

Equality Policy and Action Plan

Introduction

Runnymede borough has a population of approximately **81,200** residents (Office of National Statistics mid-year estimate, 2006) and covers an area of around 30 square miles. The Borough is situated to the north west of Surrey, some twenty miles south-west of central London. It borders the boroughs of Spelthorne, Elmbridge, Woking, Surrey Heath and Windsor and Maidenhead.

Runnymede has three main towns: Chertsey, Egham and Addlestone and a number of smaller communities including Virginia Water, Thorpe, Englefield Green, Woodham, New Haw, Ottershaw and Lyne.

What does equality cover?

Equality legislation makes it illegal to discriminate on the basis of gender, disability, race, nationality, religion, belief, sexual orientation or age. The Council has positive duties to promote equality between races, tackle barriers experienced by people with disabilities and promote gender equality, **introduced by the legislation listed overleaf.**

The Council's aim is to ensure that its services are equally accessible by all people who need them, irrespective of gender, race, disability, religion, belief, sexual orientation or age. This has been the Council's stated aim since adoption of the Equal Opportunities policy in 1995 and is integrated into normal working practices. However, statutory obligations, particularly those specified under the Race Relations Amendment Act 2000, the Disability Discrimination Act 1995, as amended **and the Equality Act 2006 give public bodies more specific commitments for promoting equality of opportunity for and between people of different racial backgrounds, abilities and gender.**

Individuals and groups can experience a range of barriers that prevent them enjoying the same quality of life as their peers. The equalities policy and action plan aim to identify and minimise any discrimination based on gender, race, disability, religion, belief, sexual orientation or age by ensuring measures are in place to monitor whether the Council's policies or practices discriminate against any particular group and then to identify what measures could be taken to reduce any barriers.

Context

The 2001 census showed 95% of the population of Runnymede described themselves as "white", meaning 5% were from minority ethnic groups. The wards with the greatest ethnic diversity were: Englefield Green East and Chertsey St. Ann's. 3.9% of the resident population consists of full-time students. The Englefield Green East ward is particularly influenced by Royal Holloway College. Strodes College also has significant numbers of students who travel into the Borough. The Council's obligations include a duty to take the needs of gypsy and travelling communities into account as a specific racial group.

9% of the borough's population declared either a long-term limiting illness, or that they were full-time, unpaid carers. North Surrey Primary Care Trust figures (2002) indicate that 4% of the Borough's population claim disability allowance, whilst 2.4% claim Income Support.

Legislation

The Council's legal obligations in relation to equality are defined by the following statutes:

- ❖ the Equal Pay Act 1970
- ❖ the Sex Discrimination Act 1975
- ❖ the Race Relations Act 1976
- ❖ the Disability Discrimination Act 1995
- ❖ the Race Relations (Amendment) Act 2000. The latter gives the Council a general statutory duty to have due regard to the need to eliminate unlawful racial discrimination, promote equality of opportunity and promote good relations between people of different racial groups. There are also specific statutory duties relating to the field of employment.
- ❖ The Disability Discrimination Act 2005 gives the local authority a duty to eliminate unlawful discrimination against people with disabilities and to promote equality of opportunity, encouraging the involvement of people with disabilities in putting together and monitoring the scheme and including the option of more favourable treatment, where appropriate.
- ❖ The Equality Act 2006 introduced a gender equality duty, **which came** into force in April 2007. **It** requires public authorities to promote gender equality and eliminate sex discrimination. Instead of depending on individuals making complaints about sex discrimination, the duty places the legal responsibility on public authorities to demonstrate that they treat men and women fairly. The duty **encompasses** policy making, services **delivered to the public** and employment practices such as recruitment and flexible working.

The legal requirements are designed to have an impact on both policy development and service delivery across the Council's sphere of influence in order to reduce and eliminate the level of discrimination that different groups and individuals might receive, directly or indirectly.

Vision

The Council set out its intention to achieve level 2 of the Equality Standard in 2004/05 **and received validation of that level in June 2006**. The Council's corporate aims, as set out in Annex B of the Strategic Plan also include:

"Exercising policies that are non-discriminatory in our dealings with and services to, our customers and also in our employment practices" and
"Engaging with and being responsive to public opinion through consultation on important issues, ensuring clear communication of our policies."

Screening and criteria for impact assessment

In achieving Level 2 of the Equality Standard and as part of its duty to promote equality, all Council policies and functions must be assessed for their potential impact on equalities. Equality assessment will be built into the service planning process and the best value review guide, so the process is integral to all Council functions. The Race Relations Act Amendment Act 2000, the Disability Discrimination Act 1995 and the Equality Act 2006 impose statutory duties to undertake such audits in relation to ethnicity, disability and gender. The DDA duty was strengthened in the Disability Discrimination Act 2005.

In March 2000 the Council adopted an access strategy, to meet the requirements of the Disability Discrimination Act, 1995. Auditing all departmental policies to ensure they did not have a negative impact on people with disabilities was stated as an integral part of that strategy.

The Council has screened its existing functions and policies and established priorities for action as part of this wider equality policy (Appendix 1). All functions will be reassessed for relevance to race disability and gender equality every three years, in line with statutory obligations.

The categories are arranged in descending order of importance on the basis of:

1. Services having a direct impact on individuals' life, death, housing or employment
2. Services having a direct impact on individuals' environment or personal income
3. Services having an indirect impact on individuals

A similar assessment process will be applied to all new policies and strategies as they are developing, ensuring that consideration of equality issues becomes part of the process of policy development. Directors and report writers will ensure that as full an assessment as possible is undertaken of the impact of a new policy, so that the impact on minority groups is fully considered when policies are agreed. If policies are found to have a negative impact on equalities, this must be stated and taken into account when a decision about agreeing them is taken. Committee reports will note any potential impact on equalities that arise from the impact assessment process.

The main elements required to assess the impact of a policy on equalities are:

- ❖ Whether the policy or practice reduces/enhances the service received by one minority group
- ❖ Whether the policy or practice clearly discriminates against one or more minority groups (as compared with the majority of residents).
- ❖ What the reasons for the impact are, eg. language, physical access, communication medium, dress codes, diet, cultural belief

Impact assessment and monitoring

The Council will monitor existing and proposed policies for adverse impact on equality. This will be done proportionately, bearing in mind that some policies and practices impact the public and staff much more directly than others.

It will do this by:

- ❖ Developing service-specific guidelines to improve current methods of data collection in relation to employment practice and service provision.
- ❖ Identifying where the stated policy is not fulfilled, or where service provision does not appear to reflect the demographic profile.
- ❖ Identifying the impact of changes to any policy or service on minority groups.
- ❖ Examining complaints to identify the extent to which they relate to minority groups and the complainants' satisfaction with the way in which they are dealt with.

Staff will be trained to carry out monitoring and where possible existing systems will be used. Training will be provided to develop best practice in conducting an impact/needs assessment for proposed policies.

Access to Information and Services

The Council is committed to ensuring that whenever possible, all members of the community have access to the services it provides and to information about them. As an employer, it is taking steps to ensure that no job applicant or employee receives less favourable treatment on the grounds of gender, race, disability or age, or is disadvantaged by conditions which cannot be shown to be relevant to performance.

The Council has contacts with various agencies so that information can be translated for people who do not speak English and can be interpreted or translated for people who have difficulty in reading or understanding written or spoken English.

