



CORPORATE MANAGEMENT COMMITTEE

30 SEPTEMBER 2010

APPENDICES

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APPENDIX 'B'

25 August 2010

Dear Chief Finance Officer,

**CONSULTATION ON REVENUE SUPPORT GRANT TOP-SLICE FOR
IMPROVEMENT SERVICES TO LOCAL AUTHORITIES**

The Secretary of State believes that the local government sector should have responsibility for its own improvement needs. He has been impressed by local government leadership of improvement, as evidenced by councils developing and sharing expertise and learning from each other.

The Local Government Association has put a proposal to the Secretary of State for the future of Revenue Support Grant top-slice, used to fund "specified bodies" that provide services to local authorities, which would meet that ambition. Subject to the Government's decisions in the forthcoming Spending Review, the Secretary of State is minded to implement this proposal but, before doing so, wants to seek your organisation's views. This consultation will conclude on **Wednesday 6 October**.

Proposal

The principal elements of the proposal put to the Secretary of State by the LGA are as follows:

- A. Reduction in annual top-slice funding (the LGA has suggested that the current total annual funding of £45m top-slice and top-up from departments could be reduced by 30% under this proposal).
- B. A sole specified body, which is the recipient of all top-slice funding (it is proposed that this body should either be the LGA or Local Government Improvement & Development, formerly the IDeA).
- C. The sole specified body will decide how best to use the funding to deliver objectives and key outcomes agreed with the Secretary of State for Communities and Local Government.

Further details of the LGA's proposal and the Government's response are set out in the annexes to this letter. The Government is minded to implement this proposal and that the sole specified body should follow the same transparency rules that councils follow to ensure proper accountability in the way that this funding is spent.

Consultation

The Government would welcome your organisation's views on:

1. **The principles of the proposal for future RSG top-slice funding (as set out in annex A to this letter); and**
2. **Whether a sole specified body should be the LGA or LGID.**

Please note that this consultation is about the principles of the proposal, and does not seek views on the amount of top-slice funding that should be paid; decisions on funding will be determined through the 2010 Spending Review.

How to respond

Given the technical nature of this proposal, the Secretary of State has decided that the consultation period on this proposal should last for six weeks from the date of this letter. Therefore, if you wish to submit a consultation response, please do so by **Wednesday 6 October**, making clear if it is being made formally on behalf of an organisation or group of organisations.

We particularly welcome responses submitted electronically, which can be sent to: **LTIE@communities.gsi.gov.uk**

Alternatively, hard copies may be faxed to 0303 44 43284 or sent by post to: Richard Daniels, Zone 3/J2, Eland House, Bressenden Place, London SW1E 5DU

All information in responses, including personal information, may be subject to publication or disclosure under freedom of information legislation. If a correspondent requests confidentiality, this cannot be guaranteed and will only be possible if considered appropriate under the legislation. Any such request should explain why confidentiality is necessary. Any automatic confidentiality disclaimer generated by your IT system will not be considered as such a request unless you specifically include a request, with an explanation, in the main text of your response.

Yours faithfully,

Lucy Makinson

ANNEX A: Proposal for future RSG top-slice funding arrangements

Proposal

The three principal elements of the LGA's proposal for future RSG top-slice funding arrangements are set out below. In support of their proposal, the LGA has produced a statement setting out their intentions for the funding, attached at Annex B.

A. Reduction in annual top-slice funding

The current nine specified bodies receive total annual funding of £45m, which comprises £38m core RSG top-slice, topped up by £7m from departmental budgets. LGA has suggested that through the adoption of this proposal, the total level of funding could be reduced by 30%. However, please note that this consultation does not seek views on the level of funding to be paid as this will be determined through the 2010 Spending Review.

B. A sole specified body, which is the recipient of all top-slice funding

The LGA has suggested that either it or Local Government Improvement & Development (formerly IDeA) should be the sole specified body in future as a way of streamlining the funding arrangements and delivering savings. To make this change, the *Revenue Support Grant (Specified Bodies) Regulations 1992*¹ would need to be amended accordingly, deleting all other organisations currently listed as specified bodies. A decision to de-specify these bodies would not necessarily result in their closure, but simply mean that they would no longer receive direct RSG top-slice funding.

The Regulations currently list the following organisations as specified bodies:

- Improvement and Development Agency for Local Government (IDeA)
- Employers' Organisation for Local Government
- Local Authorities Coordinators of Regulatory Services (LACORS)
- Public Private Partnerships Programme (4Ps)
- Fire Services Examinations Board
- Local Government International Bureau
- National Foundation for Educational Research in England and Wales
- National Institute of Adult Continuing Education
- National Youth Agency

C. The sole specified body will decide how best to use the funding to deliver objectives and key outcomes agreed with the Secretary of State for Communities and Local Government

The LGA has suggested the following six high-level objectives for RSG top-slice funding under this proposal, which would be underpinned by outcomes to be agreed with the Secretary of State:

- Strong local economies
- A smaller, less costly, more local state
- Local leaders galvanising social renewal
- Increased productivity
- Transformed workforce
- A single system of self-regulation, not expensive silo improvement

Government Response

Overall, the Government welcomes this proposal, and considers that it should reduce the costs of support, remove centrally-imposed restrictions on how RSG top-slice funding is used, and promote the ability of local government to decide how best to use the resource.

This approach should be underpinned by the clear expectation that the Secretary of State has announced for the LGA to adopt the same standards of openness, transparency, and accountability as councils. This means applying the same freedom of information rules, and publishing relevant data online, including all expenditure over £500, and job titles and salaries above Senior Civil Service Pay Band 1.

The Government therefore intends to adopt this proposal subject to the responses received through this consultation, and with decisions on the actual level of funding to be taken in the 2010 Spending Review. The Government welcomes views on:

- 1. The principles of the proposal for future RSG top-slice funding; and**
- 2. Whether a sole specified body should be the LGA or LGID.**

ANNEX B: Statement from the LGA

The Local Government Group works to support, promote and improve local government. With funding from local authorities, top-sliced and distributed by Government to the LG Group it provides a variety of services, for example:

- Delivering added value by doing work once that would otherwise need to be done many times across local government, e.g.
 - by providing a national sector owned benchmarking solution to improve council performance and productivity, by collecting data and making data and analysis available to councils free of charge
 - national pay bargaining which continues to deliver low cost pay outcomes and the most flexible pay system in the public sector
- Helping councils and neighbourhoods get maximum benefits from the government's fundamental shift of power from Westminster, e.g.
 - supporting a wide range of innovative pilots that explore new and different ways of providing services, using community-based approaches to strengthen civil society, through providing councils with guidance, tools and access to experts
 - developing and supporting a significant cadre of highly networked, senior local government champions – members and officers and professional groupings
- Harnessing specialist expertise in short supply for the benefit of all, e.g.
 - creating better local information systems and an interactive knowledge hub to allow councils to share data, exchange ideas and get access to a vast range of information online to encourage innovation
 - providing a single channel of communication between government and councils when regulatory emergencies require an immediate response
- Providing support where market mechanisms aren't available, e.g.
 - testing and developing the concept of place-based budgets with a small number of leading councils and a wider network of councils
 - supporting councils in developing ambitious prototype models for shared services through guidance and networking opportunities
- Providing support to the democratic process, through councillor and officer peers, e.g.
 - a core peer challenge offer, which can be applied to partnerships as well as councils, delivered by identifying and training peers (both members and officers from councils and the voluntary and community sector), matching peers to places and developing a set of sector-owned standards
 - enabling information exchange by networks and online communities of practice and learning from the very best practice and innovations identified through the peer challenge process, supported through online networks

Glossary

Aggregate External Finance (AEF)

The total level of revenue support the Government provides to local authorities for their core functions. This support is normally made up of Revenue Support Grant, police grant, area based grant, specific grants and the amount distributed from business rates.

Amending Report

The means of making changes in the distribution of a settlement after the settlement has been approved.

Area Cost Adjustment (ACA)

The scaling factor applied to RNF to reflect higher costs – mostly pay – in some council areas.

