held on 3 June 2010 are attached at Appendix 'E'.

(FOR INFORMATION)

Background Papers

None

12. EXTERNAL APPOINTMENTS SUB-COMMITTEE MINUTES

The External Appointments Sub-Committee met on 26 May 2010 to decide a number of appointments to outside bodies. The minutes of the meeting are attached at Appendix 'F'.

THE COMMITTEE IS ASKED –

to receive and adopt the Minutes of the External Appointments Sub-Committee attached at Appendix 'F'.

(TO RESOLVE)

Background Papers

None.

13. 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 paragraphs 1 and 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

| a) | <u>Exempt Information</u> | <u>Paras</u> |
|-----|--|--------------|
| 14. | REFERENCE FROM HOUSING AND COMMUNITY SERVICES COMMITTEE - COMMUNITY TRANSPORT | 3 |
| 15. | WRITE OFFS | 1 and 3 |
| b) | <u>Confidential Information</u> | |
| | (No reports to be considered under this heading) | |