The Council's proposals to re-locate to offices shared with the police **and library** in 2008 will improve access to services for local people. The Council's intention is to share the offices with other public services wherever possible.

Consultation arrangements

The Council is committed to improving consultation. As part of the process of developing new policies and strategies that may affect the promotion of equality, it will consult interested groups to assist in assessing the likelihood and extent of any impact. The level of consultation will be proportionate to the perceived impact of the proposal. Relevant groups and individuals will be consulted as early as possible and results assessed so that account may be taken of any issues they raise.

A list of potential consultees is set out at Appendix 2. Consultation may be undertaken by focus groups, consultative groups, advisory groups, surveys and face-to-face meetings and will take into account issues of diversity. The Council will

consider repeating the consultation every 3 – 5 years, aiming to align it with the best value review process.

Measures of Achievement

The following measures will be employed to assess progress against vision:

- ❖ Results of consultation on a regular basis to test the views of those who live, work in or visit the Borough.
- ❖ Performance indicators on employment in relation to gender, ethnicity, disability and age.
- ❖ Measurement against the legal requirements and tests, particularly those produced by the **Commission for Equality and Human Rights** and Audit Commission. **The Commission for Equality and Human Rights is the successor body to the Disability Rights commission, commission for Racial Equality and Equal Opportunities Commission and was established by the Equality Act 2006.**
- ❖ The number of racial incidents recorded by the Police and the Council.

Publication of assessments, consultations and monitoring

To demonstrate its commitment to promoting race equality, the Council will publish annual reports of:

- ❖ Impact assessments undertaken
- ❖ Results of consultation
- ❖ Results of monitoring

In its capacity as employer, the Council will publish the results of its employment monitoring annually in the **Annual Pay and Workforce Plan** and on the Council's website (www.runnymede.gov.uk).

Depending on the importance of the subject and its relevance to equality, reports will be published in one or more of the following ways:

- ❖ By inclusion on relevant Council or service committee meeting agendas
- ❖ On the Council website (www.runnymede.gov.uk)
- ❖ From the Council Offices reception and other public service points

Information in languages other than English, and in Braille and audio format **may be** available on request. The Council has contact with agencies for transcription of information into formats suitable for people with disabilities.

Training

Council staff are responsible in varying degrees for making sure that the Council meets its general statutory duty under equalities legislation. Particular duties apply to staff in Personnel, Housing and to functions including procurement and property management. All staff are responsible for meeting the requirements of equalities legislation as it affects their service area, which includes assessing the extent to which services are accessed by people from minority groups and what the reasons are for non-use of services.

Heads of Service and specialist staff are responsible for assessing the impact of their policies and practices on equality and will receive training in doing so. It is expected that departmental management teams will include equalities as a standing item on meeting agendas and that equalities will be incorporated into service planning and review.

According to their level of need, all staff will be provided with sufficient training to equip them with the knowledge and skills to perform these duties. As a minimum, all staff will undergo general awareness training on equality and disability, which will subsequently form part of the induction process for new staff.

Training will also be provided for elected Members. Where appropriate, training will be made available to other partner organisations.

Action Plan

The Council has established a cross-departmental equalities group, which is responsible for developing and monitoring this strategy. A plan of actions to be taken by the Council over the next three years is set out in Appendix 3. This action plan may be reviewed and amended as necessary.

This document was agreed at:

Directors' Management Board 22 nd August 2005
Corporate Management Committee 8 th September 2005
Council 20 th October 2005
Reviewed and progress noted: January 2007
Updated and progress noted:	January 2008

APPENDIX 1

FUNCTIONS - categorised by relevance to equality and aligned with the best value service review timetable

Category 1 (2005/2006) – these impact assessments are available on the Council's website: www.runnymede.gov.uk/equalities

EIA		On web
✓	Burials/cremation	✓
✓	Crime & disorder/anti-social behaviour, s17 obligations (in line with service review timetable)	✓
✓	Day centre provision (inc. meals)	✓
✓	Employment policies: recruitment, retention	✓
✓	Enforcement policy	✓
✓	Housing needs (lettings, allocations, homelessness)	✓
✓	Meals on wheels/day centres	✓
✓	Partnerships (in line with service review timetable)	✓
✓	Tenancy management	✓

Category 2 (2006/2007)

EIA done	Service area	On web (published)
✓	Access to leisure facilities:	-
✓	community halls	tbc
x	leisure centres	x
✓	Chertsey Museum	✓
✓	Parks	✓
✓	Allotments	✓
-	Activities for children & young people:	-
✓	– playscheme & splash	✓
✓	– Sports Development (Surrey Youth Games)	✓
✓	Arts Development Steering Group	✓
✓	Benefits	✓
✓	Community safety and crime reduction	✓
✓	Development Control	✓
✓	Building control	✓
-	Discretionary fees & charges (in line with service review timetable)	x
x	Electoral Services	✓
✓	Home Improvement Agency (Runnymede Care & Repair)	✓
✓	Inspection of premises (Environmental protection)	✓
✓	Housing maintenance/estate management	tbc
✓	Internal personnel policies	✓
✓	Licensing	✓
✓	Private sector housing (enforcement & assistance)	✓
✓	Property services (in line with service review timetable)	
✓	Refuse collection	
✓	Homelessness	

Category 3 (2007/2008)

Community strategy *

Communication policy/strategy

Cultural strategy including childcare, youth plans and arts development

Grants to voluntary organisations

Licensing

Local development framework (new policies to be reviewed as developed)

Markets

Partnerships

Property letting/asset management

✓Tax collection (Council tax & business rates)

Strategic objectives/corporate policies eg. procurement

Quality of environment (in line with service review timetable)

***The Community Strategy is due to be fully revised and subject to wider consultation in 2008, so the Equality Impact Assessment will be undertaken as part of this process.**

APPENDIX 2

LIST OF PROPOSED CONSULTEES:

(To be asked for advice when policies are considered to have the potential to have an impact on minority groups)

Disability Groups

Mencap (Runnymede & Spelthorne)	01784 453404
Philip Southcote – school for children aged 11-16, with learning & other associated difficulties	01932 562326 www.philipsouthcote.co.uk
Freemantles – for children with autistic spectrum disorders	01483 545680
Meath School (ICan) – primary school for children aged 5-11 where severe & complex communication difficulties are the primary disability	01932 872302 www.ican.org.uk
Runnymede Access Liaison Group	Jonathan Fisher, Chairman 01784 43622. jlf@jlfisher.demon.co.uk
Runnymede Physical Disability forum	
North West Surrey Association of Disabled People	
North Surrey Partnership Board for physical, sensory & Cognitive Disability	Carol Pearson. Carol.pearson@surreycoalition.org.uk 01483 456558
White Lodge White Lodge works with disabled adults, children and their families to provide a creative, individually tailored service to meet their needs	01932 567131 www.whitelodgecentre.co.uk
Surrey Association for Visual Impairment	01372-377 701 http://www.surreywebsight.org.uk
RNID	0808 808 0123 www.rnid.org.uk
RNIB	0845 766 9999 www.rnib.org.uk
Elmbridge & Runnymede Talking News	http://www.users.waitrose.com/~earthn/earthn@waitrose.com 01784 435 622

Religious organisations

Churches Together

Synagogues (Staines/Weybridge)