Billing authorities

These are the 326 authorities that collect Council Tax - district councils, London boroughs, and unitary authorities. Before 1 April 2009 there were 354.

Budget requirement

This is the amount each authority estimates as its planned spending, after deducting any funding from reserves and any income it expects to raise (other than from the Council Tax and general funding from the Government i.e. Formula Grant and sometimes in the past, certain special grants). The budget requirement is set before the beginning of the financial year.

Business rates

These rates, called National Non-Domestic Rates, are the means by which local businesses contribute to the cost of providing local authority services. Business rates are paid into a central pool. The pool is then divided between all authorities.

Capping

When the Government limits an authority's budget requirement and hence its council tax where it judges the authority has set an excessive increase.

Control Totals

These are the totals of all authorities' Relative Needs Formulae for each major service area. They are set out in Annex E to The Local Government Finance Report.

Council Tax

A local tax on domestic property set by local authorities in order to meet their budget requirement.

Council Tax base

The Council Tax base of an area is equal to the number of band D equivalent properties. To work this out, the Government counts the number of properties in each band and works out an equivalent number of band D properties. For example, one band H property is equivalent to two band D properties, because it pays twice as much tax. The amount of revenue which could be raised by Council Tax in an area is calculated allowing for discounts and exemptions but, for the purpose of the Formula Grant calculation, assuming that everyone pays. How this is calculated is set out in Annex C to the Local Government Finance Report.

Council Tax bands

There are eight Council Tax bands. How much Council Tax each household pays depends on the value of the homes. The bands are set out below.

Council Tax bands		
	Value of home estimated at April 1991	Proportion of the tax due for a band D property
Band A	under £40,000	66.7 %
Band B	£40,001 - £52,000	77.8 %
Band C	£52,001 - £68,000	88.9 %
Band D	£68,001 - £88,000	100.0 %
Band E	£88,001 - £120,000	122.2 %
Band F	£120,001 - £160,000	144.4 %
Band G	£160,001 - £320,000	166.7 %
Band H	over £320,001	200.0 %

Council Tax discounts and exemptions

Discounts are available to people who live alone and owners of homes that are not anyone's main home. Council Tax is not charged for certain properties, known as exempt properties, such as those lived in only by students.

Damping

'Damping' is used to describe the way limits are applied to the effect on grant funding of changes to the distribution formulae or data used. Lower limits, floors, on Formula Grant changes from one year to the next are now the damping mechanism.

Distributable Amount

This is the estimated total amount in the business rate pool that is available to be distributed to local authorities. The business rates are collected by local authorities and paid into a national pool and then redistributed to all authorities. The total amount is set out in Section 3 of the Local Government Finance Report. The basis for distribution is set out in Section 7 of the Local Government Finance Report.

Fixed Costs

An element of an authority's costs which do not vary with size; this mainly consists of the costs of running the corporate and democratic core of an authority, sometimes described as "the costs of being in business, not the costs of doing business".

Floor damping

A method by which stability in funding is protected through limiting the effect of wide variations in grant increase. A floor guarantees a lower limit to change in grant. The grant changes of authorities who receive more than the floor are scaled back by a fixed proportion to help pay for the floor.

Formula Grant

Comprises Revenue Support Grant, redistributed business rates, and (for relevant authorities) principal formula Police Grant.

Indicators

In this context, information used in the calculation of the Relative Needs Formulae, such as projections of population, numbers of school children, numbers of elderly people or lengths of road. The indicators are generally defined in Annex D to the Local Government Finance Report.

The Local Government Finance Settlement

The Local Government Finance Settlement is the annual determination of formula grant distribution as made by the Government and debated by Parliament. It includes:

- the totals of formula grant;
- how that grant will be distributed between local authorities; and
- the support given to certain other local government bodies.

Lower Tier Authorities

Authorities that carry out the functions that, in shire areas with two tiers of local government, are carried out by shire districts. They are the same councils as **billing authorities**.

Net Revenue Expenditure (NRE)

This represents an authority's budget requirement and use of reserves.

Non-Domestic Rates

See business rates.

Precept

This is the amount of Council Tax income county councils, police authorities, the Greater London Authority, parish councils and fire authorities need to provide their services. The amounts for all local authorities providing services in an area appear on one Council Tax bill, which comes from the billing authority.

Precepting authority

This is an authority which sets a precept to be collected by billing authorities through the Council Tax bill. County councils, police authorities, the Greater London Authority, some fire authorities and parish councils are all precepting authorities.

Receiving authorities

These are the 421 authorities that are eligible to receive Revenue Support Grant.

Relative Needs Formulae (RNF's)

These are the first stage in the calculation the Government uses to distribute formula grant. The relative needs formulae for each service block are set out in Section 4 of the Local Government Finance Report.

Reserves

This is a council's accumulated surplus income (in excess of expenditure) which can be used to finance future spending.

Revenue Expenditure

Expenditure financed by AEF grants, council tax and use of reserves.

Revenue Support Grant (RSG)

A Government grant which can be used to finance revenue expenditure on any service. The total amount is set out in Section 2 of the Local Government Finance Report.

Ring-fenced grant

A grant paid to local authorities which has conditions attached to it, which restrict the purposes for which it may be spent.

Specific Grants

Grants paid under various specific powers, but excluding formula grant or area based grant. Some specific grants are ring-fenced.

Specified Body

This is the term used for bodies (such as the Local Government Improvement and Development Agency and the National Youth Agency) that are directly funded from Revenue Support Grant, and that centrally provide services for local government as a whole.

Progress in achieving target savings reported to Corporate Management Committee 30 September 2010