Shah Jehan Mosque, Woking

Islamic Welfare Association of West Surrey

Minority Ethnic Groups

Gypsy and Irish Traveller Groups

General organisations

Age Concern

Careline users

Community Safety Partnership

CAB

Friends of Parks

Health Promotion Unit

Housing Associations

Police

RAVS

Residents' Associations

Royal Holloway College

Runnymede over 50's group

Surrey County Council

- Childrens' Services

- Adult services

- Youth Development Service

- Education department

- Libraries

Strodes College

St. Peter's Hospital

Tenants' associations

ACTION PLAN

Activity	Action being taken	Action required	Action by	Timescale	Achievement as at 31/12/07
<p>Review all Council functions and policies for relevance to the duty to promote race, <i>disability and gender</i> equality</p> <p>Current functions and policies</p>	<p>Review in accordance with the priorities in Appendix 1, incorporating into service planning and best value reviews wherever possible</p>	<p>Review of category 1 functions</p> <p>Review of category 2 functions</p> <p>Review of category 3 functions</p> <p>Corporate guidelines for best practice in conducting an impact/need assessment to be produced</p>	<p>Heads of Service*</p> <p>Heads of Service*</p> <p>Heads of Service*</p> <p>*where functions cross services Equalities Group to nominate single Service Head</p> <p>Equalities Group</p>	<p>September 2006</p> <p>September 2007</p> <p>September 2008</p> <p>October 2005</p>	<p>90%; see appendix 1.</p> <p>55%</p> <p>Completed & service heads briefed year-on-year. EIA format to be reviewed to highlight data and need to feed back into service reviews.</p>

ACTION PLAN

Activity	Action being taken	Action required	Action by	Timescale	Achievement as at 31/12/07
New Policies	<p>Equalities should be considered as part of new policy development.</p> <p>Assessment tool to be piloted and training given in its use</p>	<p>All new policies to be:</p> <ul style="list-style-type: none"> ▪ assessed for relevance to gender, race, disability and age ▪ drafted in accordance with the principles of this strategy ▪ the subject of a proportionate level of consultation when appropriate 	<p>Heads of Service and DMT</p> <p>Equalities group to advise about categories to consider and to review assessments.</p>	From September 2005	Not done for all policy changes, though incorporated in committee agenda prep. notes. Needs corporate system to review and remind.
Service plans		Service plans to reflect the need to review policy & practice, including training on awareness of equality issues and to review systems and policies to ensure equal access.	Heads of Service	As for programme of review of functions	Needs to be checked

ACTION PLAN

Activity	Action being taken	Action required	Action by	Timescale	Achievement as at 31/12/07
Compliance with statutory duties relating to employment monitoring	<p>Regular reporting on BVPI's 11a, 11b, 11c, 16a, 16b, 17a</p> <p>BVPI's will no longer be published in this format from 2008/09, but the statutory duties to monitor and publish these figures remains.</p>	<p>System to be established to record by reference to racial groups, the numbers of:</p> <ul style="list-style-type: none"> ▪ staff in post ▪ applicants for employment and training from each group ▪ those who receive training (external & internal) ▪ those benefiting or suffering detriment through performance assessment ▪ those involved in grievance procedures ▪ those subject to disciplinary procedures ▪ those who leave the authority <p>Results to be published annually (BVPI and</p>	<p>Personnel Manager Personnel Manager</p> <p>Personnel Manager and section training Officers</p> <p>Personnel Manager</p> <p>Personnel Manager/section heads Personnel Manager</p> <p>Personnel Manager</p> <p>Personnel Mgr/ Communications</p>	<p>End of December 2005. Reporting in Annual Pay & Workforce Plan</p> <p>As above As above</p> <p>2007</p> <p>Once JE complete and when new performance system drafted</p> <p>2007 End of December 2005. Reporting in</p>	<p>Done and included in Performance Indicators and annual Pay and Workforce Plan. To be summarised for website equalities page.</p> <p>JE scheme abandoned. New Performance Mgt Scheme being piloted in 2008.</p>

ACTION PLAN

Activity	Action being taken	Action required	Action by	Timescale	Achievement as at 31/12/07
		Website). Results to be analysed and any issues addressed	Officer Equalities group	Annual Pay & Workforce Profile	Analysis completed and trends being identified.
Review of current employment/ personnel policies	Review of policies relating to: <ul style="list-style-type: none"> ▪ Recruitment processes ▪ Anti bullying / harassment ▪ Grievance and disciplinary 	Systems to be put into action for monitoring and reporting on the above criteria in relation to gender and disability as well as race.	Personnel Manager	September 2006 September 2006 Done – 2004	Employment monitoring is undertaken for gender, race and disability.
External Consultation Engaging local residents	Reviewed Residents' panel		In conjunction with the L.S.P	Every 3 – 5 years	Done. Not yet tested in a

ACTION PLAN

Activity	Action being taken	Action required	Action by	Timescale	Achievement as at 31/12/07
	<p>- will include ethnicity and age details.</p> <p>Information on groups operating within the Borough and details of those willing to be consulted is being collated.</p>	<p>A list of appropriate consultees to be drawn up, in conjunction with other local agencies (eg. Surrey Police, PCT, Strategic Health Authority) who also have a duty to consult on equalities issues.</p>	<p>(CEO/Policy Officer)</p> <p>KW/Policy Officer/Housing/Equalities Group</p>	<p>January 2005</p>	<p>questionnaire.</p> <p>Some info gathered from Runnymede Access Liaison Group. Approaches being made to RHUL and Ashford & St Peter's Hospital.</p>
<p>Consultation on new policies</p>	<p>Collating list of consultees.</p>	<p>Relevant consultations to be undertaken in developing new policies when appropriate</p>	<p>Director/Heads of Service</p>	<p>From September 2005</p>	<p>EIA's completed for new policies: Waste Strategy Play strategy Leisure card Concessionary bus fares</p>
<p>Consultation when reviewing functions and policies</p>		<p>Relevant consultations to be undertaken when reviewing functions and policies when appropriate, ideally as</p>	<p>Director/Heads of Service</p>	<p>From September 2005</p>	

APPENDIX 3

ACTION PLAN

Activity	Action being taken	Action required	Action by	Timescale	Achievement as at 31/12/07
Internal Consultation Members		part of the best value review programme.			
Staff	Development of internal equalities group	Approval of strategy and action plan	Directors' Management Team and Corporate Management Committee	August/September 2005	Completed
Monitoring	Monitoring undertaken already to report on specific BVPI's.	To pilot impact assessments and advise on potential impacts on minority groups	KW/Policy Officer	September – December 2005	Piloted and being used. Some changes to be made to highlight impact and "risk".
Employment monitoring	Monitoring the Best Value performance indicators in relation to employment	Monitoring implementation of the action plan for equality policy	Equalities group	Six monthly	Annual review undertaken.
		Ongoing requirement	Personnel Manager	Annually	Done

APPENDIX 3

ACTION PLAN

Activity	Action being taken	Action required	Action by	Timescale	Achievement as at 31/12/07
	Monitoring compliance with statutory duties relating to race equality	Report to Directors' Management Team, along with BVPI's	Policy Officer	Annually	Done
Publication		Reports of impact assessments carried out, consultations undertaken, statutory employment monitoring, other monitoring.	Communications Officer/Policy Officer	Once assessments are complete.	Done – 19 shown on website. List also distributed to Access Liaison Group and White Lodge for comments/challenge.
Training Members, partners and staff	Suitable trainers in equality/diversity issues being sought to	Training programme to be agreed.	KW/Equalities group	Programme to be prepared by January 2006	Done. All staff attended awareness trg and it's now on-going

ACTION PLAN

Activity	Action being taken	Action required	Action by	Timescale	Achievement as at 31/12/07
	cover the following general areas: <ul style="list-style-type: none"> ▪ Awareness training for Members ▪ Awareness training for Runnymede staff, (mandatory) and partners (optional) 	Awareness training to be included in mandatory training for all new staff. Voluntary organisations to be contacted to identify levels of interest	KW/Director of Administration & leisure Personnel Manager, Director of Housing & Community Services, Policy Officer in consultation with L.S.P.	Completed by June 2006 To be completed by June 2006 June 2006	for new staff. Member training still needs to be completed. No requests for follow-up training received internally either in response to all-staff e-mail or at training group.
Heads of service and specialised staff		Specific training including: <ul style="list-style-type: none"> ▪ Ensuring equality in service delivery ▪ How to conduct an impact assessment for proposed policies ▪ How to carry out monitoring 	Equalities Group/Personnel Manager (Surrey-wide Training Officers' group) external trainer	June 2006	Housing have done some for staff and have arranged tenant group training.

COMPREHENSIVE AREA ASSESSMENT

Response to Joint Consultation by the Audit Commission and Other Inspectorates

N.B. The references to pages and paragraph numbers below are to those within the Joint Consultation Document

General

1. The Consultation Paper is poorly structured, contradictory in places and seems to be the product of different authors, with little rigour in drawing it together effectively.
2. The proposals are only worthwhile and therefore capable of support if:
 - (i) there is recognition of the legitimacy of local democratic processes and the roles of elected Members in policy formulation, priority setting, overview and scrutiny, and accountability.
 - (ii) they demonstrably benefit local tax payers, residents and businesses in the area and convey information and data relevant to most, rather than some.
 - (iii) the processes are understandable, rigorous, transparent, timely, accurate and agreed amongst the partner organisations.
 - (iv) the resource burden (including consequential Audit Commission fee costs) is kept to an absolute minimum and the Inspectorates can consistently demonstrate that the requirements are essential, proportionate and risk based.
 - (v) local authorities and partners see it as a major contributor to driving continuous improvement.
 - (vi) challenge and appeal mechanisms (regarding scores and assessments) are independent. This is not mentioned in the document.

Very few of the above are yet being met in these draft proposals.

3. The Council makes detailed comments on each of the chapters and sections as follows:
 - 3.1 The principal focus is stated as being "on outcomes for local people" (Summary – Overview page 2), "relevant to the quality of life of local people" (page 3) and "provide local people with assurances about how well run local services are ..." (page3). However, with reliance on the Government National Performance Indicators that convey little about performance or impact upon the majority of people's lives and nothing on the huge raft of other statutory and discretionary services delivered by local authorities, a partial picture only is capable of being portrayed. As a consequence it will be of passing interest only and irrelevant to most citizens.
 - 3.2 The claim is of reduced inspection (page 2) and "overall administrative impact" (paragraph 91), but this is being replaced by greater requirements elsewhere (e.g. Use of

Resources, Value for Money, Data Quality policies, Direction of Travel, additional Annual Locality Self Assessments and environmental & sustainability obligations), with resource implications for all authorities. Inspection activity “will be targeted according to risk” (paragraph 80), but this does not seem to be defined sufficiently effectively and objectively in terms of the nature and scale of risk and the collective nature of an assessment that would justify inspection.

- 3.3 It is unclear how “judgement on the overall quality of service” (page 2) is capable of being arrived at by these proposals. The nature of the collation exercise, validation, moderation, adjudication and publication inevitably means that much of the material is out of date and the key messages are therefore blunted with the opportunity to share “good practice quickly” (page 2), not achievable.
- 3.4 Paragraphs 19 – 25 (engaging with communities and protecting vulnerable people) fail to acknowledge that elected Councillors don’t just have a representative role (paragraph 19), but they have a legitimacy through the democratic process no other body can claim. It is not for the CAA process to claim (paragraph 23) some higher legitimacy in what is of interest and concern, or what should be done locally on behalf of citizens and service users.
- 3.5 It is difficult to understand how “CAA will be Constructive and Forward Looking.” (page 3) when much of the data on which it will rely is from the 2001 Census or subsequent partial updates, BVPI outcomes some eighteen months to two years old, and a new set of BVPIs (set of National Performance Indicators) where for many there will be no previous data for trend analysis or effective Direction of Travel assessments.
- 3.6 The CAA Framework (chapter 3) makes the mistake of assuming only one LSP (paragraph 29) for each area – presumably assuming all are unitary authority areas. In Surrey there are twelve statutory Community Strategies/Sustainable Community Strategies and twelve LSPs.
- 3.7 It is not clear as to whether there is a difference between an Annual Locality Self Assessment (paragraph 30) and an Annual Joint Risk Assessment (paragraph 36) and what the resource implications are for local authorities.
- 3.8 Again, the Area Risk Assessment (chapter 4) fails to acknowledge the plurality of LSPs and LDFs (12 and 11 respectively in Surrey) though it is mentioned later in paragraph 41, but with no clarification. It expresses the need for District based Local Strategic Partnerships and Crime & Disorder Reduction Partnerships to be actively involved in developing and agreeing the LAA priorities and this has not been possible in Surrey and many other areas.
- 3.9 There seems to be a suggestion that all partners to LSPs and LAAs should be “innovative and take well managed risks to achieve them (targets)”. This is plainly ridiculous as residents’, amenity and special interest groups, faith groups and organisations whose mainstream work or statutory responsibilities do not embrace such activity, are unlikely to procure the required insurance cover. LSPs and LAAs are not corporate entities.
- 3.10 The Performance Information (chapter 5) is important, but as with Audit Commission proposals in the past there is a failure to recognise the extent of the work required to

secure clear BVPI definitions so practitioners can interpret with confidence, compliance can be audited effectively, manipulation can be publicly reported and definitional changes avoided, so meaningful analysis of trends can be undertaken.