	Target Saving £	Latest projections of savings likely to be achieved						Risk (Note 1)	Change (Note 2)	Comment
		2009/10 £	2010/11 £	2011/12 £	2012/13 £	2013/14 £	2014/15 £			
COMPLETED SCHEMES										
1 Safer Runnymede - increased subscriptions	30,000	0	24,000	32,000	32,000	32,000	32,000	Completed	↑	An agreement with Thorpe Park was signed in July which has achieved the income target. Discussions with Elmbridge, Epsom & Ewell and Wentworth Estate are continuing with a view to generating further business.
4 Committee/Admin restructure	15,000	15,000	15,000	15,000	15,000	15,000	15,000	Completed	→	The restructuring has been implemented and the saving will be achieved.
6 Defer parking machine replacement contribution		10,000	10,000	0	0	0	0	Completed	→	The machines will not be replaced until 2011/12 so there will be no contribution to the replacement reserve in 2009/10 and 2010/11. This is a short-term saving. As planned, the annual contribution to reserves will be reinstated in 2011/12.
9 Further procurement savings	15,000	21,800	21,800	21,800	21,800	21,800	21,800	Completed	→	The use of a Buying Solutions (OGC) contract for telephone calls will attract an additional discount of 15% which is expected to yield annual savings of £2,800. A Buying Solutions agreement has also been used to reduce Microsoft licenses by £19,000. Officers are pursuing other initiatives with a view to achieving further savings.
15 Rationalisation of community transport fleet	10,000	30,100	15,000	15,000	15,000	15,000	15,000	Completed	→	Using the fleet for Surrey County Council contracts has outperformed the saving target. However, the position fluctuates as contracts change and this is being closely monitored.
16 CEO efficiency savings	5,000	5,000	5,000	5,000	5,000	5,000	5,000	Completed	→	Staffing restructurings have achieved these savings.
18 ELC savings from football pitches (Budget Book p.65)	45,000	0	9,600	34,200	44,600	44,600	44,600	Completed	→	On 19 March 2009 the Leisure and Environment Committee resolved to accept the bid from Azzurri Sports and Leisure Ltd to manage the five-a-side football pitches at the Egham Leisure Centre. This is expected to save £44,600 in a full year with effect from 2012/13 compared with the in-house arrangements (see Budget Book page 65).
20 Reduced expenditure at Leisure Centres	5,000	5,000	5,000	5,000	5,000	5,000	5,000	Completed	→	The budget was reduced by £5,000 with effect from 2009/10.
21 Rationalisation of marketing at Leisure Centres	6,000	15,700	15,700	15,700	15,700	15,700	15,700	Completed	→	The marketing post has been deleted and the duties transferred to other posts. This has produced a saving of £15,700 at the two leisure centres.
23 Deletion of DTS administrative post	15,000	15,000	15,000	15,000	15,000	15,000	15,000	Completed	→	As reported in the 2009 Annual Workforce Plan, a part-time post in the Administration Section of the Technical Services Department has been deleted from the establishment, yielding a saving of £15,000.
24 Out of hours noise service	10,000	10,000	10,000	10,000	10,000	10,000	10,000	Completed	→	The service was discontinued with effect from 1 April 2009, thereby achieving the planned saving. As reported to the Leisure and Environment Committee on 22 January 2009, Officers will endeavour to provide some cover in-house should the need arise.
25 Increased income from Community Halls – better utilisation	15,000	15,000	15,000	15,000	15,000	15,000	15,000	Completed	→	Charges were increased with effect from 1 April 2009 in order to achieve the target.
26 Leisure development and tourism/“Visit Surrey” subscription	10,000	10,000	10,000	10,000	10,000	10,000	10,000	Completed	→	This provision was removed from the 2009/10 budget. However, the savings from the subscription were insufficient to achieve the savings and they have been achieved through cutting costs throughout the Leisure Development and Play and Youth budgets.
27 Safer Runnymede speed camera initiative	4,000	4,000	4,000	4,000	4,000	4,000	4,000	Completed	→	The costs of the speed camera initiative were transferred to Surrey Police but Surrey Police withdrew their contribution of £30,000 towards Safer Runnymede thereby negating any savings.
28 Teleonomy surveys	2,000	1,500	2,000	2,000	2,000	2,000	2,000	Completed	→	The contract has been terminated.
29 Trade Refuse - restructuring charges	30,000	30,000	30,000	30,000	30,000	30,000	30,000	Completed	→	A new charging regime was implemented from 1 April 2009 to achieve the targeted amount.
30 Training budget	15,000	27,000	15,000	15,000	15,000	15,000	15,000	Completed	→	The budget was reduced by £15,000 in 2009/10.
31 July 2009 pay award (1% instead of forecast 2%)	160,000	120,000	160,000	160,000	160,000	160,000	160,000	Completed	→	The award of 1% following the national agreement achieved the saving of £120,000 compared with the original budgetary provision for a 2% award.
32 Suspending PRP		0	150,000	150,000	0	0	0	Completed	→	Approved by Council on 15 October 2009
33 July 2010 pay award (0.5% instead of forecast 2%)	204,000	0	153,000	204,000	204,000	204,000	204,000	Completed	→	Approved by Council on 15 October 2009 (changed to 0% in February 2010 - see item 50)
34 Council Tax and Business Rates	13,000	20,000	20,000	20,000	20,000	20,000	20,000	Completed	→	Increased summons and liability order costs were approved by the Magistrates in May 2009. The saving in 2009/10 exceeded the targeted increase in income.
37 Close 2 day centres over Christmas	4,000	5,900	5,900	5,900	5,900	5,900	5,900	Completed	→	This was implemented in time to achieve a saving over Christmas 2009. In addition to the saving of £4,000 on day centre costs, this has also reduced the cost of dial-a-ride by £1,900.
38 Day centre staffing	13,500	8,400	10,200	10,200	10,200	10,200	10,200	Completed	→	Impact of the restructuring of hours and overtime following staff changes.
40 Community alarms - call-out allowance	2,000	1,300	2,600	2,600	2,600	2,600	2,600	Completed	→	This saving was implemented in 2009/10 so the reduction in the budget has been achieved earlier than originally anticipated. Savings in 2009/10 were £1,300.
41 Community alarms - alarm maintenance	2,000	8,500	8,500	8,500	8,500	8,500	8,500	Completed	→	The provision for alarm maintenance and purchase of new units has been reduced by £8,500. This reduction was achieved in full in 2009/10.
44 Benefits visiting officer	17,000	17,000	17,000	17,000	17,000	17,000	17,000	Completed	→	This post has been deleted from the establishment.
45 Licensing general office expenses	1,500	1,500	1,500	1,500	1,500	1,500	1,500	Completed	→	The budgetary provision has been reduced.
46 Car Park equipment	5,000	5,000	5,000	5,000	5,000	5,000	5,000	Completed	→	The provision for the purchase of car park equipment has been reduced by £5,000. This reduction was achieved in full in 2009/10.
47 Democratic Representation	4,000	5,900	4,000	4,000	4,000	4,000	4,000	Completed	→	The budgetary provision for refreshments was reduced by £3,400 in 2009/10 and this will increase to £4,000 in 2010/11. Additional savings in 2009/10 of £2,500 were achieved because the provision for training was not fully utilised.

	Target Saving £	Latest projections of savings likely to be achieved						Risk (Note 1)	Change (Note 2)	Comment
		2009/10	2010/11	2011/12	2012/13	2013/14	2014/15			
		£	£	£	£	£	£			
48 Council Tax postage	10,000	8,200	10,000	10,000	10,000	10,000	10,000	Completed	→	Achieved by using the NFI data matching exercise rather than a postal survey.
50 July 2010 pay award (0% instead of 0.5%)	62,000	0	47,000	62,000	62,000	62,000	62,000	Completed	→	Approved by Corporate Management Committee on 4 February 2010 (this increases the saving produced by item 33).
Action already completed	730,000	416,800	816,800	905,400	765,800	765,800	765,800			
WORK IN PROGRESS										
2 Joint working	50,000	0	25,000	50,000	50,000	50,000	50,000	A	→	The aim is to have a new contractor in place to maintain Runnymede and Spelthorne buildings, managed by RBC, by April 2011.
3 Reduced catering subsidy	5,000	0	1,000	3,500	4,000	4,000	4,000	A	→	The catering contractor has agreed to a phased withdrawal of the Council's subsidy. This will yield budgetary savings of £4,600 in 2009/10, increasing to £10,000 in 2010/11, £12,500 in 2011/12 and £13,000 per annum thereafter. The planned annual saving was £5,000. However, the savings have been offset by the increased cost of providing free beverages in the tea points. This will reduce future net savings to £4,000 per annum.
5 Land Charges - reduced volumes	10,000	33,700	5,000	5,000	10,000	10,000	10,000	R	→	A marketing initiative was undertaken during 2009/10 and there are some signs of volume recovery. An increase in search fee income and savings on the salary budget achieved savings of £33,700 in 2009/10. New guidance from the DCLG (August 2010) now states that we must not charge for personal searches: a loss of £35,000 income.
7 Reduced strategic maintenance provision	50,000	0	0	0	0	0	0	R	→	The original target was to achieve a saving of £78,000 in 2009/10, reducing to £50,000 in subsequent years. The maintenance programme has been reduced but this has only related to planned works that have been charged to the capital programme. So there will be no revenue savings. The 2009/10 outturn showed an increase in the cost of reactive works charged to the revenue budget.
8 Review of asset management plan	125,000	0	0	0	25,000	125,000	125,000	A	→	Revenue savings of £25,000 were originally programmed to be achieved by 2010/11 through accelerated asset disposals or leases. This is unlikely to be achieved before 2012/13 owing to market conditions. A new asset management plan was reported to EDC in June 2010.
10 Provision for restructuring opportunities	100,000	24,500	40,000	60,000	80,000	100,000	100,000	A	→	Savings to date have been achieved from restructurings when posts have become vacant. Target 59 provides for further savings as a result of the workforce planning review.
11 5% reduction in grants budget	20,000	10,000	10,000	20,000	20,000	20,000	20,000	G	→	The general provisions for Community Services related grants and Leisure related grants have each been reduced by £5,000 so the planned savings are on target.
12 Revenues restructuring	20,000	0	0	0	20,000	20,000	20,000	A	→	Work has already commenced to achieve this saving by 2012/13.
13 QEH disposal	25,000	12,700	12,700	25,000	25,000	25,000	25,000	A	→	There were no savings from disposal in 2009/10 although a £12,700 saving on holding costs was achieved. The Economic Development Committee agreed to accept a bid for these premises in June 2010 and the sale is proceeding.
14 Revenue impact of reduced capital spend	5,000	1,500	2,000	3,000	5,000	5,000	5,000	A	→	This saving was based on reducing the capital programme by £100,000 and thereby achieving additional investment income of £5,000 assuming interest rates of 5%. The capital programme was reduced by £100,000 but, in view of the reduction in interest rates, the revenue benefit will be less than the target until interest rates increase.
17 10% reduction in overtime	15,000	0	0	0	0	0	0	R	→	This relates to the parks service and the saving has been included in Target 60.
19 Discretionary income increased above inflation	45,000	0	5,000	15,000	45,000	45,000	45,000	A	→	Allotment income is expected to achieve £5,000 increase in 2010/11. The future target is based on increases in cemeteries income of £10,000 in 2011/12 and £30,000 in 2012/13.
22 Reduced cost of public notices	25,000	0	0	0	0	0	0	R	→	This saving is dependent on a change in legislation.
35 Publications	1,000	0	1,000	1,000	1,000	1,000	1,000	G	→	Measures are being taken to achieve this saving.
36 Inflation on prices	100,000	0	100,000	100,000	100,000	100,000	100,000	G	→	The Financial Forecast approved on 30 October 2008 included a provision for 3% inflation on prices. However, the inflationary provision included in the 2010/11 budget that was approved in February 2010 was only 1%. This has achieved the required saving.
39 Community alarms income	10,000	0	0	0	0	0	0	G	→	Additional income from introducing a flat rate charge. The anticipated savings have been included in line 55.
42 Cemeteries	20,000	15,000	20,000	20,000	20,000	20,000	20,000	A	→	Prices were increased on 1 April 2009 but the number of burials reduced compared to 2008/09. It is too early to conclude whether or not the reduction was linked to the price increase. There is some evidence of increased demand again.
43 Benefits external audit fee	10,000	0	0	0	0	0	0	R	→	The reduction in the KPMG fee for auditing the Benefit Subsidy claim is now only expected to reduce by £5,600. Unfortunately, this has been offset by a charge from the Audit Commission for CAA work.
49 New capital receipts	61,000	0	0	41,000	61,000	61,000	61,000	R	→	This assumes that there will be land disposals yielding £2 million during 2011 in addition to the amounts already included in last year's Financial Forecast (see also item 8 above).
51 July 2011 pay award (0% instead of forecast 2%)	265,000	0	0	200,000	265,000	265,000	265,000	G	→	Approved by Corporate Management Committee on 4 February 2010 see also items 33 and 50).
52 Charitable Trust for Sports Centres	150,000	0	0	150,000	150,000	150,000	150,000	G	→	Action in hand with a target date of April 2011.
53 Reduced hours at Addlestone Leisure Centre	50,000	0	20,000	50,000	50,000	50,000	50,000	G	→	Action in hand with a target to commence the new arrangements in September 2010.
54 Community Services - deletion of vacant posts	14,000	14,000	14,000	14,000	14,000	14,000	14,000	G	→	Deletion of two vacant driver posts has achieved this saving.