- 3.11 In the Direction of Travel chapter (chapter 6) there is a passing reference to considering joint assessments (via the various Inspectorates) for District Councils (paragraph 52), but with no explanation or justification. As most of the Inspectorates (e.g. Her Majesty's Inspectors of Prisons, Ofsted, Probation) have previously had no role in assessing District Councils (where little or no input to the particular service outcomes is possible) it is difficult to see what purpose would be served. Assessments in areas not previously required would have significant resource implications that are not acknowledged in the proposals.
- 3.12 It is claimed that "by keeping in touch with what is happening locally, the Inspectorate representatives would be able to develop and maintain an understanding" (paragraph 52). This has not happened under the Comprehensive Performance Assessment, Direction of Travel and Use of Resources arrangements, and there is little expectation that any improvement would occur under CAA. With the continuing fracturing of links between the "old District Audit staff" and Audit Commission Inspectorate, together with the move to private sector audit firms, only a large increase in resources (and consequential rise in Audit fees) will achieve this aim.
- 3.13 There is no explanation or justification as to the scored judgements proposed for District Councils in respect of Direction of Travel. Direction of Travel, for all types of authority, best lends itself to a well judged commentary, rather than a numerical score (paragraph 73 and 74), which is meaningless to citizens, service users and partners – all the more so when using data which is a minimum of eighteen months old.
- 3.14 There is no acknowledgement in the Use of Resources chapter (7 - paragraph 60) of the substantial additions to the Key Lines of Enquiry requirements lying behind the Use of Resources Assessment in the last two years and significant additional resource implications – none more so than the recent Environment & Sustainability Impact Assessments (desirable though in an ideal world these are).
- 3.15 The proposals (paragraph 62) to broaden the scope of the assessment are unreasonable, excessive, ill-judged and have resource implications that are not acknowledged. It is also unclear whether the "Use of Resources" Assessment is now being changed to a "Value for Money Assessment" (paragraph 63).
- 3.16 The reporting of CAA findings and scores (chapter 8) fails the key requirements enunciated in the Summary – Overview (page 2). Other than web site publication there are no credible proposals (paragraph 67) that meet the diverse nature of information needs of citizens, tax payers, users of services and businesses, let alone "hard to reach" groups.
- 3.17 If the principal purpose is to inform and aid the citizen to drive accountability, improvements and change, then this chapter should be the most fully developed of all, rather than obviously having been written hastily with incomplete proposals.

3.18 It must be recognised that whether single or two tier, these proposals and the likely format and content of any public reporting, will not achieve the currency of "Ofsted" type public utility and interest as suggested in paragraph 25.

4. Specific Questions

The Consultation Paper asked respondents to focus on twenty specific questions and these are detailed below, together with suggested specific responses:

Q1. Do you agree with the key questions, for the risk assessment, as the basis for the area risk assessment? Are there any others that should be added?

No – the only question that should be asked is whether there is a substantial risk of failing to deliver the three year LAA targets.

Q 2. Do the proposals address the concerns raised in the earlier consultation about areas with county and district councils?

No – there is still no understanding of the role of District based community strategies/sustainable community strategies, LSPs and LDFs in two tier areas.

Q3. Should we adopt the term: "the prospects for the area and the quality for life for local people" instead of "the risk assessment" when reporting CAA results, or can you suggest a better description?

Neither of the proposals conveys anything meaningful to the citizen, local council tax payer, service users or partners.

Q4. How should we report on the national indicator set for local authorities and their partners?

Firstly, they should only be reported if accurate. If, and only if this is achieved, then straight tabular data (grouped in LAA areas) should be reported with definitional explanations by way of appendices and no further commentary – similar to CIPFA published material.

Q5. What is the most helpful way of comparing the performance of local areas?

It is not clear whether this refers to LAA areas (unitaries and counties) or sub-areas within unitaries and counties (Districts and Parish Councils). In two tier areas, using Boroughs and Districts as "building blocks" for comparing data would obviously be the most helpful to citizens, council tax payers and others.

Q6. How should we ensure that the performance information we publish is relevant and accessible to councils and their partners, local people and central government?

Without committing significant resources, one can't. If resources are made available an Audit Commission "bulletin" to all households and businesses could be considered which was replicated on the web, as well as being supplied in different languages (where appropriate), large print and Braille.

Q7. Do you agree with our proposals for direction of travel assessments?

No.

Q8. Are there any aspects of these proposals you would like us to change?

Direction of Travel should be a commentary on the potential of the public bodies in an area not a score that means nothing to most.

Q9. Do you agree with the proposals for the use of resources assessments?

No – they have become more burdensome and there are significant resource implications.

Q10. Are there any aspects of the proposals you would like to see changed?

Leave the Use of Resources as published for 2007/08, so year on year comparisons can be made by the citizen and others, and an understanding of the trend that is evident can be achieved. Changing the elements/content of the Assessment makes such trend analysis impossible.

Q11. Should there be an overall CAA score?

No.

Q12. Should the national indicator set be scored?

No.

Q13. Are the proposed labels/scoring arrangements for use of resources the right ones?

Yes – provided the underlying criteria used to arrive at these scores is unchanged.

Q14. What would be the best way of scoring the direction of travel assessments?

A short, carefully constructed and properly evidenced, commentary.

Q15. How should we ensure that the reporting and scoring of the area risk assessment is relevant, accessible and meaningful to the council and its partners, local people and central government?

It is not possible to do so, therefore delete. Identifying the Boroughs/Districts as the building block for the full Assessment appears most sensible.

Q16. What is the best way to report CAA in two tier council areas?

Elementally identifying the Boroughs/Districts as the building blocks leading to the full Assessment.

Q17. How can we try to make sure that our reporting is equally accessible to all people in communities?

Without very significant resource implications this cannot be achieved.

Q18. Do you agree with these proposals about the purposes, principles and benefits of inspection and the circumstances in which inspection might be suitable?

No – it is difficult to see what added value (save for wholly exceptional circumstances) the proposals here contribute to a constructive outcome.

Q19. Will the approach described be an effective and efficient way of working with councils and their partners to deliver CAA?

No – the current CPA relationship manager concept has not worked in Surrey and the new post of CAA Lead will be insufficient. It is contended that the overall administrative burden (and associated resource requirements) will increase rather than “reduce significantly” as claimed.

Q20. Have we explained sufficiently clearly the inspectorates’ relationships with regional government offices?

Probably – but it only confirms the worry as to the real purpose of the new CAA – namely acting as “gamekeeper” for Government in delivering the up to 35 targets (from the set of National Performance Indicators for Local Authorities) in the LAA. Many of the worthy CPA purposes are now being lost.

ANNUAL INVESTMENT STRATEGY FOR THE 2008/09 FINANCIAL YEAR

Introduction

1. This strategy is made in accordance with the Guidance on Local Government Investments issued by the government on 12 March 2004.
2. The Council approved the Annual Investment Strategy for 2008/09 on 4 March 2008. This strategy is consistent with the Council's overall treasury management strategy for 2008/09.
3. This strategy applies to both in-house and externally managed funds.

General Provisions

4. All investments must be made in sterling.
5. Our treasury management consultants (currently Sterling Consultancy Services) provide us with routine lists of credit ratings on a monthly basis, and any urgent changes as soon as possible. External managers are required to use these ratings or ratings of a similar quality. The tables below compare the long-term and short-term ratings used by the various credit agencies to enable fund managers to use ratings from different rating agencies:

Comparison of Long-Term Debt Ratings		
Moody's	S&P	Fitch
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-
Ba1	BB+	BB+
Ba2	BB	BB
Ba3	BB-	BB-

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

6. The investment parameters used by our external cash manager (from 3 September 2007, Tradition UK) have risk and diversification limits that are consistent with the overall objectives of this strategy. Council funds that are placed with any other fund manager will be managed in accordance with this Strategy.

Policy for specified investments and credit ratings used

7. UK Banks

Investments with UK Banks for periods up to 364 days requires a minimum short term credit rating of F1 and a combined individual and legal rating of no less than B/C 4. 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.

8. Subsidiaries of U.K. Banks

An investment will only be made in a wholly owned subsidiary of a bank if the parent bank satisfies the credit rating criteria. The maximum term of such investments is 3 months. This will provide the Council with protection against a possible sale to a new owner which has a lower credit standing, as the sale would be unlikely to be completed within that time-scale.