	Target Saving £	Latest projections of savings likely to be achieved						Risk (Note 1)	Change (Note 2)	Comment
		2009/10	2010/11	2011/12	2012/13	2013/14	2014/15			
		£	£	£	£	£	£			
54 Community Services - deletion of vacant posts	14,000	14,000	14,000	14,000	14,000	14,000	14,000	G	→	Deletion of two vacant driver posts has achieved this saving.
55 Community alarms - careline income	7,500	7,500	12,200	14,500	30,300	30,300	30,300	G	→	Increased careline charges. The new policy will substantially increase the projected income.
56 New recycling contract	280,000	0	0	337,900	349,600	325,100	251,600	G	→	The contract has been awarded to Biffa Waste Services with effect from February 2011. Surrey CC has confirmed that a recycling credit will be paid for food waste and additional grant from them is anticipated (£98,000 per annum will be paid until 2013/14). Savings in 2010/11 will offset the cost of publicising the new arrangements. Other adjustments have been made to reflect current prices. N.B. Part of the savings (£180,000) arises from additional provisions in the Forecast not being required.
57 Charging for planning advice	25,000	0	6,000	25,000	25,000	25,000	25,000	G	↓	A committee report will be presented with implementation planned later in 2010/11
58 Grounds maintenance - reduction of one post	10,000	0	10,000	10,000	10,000	10,000	10,000	G	→	Already implemented.
59 Review Council structure	300,000	0	0	0	300,000	300,000	300,000	A	→	Subject to a further report to Committee in October 2010.
60 Parks & Open Spaces: staggered hours/insourcing	50,000	0	0	50,000	50,000	50,000	50,000	G	→	Action is in hand with a target to achieve the savings by April 2011.
Work in progress	1,848,500	118,900	283,900	1,194,900	1,709,900	1,805,400	1,731,900			
Total projected savings	2,578,500	535,700	1,100,700	2,100,300	2,475,700	2,571,200	2,497,700			

Note 1: Risk indicators	
R = Red - significant action required	171,000
A = Amber - mitigating action may be required	695,000
G = Green - expected to be achieved	982,500
Completed	730,000
	2,578,500

Note 2: Change to financial projections since May 2010	
No change since last report	→
Increase since last report	↑
Reduction since last report	↓

	Latest projections of savings likely to be achieved						Comment
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	
	£	£	£	£	£	£	
ADDITIONAL SAVINGS NOT IN THE APPROVED PROGRAMME							
61 Green Waste - new disposal agreement		9,000	12,000	12,000	12,000	12,000	New arrangements effective from 1 July 2010 Approved by Corporate Management Committee on 2 September 2010
62 Public Relations - joint Council Tax leaflet with County and Police			4,000	4,000	4,000	4,000	
63 Community Services - further administrative savings		10,000	10,000	10,000	10,000	10,000	
Total savings in addition to the approved programme		19,000	26,000	26,000	26,000	26,000	

Investments made from 1 April to 1 September 2010										
Date made	COUNTERPARTY	Building Society asset size / Government Backing	Fitch Ratings				£'000	%	TERM	MATURITY
			Short term	Long term	Indiv	Support				
August 2010										
Tradition Cash Fund										
01 Sep 2010	Cumberland BS	£1,554m	-	-	-	-	1,000	0.680	3mth	01 Dec 2010
01 Sep 2010	Leeds BS	£9,545m	F1	A	B/C	3	1,000	0.950	9mth	01 Jun 2011
Runnymede Borough Council										
01 Sep 2010	Aviva Money Market Fund	-	-	AAA	-	-	2,920	*****	On Call	*****
01 Sep 2010	Goldman Sachs MMF	-	-	AAA	-	-	70	*****	On Call	*****
01 Sep 2010	Debt Management Office	Gov't	-	-	-	-	1,500	0.250	9 days	10 Sep 2010
August 2010										
Tradition Cash Fund										
		£836m	-	-	-	-		0.950	3mth	20 Nov 2010
		£836m	-	-	-	-		0.950	3mth	21 Nov 2010
20 Aug 2010	Saffron Building Society	£836m	-	-	-	-	1,000	0.950	3mth	22 Nov 2010
Runnymede Borough Council										
27 Aug 2010	Goldman Sachs MMF	-	-	AAA	-	-	430	*****	On Call	*****
16 Aug 2010	Aviva Money Market Fund	-	-	AAA	-	-	2,000	*****	On Call	*****
02 Aug 2010	Goldman Sachs MMF	-	-	AAA	-	-	930	*****	On Call	*****
02 Aug 2010	Aviva Money Market Fund	-	-	AAA	-	-	1,360	*****	On Call	*****
02 Aug 2010	Debt Management Office	Gov't	-	-	-	-	2,400	0.250	4 day	06 Aug 2010
02 Aug 2010	Debt Management Office	Gov't	-	-	-	-	1,780	0.250	1 day	03 Aug 2010
July 2010										
Tradition Cash Fund										
07 Jul 2010	Hinckley & Rugby BS	£700m	-	-	-	-	500	0.770	3 Mth	07 Oct 2010
07 Jul 2010	Manchester BS	£918m	-	-	-	-	1,000	0.900	3 Mth	07 Oct 2010
07 Jul 2010	Nationwide BS	£191,397	F1+	AA-	B	1	1,000	0.930	6 Mth	07 Jan 2011
Runnymede Borough Council										
30 Jul 2010	Aviva Money Market Fund	-	-	AAA	-	-	810	*****	On Call	*****
15 Jul 2010	Aviva Money Market Fund	-	-	AAA	-	-	1,220	*****	On Call	*****
09 Jul 2010	Aviva Money Market Fund	-	-	AAA	-	-	330	*****	On Call	*****
02 Jul 2010	Norwich & Peterborough BS	£4,985m	F2	BBB+	C	3	1,000	0.900	3 Mth	04 Oct 2010
01 Jul 2010	Goldman Sachs MMF	-	-	AAA	-	-	900	*****	On Call	*****
01 Jul 2010	Aviva Money Market Fund	-	-	AAA	-	-	1,800	*****	On Call	*****
01 Jul 2010	Debt Management Office	Gov't	-	-	-	-	2,550	0.250	1 day	02 Jul 2010
June 2010										
Tradition Cash Fund										
02 Jun 2010	Barclays Bank	-	F1+	AA-	B	1	1,500	0.850	6mth	01 Dec 2010
Runnymede Borough Council										
29 Jun 2010	Aviva Money Market Fund	-	-	AAA	-	-	600	*****	On Call	*****
15 Jun 2010	Debt Management Office	Gov't	-	-	-	-	330	0.250	17 days	02 Jul 2010
15 Jun 2010	Aviva Money Market Fund	-	-	AAA	-	-	1,040	*****	On Call	*****
15 Jun 2010	National Counties BS	£1,393m	-	-	-	-	1,000	0.800	3mth	10 Sep 2010
01 Jun 2010	Goldman Sachs MMF	-	-	AAA	-	-	3,000	*****	On Call	*****
01 Jun 2010	Standard Life Money Market Fund	-	-	AAA	-	-	1,330	*****	On Call	*****
01 Jun 2010	Aviva Money Market Fund	-	-	AAA	-	-	2,050	*****	On Call	*****