9. Foreign banks

Investments with Foreign Banks for periods up to 364 days requires a minimum short term credit rating of F1 and a combined individual and legal rating of no less than B/C 3.

10. U.K. Building societies

For Building Societies with credit ratings: Investments for periods up to 364 days require a minimum short term credit rating of F1 and a combined individual and legal rating of no less than B/C 4.

11. Local and other authorities

All Local, Police, Fire, Civil Defence and Transport Authorities are suitable counter parties for periods up to 364 days.

12. Government gilts and treasury bills

Investments may be made in government gilts and treasury bills with a maturity date of less than 364 days.

13. Debt Management Agency Deposit Facility (DMADF)

Investments may be made through this government-backed facility. There is no limit to the amount of funds that can be placed with the DMADF.

14. Money market funds

Investments of up to £3m in money market funds that have a credit rating of AAA may be made 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.

15. Forward deals up to one year

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 ratings used

16. Sovereign and supranational issues (excluding UK Gilts)

Sovereign banks do not have credit ratings but offer a high level of credit quality. Investments may be made with Sovereign banks and in supranational issues up to a maximum of £2m per issuer subject to the advice of our treasury management consultants as to appropriateness of the investment, in particular, the liquidity of the investment.

17. U.K. Building societies

Many building societies do not have credit ratings: However, the industry is highly regulated and well supervised by the Building Societies Commission. Consideration can therefore be given to lending up to 364 days to any society in the top thirty with assets over £500m. Such counter parties are useful for authorities with small sums to invest. The following lending limits are appropriate for building societies using a sliding scale relative to asset size:

Building societies by total assets	Investment limit	Maximum term
Assets over £2,000m	3,000,000	364 days
Assets from £1,000 to £2,000m	2,000,000	364 days
Assets from £500m to £1,000m	1,500,000	364 days

Term deposits over 364 days with a building society can be made following the advice of the Council's treasury management consultants as to the credit worthiness of the building society and using the investment limits set out in the table above.

18. UK Banks – longer term investments

Investments with UK banks for periods over 364 days requires a minimum long-term credit rating of A+ and a combined individual and legal rating of no less than B3. 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.

19. Foreign Banks.– longer term investments

Investments with foreign banks for periods over 364 days requires a minimum long-term credit rating of AA and a combined individual and legal rating of no less than B2.

20. Local and other public authorities – longer term investments

All Local, Police, Fire, Civil Defence and Transport Authorities are suitable counter parties for periods over 364 days.

21. Government Gilts

Investments in government gilts with a maturity date over 364 days may be used.

22. Forward deals for more than one year

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 below.

Policy for liquidity of investments

23. This policy applies to long-term investments (i.e. investments for periods over 364 days) including investments made by the Council's fund managers.
24. Long-term investments managed in-house or made by fund managers can only be made with other local authorities or institutions of a high credit standing as agreed between the Director of Finance and the Council's treasury management consultants. The credit rating of the counterparty must be at least as high as those set out in the "Policy for non-specified investments" section above.
25. 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:

Proportions of the in-house managed investments held in short-term and long-term investment instruments				
Time of year	Long-term investments		Short-term investments	
	Maximum	Minimum	Maximum	Minimum
	%	%	%	%
Start of year	50	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

26. 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, the in-house managed long-term investments may represent the entire investment portfolio for a few weeks. Normally it is expected that long-term investments will not exceed 50% of total investments.
27. The proportion of the externally managed portfolio that may be held in short-term and long-term investments will be, measured on a rolling basis, at any point in time
- No more than £3 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.
28. The maximum term of any one investment is 5 years.

General Policy applicable to all investments

29. Sector limits

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.

30. Counter party maximum limit

Investments made must avoid an over concentration with one or two counter parties. A set of maximum counterparty limits is therefore appropriate. The external investment manager has a separate set of counterparty limits to enable that arrangement to work effectively. For both in-house and external managers the limit

of investment with any one authorised institution is to be £3.0m (lower limits apply to certain building societies). This means that it will be possible that more than £3.0m is invested with a single counterparty at a point in time. To limit the period of this possibility, the external manager is required to confirm that a counterparty name is acceptable before making a long-term (over 364-day) investment.

31. Investments in any parent and its wholly owned subsidiaries

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.

Investments defined as capital expenditure

32. 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'.

33. 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.

Provisions for credit-related losses

34. If any of the Council's investments appeared 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.

PRUDENTIAL INDICATORS FOR THE 2008/09 BUDGET

Prudential Indicators related to Affordability

1. Estimates of financing costs to net revenue stream.

This is a ratio (expressed as a percentage) of estimated financing costs compared to an estimate of the "net revenue stream". This ratio must be prepared for the General Fund and HRA, and also a combined ratio.

For Runnymede, financing costs comprise mainly investment income, offset by a small amount of borrowing costs.

The "net revenue stream" is a term used to describe the amount in the General Fund to be met from government grant and local taxpayers. For the HRA it is the total HRA income shown in the accounts i.e. rent, other income and (if positive) HRA Subsidy.

The ratios are set down in Table 1:

	General Fund	HRA	Overall
	Ratio	Ratio	Ratio
2006/07 Actual	-14.30%	15.86%	3.69%
2007/08 Estimate	-11.10%	15.86%	4.77%
2008/09 Estimate	-11.50%	15.22%	4.26%
2009/10 Estimate	-13.40%	15.26%	3.46%
2010/11 Estimate	-11.22%	15.15%	4.26%

The General Fund ratio is a negative percentage because investment income significantly exceeds any marginal borrowing costs. The HRA ratio is a positive figure because the depreciation charge (equivalent to the Major Repairs Allowance) is treated as a financing cost.

2. Actual financing costs to net revenue stream

This figure is calculated in the same way as for the estimates. The actual for 2006/07 is shown in Table 1 for illustrative purposes.

3. Estimates of the incremental impact of capital investment decision on the Council Tax & Rents

This is a measure of affordability i.e. the impact of changes to the capital programme on Council Tax and housing rents. This indicator looks at CHANGES to the capital programme and is in the nature of a "before and after" exercise. It looks at the revenue costs (including capital financing charges) and any savings or incomes arising from the proposed changes.

Of all the performance indicators, this is the most difficult to interpret. The indicator does not distinguish between capital schemes that have an element of choice, or those that are critical (or statutory).

The calculation is required separately for General Fund and HRA capital investment decisions. Table 2 sets out these indicators.

	Council Tax (At Band D)	Average Weekly HRA Rents
	£	£
2007/08 Estimate	0.56	0.00
2008/09 Estimate	0.68	0.00
2009/10 Estimate	1.06	0.00

Impact on Council Tax

The starting point in calculating this indicator is establishing a base position. For this purpose the capital programme used in the 2007/08 Budget Book has been used. New schemes that are in the programme for 2008/09 are counted in the indicator as the relevant 'capital spending decisions'. Capital budgets that form an established part of the capital programme (e.g. grant aid, computer hardware replacement programme) are not taken into the calculation as these do not represent incremental changes to the programme. Schemes that follow on from 2007/08, either as a result of slippage or planned completion are also not taken into the calculation.

So that Members can further understand the way the indicator for General Fund schemes calculation has been calculated, a copy of the working paper used is produced at the end of this Appendix.

The impact of the capital programme has always formed part of the financial planning process in Runnymede. The costs and savings form part of the Financial Strategy approved by the Council. At a detailed level, the Council's capital project appraisal rules require the estimated costs and benefits of individual schemes to be considered by the relevant Committees before any approvals are granted.

Impact on Housing Rents

The capital programme for the HRA comprises the ongoing planned major repair and improvement programmes, and a modest provision of £40,000 for the assisted private purchase schemes. The Council's forward HRA capital programme is based on no changes other than those included in the HRA Business Plan (based on need to spend and the profile of that spending), hence the impact of incremental changes on rents is nil.

The indicator for the HRA is misleading. Rents are set according to the government rent restructuring formula. Expenditure on housing stock (capital and revenue) is based on allowances made in the HRA Subsidy system, plus any locally generated incomes (e.g. garage rents) and savings. The link between rent and expenditure is therefore very tenuous.

Prudential Indicators related to Prudence

4. Net borrowing & the capital financing requirement

By law local authorities can only borrow to finance capital expenditure. Other than for short-term cash flow requirements, an authority cannot plan to borrow to finance revenue deficits. This indicator is intended to be the key indicator for prudence, i.e. to illustrate that any borrowing is only for capital purposes.

Runnymede does not have net external borrowing, but net investments. This is because all debt has been repaid and the accumulation of revenue and capital reserves has generated equivalent cash balances.

The "Capital Financing Requirement" is the term used to describe the underlying need to borrow for a capital purpose. The underlying need is different from the actual need because of the presence of revenue balances and associated cash flows that enable treasury activities to be undertaken in a holistic manner.

The capital financing requirement will increase where existing resources (e.g. capital receipts, or government grant or other contributions) are not sufficient to finance capital expenditure. In this instance the authority's underlying need to borrow will increase (irrespective of immediate cash requirements).

The capital financing requirement for Runnymede is nil. This is because the Council has fully financed past capital expenditure.

	Net external borrowing (investments) at the year end	Capital Financing Requirement	Headroom
	£000	£000	£000
2007/08 Estimate	-14,479	0	-14,479
2008/09 Estimate	-23,683	0	-23,683
2009/10 Estimate	-21,063	0	-21,063
2010/11 Estimate	-18,244	0	-18,244

For Runnymede this is a particularly difficult indicator to interpret. The key point is that the Council does not currently plan to use debt to finance its capital programme, i.e. the current programme will be financed by capital receipts, and grants and contributions.

It is possible that the Council may need to borrow for capital purposes in the future, particularly if funding is required for large schemes for which capital receipts have not yet been received. For instance, the Civic Offices project is a large scheme and may consume all available capital resources if capital receipts are delayed. If this were the case the capital financing requirement would become a positive figure and depending on the overall cash position, borrowing may be required. In this instance the purpose behind this prudential indicator is that relevant borrowing should not exceed the capital financing requirement.

Prudential Indicators related to Capital Expenditure

5. Estimates of Capital Expenditure

This indicator is simply an extract from the Council's capital programmes. Table 4 summarises the estimates by service area:

Table 4 - Estimates of capital expenditure by service area					
	2006/07 Actual	2007/08 Estimate	2008/09 Estimate	2009/10 Estimate	2010/11 Estimate
	£000	£000	£000	£000	£000
Housing First (Note 1)	0	2,113	1,500	1,500	1,500
Housing Renewal	439	356	414	495	521
Community Services	39	85	50	35	250
Leisure Services	2,201	425	1,152	175	170
Environmental Services	35	746	86	360	110
Economic Development	922	536	285	585	285
Civic Offices Re-provision	4,613	10,574	0	0	0
IT	133	877	532	165	128
Capital Investments (Note 2)	1,294	0	0	0	0
Other	48	140	54	53	53
Total – General Fund	9,724	15,852	4,073	3,368	3,017
HRA	3,594	4,608	4,254	3,830	3,835
Grand Total	13,318	20,460	8,327	7,198	6,852

The Prudential Code requires the capital programme to be approved when the indicators are produced. The capital programme forms part of the overall Budget approval process accordingly. Capital expenditure is a significant source of risk and uncertainty since cost variations, slippage or acceleration of major projects and changing specifications are often a feature of capital schemes. Capital expenditure also carries risk in relation to the availability of capital finance from capital receipts, grants and external contributions. For Runnymede, planned capital spending is often heavily dependent on achieving capital receipt targets. Examples of this uncertainty are the dependency of the affordable housing provision (Homes First) on sale of housing assets, and the assumption that the sale of the Civic Offices site will significantly finance the re-provision project.

Note 1

The figures for the "Housing First" service area (provision of affordable housing) are those elements of the Council's overall housing capital programme that is financed from Runnymede capital resources. Therefore, the figures exclude new affordable housing schemes financed directly by the government and the Housing Corporation.

Note 2

Government regulations require the Council to count certain investments as capital expenditure. These investments include purchases of fixed and floating rate notes issued by banks that have a good credit rating. These investments were used in a prudent way by the Council's previous external fund managers (Alliance Bernstein) to generate a good investment return. When these investments mature, the capital element is then treated as a capital receipt. Following the withdrawal of all funds with these fund managers, no new capital investments are anticipated.

6. Actual Capital Expenditure

This figure is calculated as for the estimates. The actual for 2006/07 is shown in Table 4 for illustrative purposes.

7. Estimates of Capital Financing Requirement

Note: The Capital Financing Requirement is also used in the preparation of prudential indicator 4.

The Capital Financing Requirement is designed to show the underlying need to borrow for a capital purpose. The underlying need is different from the actual need because of the presence of revenue balances and associated cash flows that enable treasury activities to be undertaken in a holistic manner.

The Capital Financing Requirement will not increase where capital expenditure is financed from capital receipts, or government grant or other contributions. Where existing resources are not sufficient to finance capital expenditure, this will increase the authority's underlying need to borrow (irrespective of immediate cash requirements).

In the medium term net borrowing can only be for a capital purpose. This is because local authorities cannot borrow for revenue purposes (except for short-term cash flow needs). Therefore, net external borrowing must not exceed the total of the capital financing requirement for the preceding year plus the estimates for the following three years. Runnymede has no difficulty in meeting this requirement.

This indicator requires separate estimates for the HRA capital financing requirement (as determined under legislation), and for the General Fund. These estimates are set out in Table 5.

	General Fund	HRA	Total
	£000	£000	£000
2006/07 Actual	0	0	0
2007/08 Estimate	0	0	0
2008/09 Estimate	0	0	0
2009/10 Estimate	0	0	0
2010/11 Estimate	0	0	0

There is no change in the capital financing requirement for the foreseeable future. This is because the Council's capital programme will be fully met from capital receipts, and grants and contributions. No borrowing is planned.

These estimates do not commit the Council to particular methods of financing. The Council will continue to determine the actual financing of capital expenditure incurred after the end of the particular financial year.

8. Actual Capital Financing Requirement

This figure is calculated as for the estimates except that it is an extract from the Council's Statement of Accounts. The actual for 2006/07 is shown in Table 5 for illustrative purposes.

Prudential Indicators related to External Debt

9. Authorised Limit

The "Authorised Limit" is simply a limit on the maximum amount the authority expects to borrow at any one point in time. The limit includes short-term borrowing. The Council has no external long term debt and is unlikely to borrow long term in the foreseeable future. However, there may on occasion be cause to borrow for the short term.