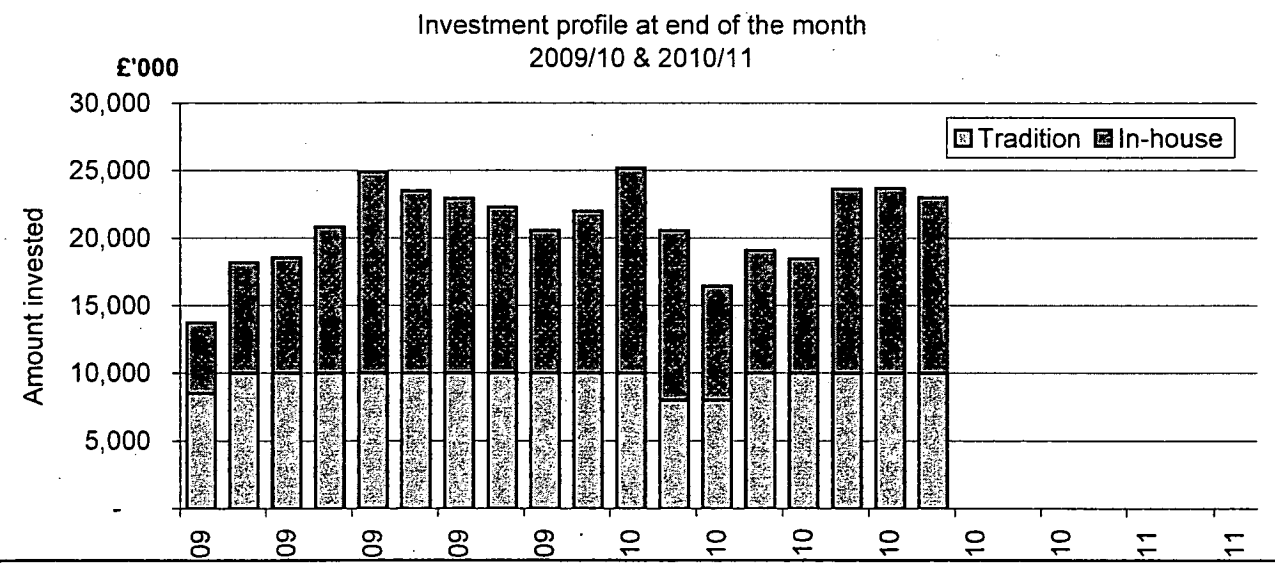
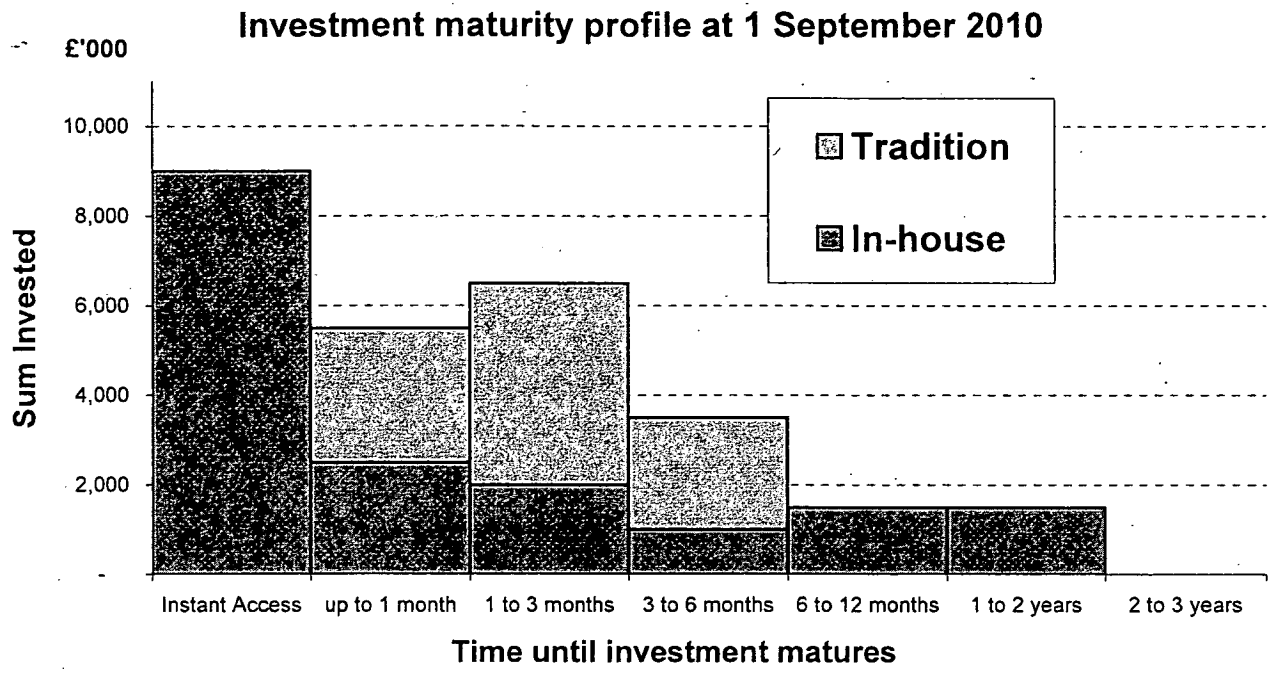
Investments made from 1 April to 1 September 2010