The Council has a portfolio of medium term cash investments using funds that are not required in the short term. The remainder of cash balances are invested as required to meet cash flow requirements. The Council generally has strong cash flows in the first 10 months of the financial year as council tax and business rates instalments are collected.

In the last two months of the year the need to make payments of precepts to Surrey County Council and Surrey Police, contributions to the business rates pool and general revenue and capital obligations significantly reduce cash balances. In early April the cash balances are replenished as council tax and business rate instalments become receivable again.

The latest cash flow projection for 2007/08 indicates that no such temporary borrowing will be necessary in March 2008.

The 2008/09 cash flow forecasts are dependent on capital receipts being realised in accordance with the expected programme. There are also large sums in the capital programme for the affordable housing programme, and the remaining element of the civic offices re-provision project. The timing of these spending commitments will also significantly impact on the level of cash reserves.

Should the timing of cash flows from capital receipts or expenditure be different from the forecast, then it may be necessary to borrow temporarily to cover the shortfall. Short-term borrowing may also arise from two specific areas:

- Day to day cash management of the authority's bank account which will on occasion be in overdraft; and
- The need to meet unexpected payments prior to the availability of monies previously invested.

This time last year, a limit of £5,000,000 was set for 2007/08 and subsequent years. The expenditure on the new civic offices project is now more certain and some important capital receipts have been realised. Therefore, it is suggested that the Council's authorised limit for 2008/09 can be set at £3,000,000 which will be sufficient to accommodate any short term borrowing undertaken. This limit should also be sufficient for the following three years.

The authorised limit for 2008/09 is also the statutory limit determined under Section 3(1) of the Local Government Act 2003.

Financial Year	£'000
2007/08	5,000
2008/09	3,000
2009/10	3,000
2010/11	3,000

10. Operational Boundary

The operational boundary is the term used to describe the most likely scenario of cash flow movements and equates to the maximum level of external debt projected by the authorities estimates. The Authorised Limit differs in that it provides over and above the operational boundary for unusual cash movements (hence, one is a **limit**, the other a **boundary**).

For Runnymede, an operational limit of £2m is appropriate and will act as a warning signal that cash flows are not as robust as expected.

Financial Year	£'000
2007/08	2,000
2008/09	2,000
2009/10	2,000
2010/11	2,000

11. Actual External Debt

This is a simple year-end figure taken from the Statement of Accounts. In comparison with the Authorised Limit and Operational Boundary this is just the debt at a point in time (i.e. 31 March).

	Borrowing	Overdraft	Long Term Liabilities	Total
	£'000	£'000	£'000	£'000
Short Term Borrowing	35	48	0	83

This statistic comprises of the bank overdraft – a result of cheques outstanding and not yet cashed against the Council's account rather than a real cash shortage - and a small sum borrowed from the Cabrera Trust (which gives the Trust certainty of income and quick access if needed).

Prudential Indicators related to Treasury Management

12. Code of Practice for Treasury Management

The first prudential indicator in respect of treasury management is that the Council has adopted the CIPFA *Code of Practice for Treasury Management in the Public Services*.

The Council adopted the Code in October 2002.

13. Interest Rate Exposures

This indicator includes both borrowing and investment interest rate exposures. The intention of this indicator is to limit the potential risk of an authority becoming too dependent on fixed or variable rate borrowings. For instance, if an authority has too high a proportion of variable rate debt it will be very vulnerable to increases in short term interest rates.

Runnymede is an investor of funds. For investments the key treasury risk is determined by the length of time money is invested, rather than whether fixed or variable rates are used. For example a fixed rate investment can be for a week, a month or for a number of years. In this case, the investment that has a maturity date furthest into the future carries the greatest risk.

The Council's policies for investment exposures are contained in detail in the Treasury Management Strategy. There is currently no benefit to arbitrarily limiting exposure to either fixed or variable rates. Therefore 100% limits are prudent in these circumstances.

Given no long-term borrowing is planned, interest payable on any short-term borrowings will equal the total interest paid. Short term borrowing either by way of overdraft or from money markets is often made at variable interest rates. Therefore, it is recommended that a limit of 100% of the Council's total interest payable to be at variable rates would be an appropriate level to enable efficient operation of the Council's borrowing requirements.

	Fixed	Variable
	%	%
2007/08 Estimate	100	100
2008/09 Estimate	100	100
2009/10 Estimate	100	100
2010/11 Estimate	100	100

For investments, similar rules apply. Investments are typically at fixed rates of interest, although the periods they are held for are often short term. Again there is no benefit from distinguishing between fixed and variable rates.

	Fixed	Variable
	%	%
2007/08 Estimate	100	100
2008/09 Estimate	100	100
2009/10 Estimate	100	100
2010/11 Estimate	100	100

It should be noted that there are other important controls on the interest rate and other market risks that the Council is exposed to. These are set down in our treasury management schedules

14. Maturity Structure of Borrowing

This is an indicator that has relevance to authorities with significant debt portfolios. Runnymede has need for only short-term borrowing. The proposed structure is therefore:

Table 11 - Maturity Structure of Fixed Rate Borrowing		
	Upper	Lower
	%	%
Under 12 months	100	0
12 -24 months	0	0
24 months to 5 years	0	0
5 to 10 years	0	0
Over 10 years	0	0

15. Total principal sums invested for periods longer than 364 days

Where the Council invests, or plans to invest, for periods longer than 364 days, an upper limit for the amount of investments maturing in future years must be set. The purpose of this limit is for the Council to be aware of (and contain) its exposure to the possibility of loss that may arise as a result of having to seek early repayment or redemption of sums invested. This is another limit that forms part of the Council's overall Treasury Strategy and Annual Investment Strategy for 2008/09. To enable effective monitoring of this exposure, the Annual Investment Strategy sets separate limits for in-house investments and the funds managed through the arrangement with Tradition (UK) Limited.

The proportion of the portfolio that may be held in short-term and long-term investments will vary at any one time dependent on the cash flow position of the Council. There is a sum of £10million earmarked for longer term investment through the arrangement with Tradition (UK) Limited. Other longer term investments are occasionally used where appropriate, typically to lock a small part of the portfolio into attractive rates of interest.

The following table sets out the maximum and minimum expected proportion of investments held at various times of the year:

Table 12 - Proportions of investments held in short-term and long-term investment instruments				
Time of year	Long term investments		Short term investments	
	Maximum	Minimum	Maximum	Minimum
	%	%	%	%
Start of year	25	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

These limits are consistent with those reported to the Corporate Management Committee in September 2007 when treasury schedules and limits were revised following the new cash management arrangement with Tradition (UK) Limited.

Tradition (UK) Limited – Long term investment limit

These limits are set out in the Investment Guidelines that are formalised in the agreement with Tradition (UK) Limited. These guidelines are attached to the Annual Investment Strategy for 2008/09.

The first priority of the Tradition (UK) Limited fund is the preservation of the capital sum together with an investment objective of optimising returns commensurate with the containment of risk. The fund has limits that are designed to contain the risk of placing too high a proportion of funds in long term investments – the duration policy is as follows:

The maximum term of any one investment is 5 years.

Measured on a rolling basis, at any point in time

- No more than £3 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.