Date made	COUNTERPARTY	Building Society asset size / Government Backing	Fitch Ratings				£'000	%	TERM	MATURITY
			Short term	Long term	Indiv.	Support				
May 2010										
Tradition Cash Fund										
21 May 2010	Saffron Building Society	£836m	-	-	-	-	1,000	0.950	3mth	20 Aug 2010
Runnymede Borough Council										
17 May 2010	Goldman Sachs MMF	-	-	AAA	-	-	2,340	***** On Call *****		
07 May 2010	Goldman Sachs MMF	-	-	AAA	-	-	660	***** On Call *****		
04 May 2010	Debt Management Office	Gov't	-	-	-	-	1,500	0.250	16 days	20 May 2010
04 May 2010	Debt Management Office	Gov't	-	-	-	-	1,800	0.250	1 day	05 May 2010
04 May 2010	Standard Life Money Market Fund	-	-	AAA	-	-	990	***** On Call *****		
04 May 2010	Aviva Money Market Fund	-	-	AAA	-	-	1,930	***** On Call *****		
April 2010										
Tradition Cash Fund										
07 Apr 2010	Skipton BS	£15,184m	F2	A-	B/C	3	1,000	1.000	6 Mth	07 Oct 2010
07 Apr 2010	Principality BS	£6,399m	F2	BBB+	C	3	1,000	1.000	6 Mth	07 Oct 2010
07 Apr 2010	Nottingham BS	£3,060m	P2	A3	C-	-	1,000	0.900	3 Mth	07 Jul 2010
07 Apr 2010	Hinckley & Rugby BS	£700m	-	-	-	-	500	0.800	3 Mth	07 Jul 2010
07 Apr 2010	Manchester BS	£918m	-	-	-	-	1,000	0.850	3 Mth	07 Jul 2010
Runnymede Borough Council										
30 Apr 2010	Standard Life Money Market Fund	-	-	AAA	-	-	590	***** On Call *****		
13 Apr 2010	Aviva Money Market Fund	-	-	AAA	-	-	550	***** On Call *****		
12 Apr 2010	Standard Life Money Market Fund	-	-	AAA	-	-	550	***** On Call *****		
08 Apr 2010	Aviva Money Market Fund	-	-	AAA	-	-	800	***** On Call *****		
01 Apr 2010	Norwich & Peterborough BS	£4,985m	F2	BBB+	C	3	1,000	0.900	3 Mth	02 Jul 2010
01 Apr 2010	Yorkshire BS	£23,032m	F2	A-	B/C	3	1,000	0.950	6 Mth	01 Oct 2010
01 Apr 2010	Goldman Sachs MMF	-	-	AAA	-	-	3,000	***** On Call *****		
01 Apr 2010	Aviva Money Market Fund	-	-	AAA	-	-	3,000	***** On Call *****		

Investments as at 1 September 2010

		£'000		ORIGINAL TERM	MATURITY	RATE %
Banks						
T	Barclays	1,500		6 mth	01 Dec 2010	0.850
	Total Banks	1,500	5%			
Building Societies						
	Coventry BS	1,500		5yr	24 May 2012	6.780
T	Leeds BS	1,000		9 mth	01 Jun 2011	1.140
	Kent Reliance BS	1,500		4yr	05 Apr 2011	6.310
	Leeds BS	1,000		11 mth	22 Feb 2011	1.160
T	Nationwide BS	1,000		6 mth	07 Jan 2011	0.930
T	Cumberland BS	1,000		3 mth	01 Dec 2010	0.680
T	Saffron BS	1,000		3 mth	22 Nov 2010	0.950
T	Skipton BS	1,000		6 mth	07 Oct 2010	1.000
T	Principality BS	1,000		6 mth	07 Oct 2010	1.000
T	Hinckley & Rugby BS	500		3 mth	07 Oct 2010	0.770
T	Manchester BS	1,000		3 mth	07 Oct 2010	0.900
	Norwich & Peterborough BS	1,000		3 mth	04 Oct 2010	0.900
	Yorkshire BS	1,000		6 mth	01 Oct 2010	0.950
T	Nationwide BS (Formerly with Dunfirmline BS)	1,000		25 mth	30 Sep 2010	6.100
	National Counties	1,000		3 mth	10 Sep 2010	0.800
	Total Building Society	15,500	56%	(75% Limit)		
Money Market Funds						
	Aviva Investors Sterling Liquidity Fund - Class 2	3,000		***** On Call *****		
	Standard Life Sterling Liquidity Fund - Prime	3,000		***** On Call *****		
	Goldman Sachs Sterling Liquid Reserves Instit	3,000		***** On Call *****		
	Money Market Funds	9,000	33%			
Debt Management Office						
	Debt Management Office	1,500		9 days	10 Sep 2010	0.250
	Total with Debt Management Office	1,500	5%			
Other Institutions						
	None	-				
	Total Other Investments	-	0%			
	Total Investments	27,500				
T	= Part of Tradition cash fund					

OUTSTANDING IN-HOUSE MANAGED INVESTMENTS



REVISED ANNUAL INVESTMENT STRATEGY FOR THE 2010/11 FINANCIAL YEAR

Introduction

1. This strategy is made in accordance with the Guidance on Local Government Investments issued by the government on 11 March 2010.
2. The Council approved the Annual Investment Strategy for 2010/11 on 9 March 2010, ~~and revised it on 21 October 2010~~. This strategy is consistent with the Council's overall treasury management strategy for 2010/11.
3. This strategy applies to both in-house and externally managed funds. External managers must confirm the acceptability of a counterparty before an investment is made.

General Provisions

4. All investments must be made in sterling

Credit risk assessment

5. Credit ratings are an important, but not the only, means of assessing creditworthiness. Full regard will be given to other available information on the credit quality of counterparties. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the criteria set out in this Strategy. The Director of Finance has access to treasury consultants, and has a copy of the Financial Times delivered daily, to help in providing this sort of information in an appropriate way. Therefore, in addition to credit ratings, the Director of Finance will consider the following factors when making investments and reviewing the credit quality of investments currently held:
 - a. **Quality financial press** – watch for any market rumours
 - b. **Credit default swaps** - CDS are a financial instrument for swapping the risk of debt default. The buyer of a credit default swap pays a premium for effectively insuring against a debt default. He receives a lump sum payment if the debt instrument is defaulted. The seller of a credit default swap receives monthly payments from the buyer. If the debt instrument defaults they have to pay the agreed amount to the buyer of the credit default swap. Although absolute prices can be unreliable, trends in CDS spreads do give an indicator of relative confidence about credit risk.
 - c. **Share price**– changes in share prices are an indicator of market confidence
 - d. **Annual reports**
 - e. **Statements to the market**
 - f. **Information on government support for banks**– if a government is likely to step in to support a bank then this reduces the risk of default
 - g. **Credit ratings of government support**– the weight you place on potential support from a government that does not itself have a high credit rating
 - h. **The rates being paid** - If they're out of line with the market, there's a reason and could indicate that the investment is likely to carry a high risk
 - i. **What other banks are saying** - Rumours spread quickly in markets
 - j. **Information provided by management advisors**– this may include some of information detailed above.
 - k. **Market price (and movement in the market price) of existing debt securities issued by counterparties** – if other lenders are getting worried about a particular counterparty they will be selling the counterparty's debt

securities and, by doing so, pushing down the price of those securities in the market.

Credit ratings used

- Our treasury management consultants (currently Sterling Consultancy Services) provide us with routine lists of credit ratings at least every month, and any urgent changes on a daily basis. The lists of investment counterparties are changed immediately new credit rating are received. The tables below compare the long-term and short-term ratings used by the various credit rating agencies to enable fund managers to use ratings from different rating agencies:

Table A: Comparison of long-term credit ratings		
Moody's	S&P	Fitch
Investment grade		
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BBB+	BBB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-
Speculative grade		
Ba1	BB+	BB+
Ba2	BB	BB
Ba3 and below	BB- and below	BB- and below

Comparison of Short-Term Ratings		
Moody's	S&P	Fitch
Investment grade		
Prime-1 "P1"	A-1+	F1+
Prime-1 "P1"	A-1	F1
Prime-2 "P2"	A-2	F2
Prime-3 "P3"	A-3	F3
Speculative grade		
Not Prime	B	B
	C	C
	D	D

- All decisions on placing new investments are to be made on the basis of the lowest ratings issued by all three main agencies, Fitch, Moody's and Standard and Poors.

~~8. Long-term credit ratings will be used in setting investment limits with counterparties, including setting limits for investments for a term of less than 12 months. This is because long-term ratings provide a finer grading scale compared to short-term ratings.~~

9. Institutions who are under 'negative watch' or 'review for possible downgrade' notices (as distinct from negative outlook) are assessed on the basis of one category below their current credit rating and the term of any such new investment can be for no longer than 3 months. Definitions of these terms are set out at the end of this statement.

Sector limits

10. As far as reasonably possible, no more than 75% of total investments made are to be lent to building societies at any one time. Where possible, some investments outside of the banking sector will form part of the portfolio held. These sector limits are not to be regarded as absolute limits and it is recognised that, from time to time, short-term cash requirements may mean that the limit is temporarily exceeded.

Counter party maximum limit

11. Investments made must avoid an over concentration with one or two counter parties. A set of maximum counterparty limits is therefore appropriate. The maximum limit of investment with any one authorised institution is ~~£2.5m~~, although lower limits apply to certain categories of counterparties as set out in this Strategy.
12. The manager of externally managed funds is required to confirm that a counterparty name is acceptable before making an investment.
13. The limit for money market funds where deposits are callable at immediate notice is £3.0m. This is higher than the limit for investment with any one authorised institution because of the protection offered by the diversity and high credit rating of such funds.

~~14. The limit for longer duration money market funds is £2.0m.~~

Investments in any parent and its wholly owned subsidiaries

15. Investments in any parent and its wholly owned subsidiaries are to be aggregated for the purpose of calculating the limit of investment to that parent or its subsidiaries.

Counterparty list

16. The Director of Finance will maintain a counterparty list in compliance with these criteria.

Policy for specified investments and credit criteria used

17. All specified investments must be in sterling and have a maturity of less than a year. Such investments with the UK Government and local authorities count as specified investments, as will those with bodies or in investment schemes with high credit quality. Non-specified investments are those that do not meet these criteria.
18. Table B sets out the counterparties that can be used and the limits that apply:

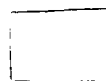


Table B: Specified investments - Limits			
	Credit rating (Fitch)	Maximum limits	
		Term up to	Sum
<u>UK Banks and their subsidiaries (see paragraph 20)</u>	<u>A+</u>	<u>364 days</u>	<u>£2.5m</u>
<u>UK Banks and their subsidiaries (see paragraph 20)</u>	<u>A</u>	<u>6 months and 7 days</u>	<u>£2.0m</u>
<u>UK Banks and their subsidiaries (see paragraph 20)</u>	<u>A-</u>	<u>3 months and 7 days</u>	<u>£2.0m</u>
Local, Police, Fire, Civil Defence & Transport Authorities	N/A	364 days	£2m
Government bonds (gilts) and treasury bills	N/A	364 days	No limit
Debt Management Agency Deposit Facility (DMADF)	N/A	364 days	No limit
<u>Money Market Funds: Liquid funds (see paragraph 22)</u>	<u>AAA</u>	<u>On call</u>	<u>£3m</u>
<u>Money Market Funds: Longer duration funds (para 23)</u>	<u>AAA</u>	<u>183 days</u>	<u>£2m</u>
Multinational Development Banks	AAA rated	364 days	£1m
Foreign banks domiciled in one country that holds a AAA or AA+ sovereign credit rating	<u>AA-</u>	On call only	£1m

Table C: Building Societies (all must have been issued a certificate of eligibility under the UK Government's 2008 Credit Guarantee Scheme)			
	Credit rating (Fitch)	Maximum limits	
		Term up to	Sum
<u>UK Building Societies (credit rating of A- or better)</u>	<u>A-</u>	<u>364 days</u>	<u>£2.5m</u>
<u>UK Building Societies (credit rating of BBB+)</u>	<u>BBB+</u>	<u>6 months and 7 days</u>	<u>£1.5m</u>
<u>UK Building Societies (credit rating of BBB)</u>	<u>BBB</u>	<u>6 months and 7 days</u>	<u>£1.0m</u>
<u>UK Building Societies with assets exceeding £500m without a credit rating</u>	<u>N/A</u>	<u>4 months and 7 days</u>	<u>£1.0m</u>

19. No investments will be made with building societies that hold a long term credit rating below BBB, or are on negative watch and/or negative outlook and hold a BBB rating.
20. Investment in any bank and its wholly owned subsidiaries are to be aggregated for the purpose of calculating the limit of investment to that bank or its subsidiaries.
21. If credit ratings are downgraded below criteria, the counterparty will be suspended from counterparty list and no further investments will be made with it.

Money market funds

22. Accounts may be opened in money market funds that have a credit rating of AAA subject to the advice of our treasury management consultants as to confirmation of the credit worthiness and liquidity of the fund, the performance of the fund, and other matters as appropriate. The maximum investment in any one short-term fund that provides immediate access to funds is £3m.

23. ~~The limit for investments made in longer duration money market funds – these can be realised after a period of notice or be for fixed terms up to one year – is £2m.~~
24. Our practice is to have more than one money market account available to ensure that there is sufficient flexibility to move funds if circumstances require, and to achieve a wide spread of investments.

Building Societies

25. UK building societies that hold no credit ratings will be considered to be of “high credit quality” if they have been issued a certificate of eligibility under the UK Government’s 2008 Credit Guarantee Scheme. The capital adequacy of these societies has been assessed by the Treasury, and they are eligible to raise funding with a government guarantee if they have trouble raising it elsewhere.
26. The Council takes additional comfort from the building societies’ regulatory framework and insolvency regime where, in the unlikely event of a building society liquidation, the Council’s deposits would be paid out in preference to retail depositors. Investments in lower rated and unrated building societies will be reviewed if the insolvency regime is amended.

Forward deals up to one year

27. Forward deals may be entered into with banks and building societies that meet the appropriate credit rating criteria for specified investments where the total period of the investment (i.e. negotiated deal period plus period of deposit) is less than one year.

Policy for non-specified investments and credit criteria used

28. Non-specified investments are those that do not meet the criteria for specified investments.
29. The advice of our treasury management consultants will be sought prior to making any long-term investment as to appropriateness of the investment.
30. Non-specified investments may be made subject to the limits set out in Table C:

Table C: Non-specified Investments – Limits					
	Minimum credit ratings (Fitch)			Maximum limits	
	Long-term	Individual	Support	Term up to	Sum
UK Banks	See Table D				
Subsidiaries of UK Banks	See Table D				
Local authorities	N/A	N/A	N/A	5 years	£1m
UK Building Societies	See Table E				
UK Government bonds (gilts)	N/A	N/A	N/A	5 years (to maturity of gilt from date of purchase)	£7m
Multinational Development Banks	AAA rated			5 years	£1m

31. The maximum duration of a long-term investment with a UK bank will depend upon its lowest published long-term credit rating based on the criteria set out in Table D:

Long-term credit rating	Individual rating	Support rating	Time limit	Maximum sum
AAA	B	2	5 years	£1m
AA+	B	3	4 years	£1m
AA	B	3	3 years	£1m
AA-	B	3	2 years	£1m

32. The maximum duration of a long-term investment with a UK bank will depend upon its lowest published long-term credit rating based on the criteria set out in Table E:

Long-term credit rating	Individual rating	Support rating	Time limit	Maximum sum
AAA	B	2	5 years	£1m
AA+	B	3	4 years	£1m
AA	B	3	3 years	£1m
A	B/C	3	2 years	£1m

33. The limit on the amount that may be held in non-specified investments at any time in the financial year is £7 million (excluding any accrued interest).

Policy for liquidity of investments

34. The proportion of the in-house portfolio that may be held in short-term and long-term investments will vary at any one time dependant on the cash flow position of the Council. The following table sets out the maximum, minimum and expected range of investments held at various times of the year:

Time of year	Long-term investments		Short-term investments	
	Maximum	Minimum	Maximum	Minimum
	%	%	%	%
Start of year	100	0	100	75
June	50	0	100	50
September	50	0	100	50
December	50	0	100	50
End of year	100	0	100	0

35. The proportions in the table reflect that at the end of the year cash inflows are low because tax receipts are received in 10 instalments from April to January. Therefore, long-term investments may represent the entire investment portfolio for a short time. Normally it is expected that long-term investments will not exceed 50% of total investments.
36. The amount of investments (both managed in house and externally) that may be held in long-term investments will be, measured on a rolling basis, at any point in time:

- No more than £5 million of outstanding investments are to be over 3 years until maturity, and
 - No more than £7 million of outstanding investments are to be over 1 year until maturity.
37. The maximum term of any one investment is 5 years.

Other issues

Investments defined as capital expenditure

38. The acquisition of share capital or loan capital in any body corporate is defined as capital expenditure under Section 16(2) of the Local Government Act 2003. Such investments will have to be funded out of capital or revenue resources and will be classified as 'non-specified investments'.
39. A loan or grant to another body for capital expenditure by that body is also deemed by regulation to be capital expenditure. It is therefore important that it is clearly identified when the loan has made for policy reasons (e.g. to the registered social landlord for the construction/improvement of dwellings) or if it is an investment for treasury management purposes. The framework for 'specified' and 'non-specified' investments will govern investments that are for treasury management purposes.

Forward deals for more than one year

40. Forward deals with banks and building societies that meet the appropriate credit rating criteria for non-specified investments where the total period of the investment (i.e. negotiated deal period plus period of deposit) is greater than one year may be made subject to the limits set out in the "Policy for liquidity of investments" section.

Investment of money borrowed in advance on need

41. Borrowing in advance of need (if any) will only be undertaken if there is a risk that funds would otherwise not be accessible on the date they are required, or the terms of the borrowing are demonstrably favourable.

Provisions for credit-related losses

42. If any of the Council's investments appear at risk of loss due to default (i.e. this a credit-related loss, and not one resulting from a fall in price due to movements in interest rates) the Council will make revenue provision of an appropriate amount.

Review of investment strategy

43. The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its Treasury Management Practices.
44. This Strategy may be amended on these occasions, or other circumstances as may be appropriate. Any revised Strategy will be approved by the full Council.
45. This Strategy is deemed to include sufficient flexibilities and delegations to avoid the need for a formal submission to the full Council being triggered by purely technical circumstances.

Investment consultants

46. The Council contracts with Sterling Consultancy Services to provide advice and information relating to its investment and borrowing activities. However, responsibility for final decision making remains with the Council and its Officers. The services received include:
- advice and guidance on relevant policies, strategies and reports,
 - advice on investment decisions,
 - notification of credit ratings and changes,

- other information on credit quality,
 - advice on debt management decisions,
 - accounting advice,
 - reports on treasury performance,
 - forecasts of interest rates, and
 - training courses.
47. The quality of this service is controlled by the Director of Finance assessing the quality of advice offered and other services provided by Sterling Consultancy Services. In particular, the Director of Finance holds regular (normally 3 to 4 times a year) meetings with Sterling Consultancy Services where, in addition to discussing treasury strategy, the performance of the consultants is reviewed.
48. In addition, a market testing exercise is conducted every three years when other treasury consultants are invited to submit proposals to carry out the service. These proposals are analysed for quality and price in accordance with the procedures set out in the rules on the use of professional and consultancy services published in the Council's Constitution (as part of Standing Orders for Contracts).

Investment training

49. The needs of the Council's treasury management staff for training in investment management are assessed every year as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. Relevant training courses, seminars and conferences are provided by Sterling Consultancy Services.
50. A new Joint Qualification with the Association of Corporate treasurers was launched in 2009. The course is designed to give students a fundamental understanding of the core aspects of treasury management. Whilst the course does have a public sector focus, it also covers many aspects of treasury management which are currently relevant to corporates rather than public bodies. The appropriateness of this qualification for Officers will be kept under review.

Publication of this Strategy

51. This Strategy is published in the Minutes of the Council and is available on the Council's website under 'Finance' and then 'Treasury Policies'. A copy of this Strategy will be made available to the public free of charge in print if requested.

Definitions

(Negative) Rating Watch – Fitch Ratings

Rating Watches indicate that there is a heightened probability of a rating change and the likely direction of such a change. These are designated as "Positive", indicating a potential upgrade, "Negative", for a potential downgrade, or "Evolving", if ratings may be raised, lowered or affirmed. However, ratings that are not on Rating Watch can be raised or lowered without being placed on Rating Watch first, if circumstances warrant such an action.

Review for possible downgrade - Moody's (Standard & Poor's is very similar)

Moody's uses the 'Watchlist' to indicate that a rating is under review for possible change in the short-term. A rating can be placed on review for possible upgrade (UPG), on review for possible downgrade (DNG), or more rarely with direction uncertain (UNC). A credit is removed from the Watchlist when the rating is upgraded, downgraded or confirmed

(Negative) Rating Outlook – Fitch Ratings (Moody's and Standard & Poor's are similar)

Rating Outlooks indicate the direction a rating is likely to move over a one- to two-year period. They reflect financial or other trends that have not yet reached the level that would trigger a rating action, but which may do so if such trends continue. The majority of Outlooks are generally Stable, which is consistent with the historical migration experience of ratings over a one- to two-year period. Positive or Negative rating Outlooks do not imply that a rating change is inevitable and, similarly, ratings with Stable Outlooks can be raised or lowered without a prior revision to the Outlook, if circumstances warrant such an action. Occasionally, where the fundamental trend has strong, conflicting elements of both positive and negative, the Rating Outlook may be described as Evolving.

CORPORATE & BUSINESS SERVICES
FINANCIAL MONITORING STATEMENT
 Figures to August 2010

APPENDIX 'H'

PROJECTED BUDGET AND FORECAST

	2010/11	Future Years		
	Budget £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Approved budget:				
Corporate and Democratic Services	2,339	2,339	2,339	2,339
Business Services	983	983	983	983
Control and Establishment Budgets	178	178	178	178
Total approved budgets	3,500	3,500	3,500	3,500
Approved and reported changes:				
<u>Planned Underspends carried forward from 2009/10 (CMC - May 2010):</u>	25			
<u>Changes approved in Financial Forecast (CMC - October 2009):</u>				
Corporate and Democratic Services				
Election - no Borough Election in 2013/14				-50
Election costs not recoverable in 2010/11		-10	-10	-10
Grant Aid general provision reduced		-10	-10	-10
Business Services				
Land Charges - potential recovery in property market		-100	-100	-100
Land Charges - response to reduced search volumes			-5	-5
Provision for Revenues restructuring opportunities			-20	-20
Control and Establishment Budgets				
Pensions Fund - potential impact of next valuation		100	100	100
Private medical insurance - benefit phased out (figures revised)		-5	-5	-5
Provision for restructuring opportunities		-20	-40	-60
<u>Other approved changes</u>				
Corporate Management - Temp Business Transition Manager removed		-50	-50	-50
Council Tax Leaflet - savings - Corp. Man. Sept 2010	-4	-4	-4	-4
Grant Aid - Assoc. for the Improvement of Runnymede - Corp. Man. July 2010	5			
Performance Related Pay - provision reinstated - Corp. Man. Sept 2009			150	150
Annual Pay & Workforce Plan - Corp. Man. March 2010	9	17	22	22
Computer Services - maintenance of Server Backup Facilities - Corp. Man. July 2010		4	4	4
Leisure Trust Consultants - Corp. Man. April 2010	70			
GIS gazetteer savings less maintenance - Corp Man. Sept 2010	-3	-3	-3	-3
Other potential changes for which reports are awaited:				
Corporate Management - Place Survey every 2 years		-10		-10
Corporate Management - Magna Carta Celebrations		10	10	10
Review Council Structure			-300	-300
Register of Electors - annual personal canvass required	6	6	6	6
Land Charges - no longer able to charge for Personal Searches	28	35	35	35
Land Charges - estimated shortfall in Searches in current year	25	25	25	25
Building Services - savings from partnership working (not this year)	25			
Latest budget projection	3,686	3,485	3,305	3,225

CURRENT YEAR KEY BUDGET INDICATORS

	2010/11	Budget	Actual	Variance
	Budget	to Date	to Date	to Date
	£	£	£	£
Local Land Charges - Personal Search fee income	35,000	35,000	7,463	-27,537
The Personal Search fee was revoked from 17 August 2010.				
Local Land Charges - Search Fee income	233,000	98,500	88,100	-10,400