

Runnymede Borough Council

CORPORATE MANAGEMENT COMMITTEE

4 February 2010 at 7.30 pm

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

Member of the Committee absent: None

Councillors J R Ashmore and D A Cotty also attended.

554. FIRE PRECAUTIONS

The Chairman read out the Fire Precautions.

555. MINUTES

The Minutes of the meeting of the Committee held on 20 January 2010 (the meeting having been rescheduled from 7 January 2010), were confirmed and signed as a correct record.

556. MAYORAL SELECTION - PRELIMINARY CONSIDERATION

In accordance with Standing Order 7, the Committee gave preliminary consideration to a nomination for the office of Mayor and a recommendation for the office of Deputy Mayor for 2010/11.

**RECOMMEND that –**

**i) Councillor Mrs M Roberts be nominated for the office of Mayor for the Municipal Year 2010/11; and**

**ii) Councillor D W Parr be nominated for the office of Deputy Mayor for the Municipal Year 2010/11.**

557. TREASURY MANAGEMENT STRATEGY AND ANNUAL INVESTMENT STRATEGY FOR 2010/11

(Ref: Minutes of Corporate Management Committee, 5 February 2009, page 729, para. 475, and 28 May 2009, page 10, paragraph 25)

The Committee considered the new statutory guidance on treasury management, and recommended a treasury management strategy for 2010, an Annual Investment Strategy for 2010/11, a revision to Financial Regulation 11, a treasury management policy statement, Treasury Management Practices and three Treasury management indicators. Where changes had been made to existing policies, these had been highlighted in the text. The documents would need to be altered to show that the body that scrutinised treasury management was the Overview and Scrutiny Select Committee and the body that made recommendations on treasury management was the Corporate Management Committee. Various other minor textual changes would be made to the documents before they were submitted to the Council.

The Treasury Policy Statement required the Director of Finance to report to the Committee on the proposed strategy for treasury management prior to the start of each financial year. The Government required authorities to draw up an "Annual Investment Strategy" for each financial year and had published guidance on investments. The Council had no long-term debt. Treasury management was concerned mainly with the management of the Council's investments and day-

to-day cash management. The Council's investment portfolio comprised funds available for longer-term investment, and short-term investments sufficient to meet cash flow requirements without recourse to borrowing. Investment income was a major provider of the revenue resources that were needed to maintain services. Sterling Consultancy Services were the Council's treasury management advisors who also provided interest rate forecasts. The Council's current investment strategy provided for £15 million of funds for investment over longer-term periods (from one to five years). £5 million of this portfolio was managed by Council Officers and was invested in fixed term investments for a 2 to 5 year period in order to give a greater degree of certainty over the total yield that the portfolio would generate. Tradition (UK) Limited, an external manager specialising in cash investments, advised on the investment of the remaining £10 million. Tradition could make fixed deposits for up to five years and were also bound by the same investment parameters as for the management of internally managed investments.

The Council's current strategy stated that decisions on placing new investments would be made on the basis of the lowest ratings issued by all three main rating agencies, institutions who were under 'ratings watch' notices would be assessed on the basis of one category below their current credit rating and any investment of this kind could be for no longer than 3 months. The maximum limit for investments with any one counterparty was £2m, but the limit for money market funds remained at £3m because of the protection offered by the diversity and high credit rating of such funds. The maximum limit and terms for new investments with building societies had been revised and the permission to invest with foreign banks had been explicitly removed. A new permission had been added to make investments of up to £1m with UK institutions with a Fitch support category of "1" that did not otherwise meet the Council's minimum lending criteria, provided that the term of investment did not exceed 2 months. It was now considered possible to relax some of these criteria for investment to allow funds to be placed with more institutions for longer periods, with a view to achieving higher rates of interest without high levels of risk.

The proposed treasury management strategy for 2010/11 reflected the requirements of the Audit Commission's "Risk and Return" report (2009), the Department for Communities and Local Government's (DCLG)'s Select Committee report on "Review of Local Authority Investments" (2009), DCLG Investments Guidance and a revised CIPFA Treasury Management Code. The latest guidance made it even clearer that the investment priorities should be security and liquidity, before yield. Strategies had to be published. Authorities should not rely just on credit ratings but consider also other information on credit risk. Strategies should comment on the use of treasury management consultants and on the investment of money borrowed in advance of spending and should report on the procedures for ensuring that the authority's treasury management staff had the right kind of training in investment management.

The revised Treasury Management Code, while setting out a broadly unchanged framework, had now been strengthened to require ongoing scrutiny with not only two reports each year as at present, (one prior to the start of the financial year and one after the close of the financial year), but also a mid year report to the Council on investments. The Council's external auditor had already commented on the rigour shown by Council Officers and Members in scrutinising investment policy. Organisations had to ensure that their reporting was appropriate and relevant, keeping those responsible for treasury management fully informed. The responsible finance officer had to ensure that appropriate training was available so that those responsible for treasury management (both Members and Officers) could effectively discharge their duties. The Committee recommended a change to Financial Regulation 11 which now added a new duty for ensuring effective scrutiny of treasury management strategy and policies. Officers had decided that the Overview and Scrutiny Select Committee would be best placed to carry out this scrutinising duty. At its meeting on 3 February, the Overview and Scrutiny Select Committee had considered the report on the Treasury Management Strategy and Annual Investment Strategy for 2010/11. That Committee had agreed that all Members of the Council should receive training in scrutinising treasury management and that Sterling Consultancy Services should undertake this training. The Director of Finance would be arranging training, which might include Members from other local authorities. The Overview and Scrutiny Select Committee had also agreed that it should receive the report on treasury management in future after the Corporate Management Committee but before the Council.

The UK had experienced the sharpest and deepest recession since World War Two, which had resulted from difficulties in the banking and financial sector, in which many long standing financial institutions had failed, merged or obtained state support. There had been a sharp reduction in consumer and business spending in 2008, with a resulting negative impact on growth and

employment. Financial institutions had exacerbated the recession by restricting credit in an effort to repair their own balance sheets, although extensive Government and central bank intervention had supported economic activity to an extent. Whatever the result of the 2010 general election, the next Government was expected to cut spending and raise taxes, slowing the country's economic recovery. It was anticipated that inflation would be low in the medium term. Interest rates were unlikely to rise quickly from their historically low levels, in the absence of obvious inflationary pressures. The interest rate forecast supplied by Sterling Consultancy Service, and forecasts of the Base Rate from the HM Treasury Survey of Forecasts were noted. The likelihood of short-term interest rate rises in 2010/11 was limited. Bank Rate could remain at 0.5% for the whole of 2010, increasing thereafter, but remaining below pre-recession levels into 2012. Money market rates, such as LIBOR, would rise earlier in anticipation of monetary tightening, but they were also likely to remain close to record lows for a considerable period. Long-term PWLB rates were expected to rise slowly due to a large increase in the supply of gilts over the next few years, but this might be offset by the demand created by new liquidity requirements for financial institutions.

The Committee noted the maturity profile of the Council's investment portfolio at 13 January 2010, and the investments made on the advice of Tradition. The Committee noted a list of current Council investments and the Council's investment activity for the period April to December 2009. A proportion of investments were held in longer term maturities. These investments had been made with institutions with good credit ratings and with building societies. In terms of the interest rate received, the timing of the investments had proved beneficial. To date, there was no reason to believe that these counterparties would be unable to meet their obligations. However, no new long-term (over 12 month term) investments had been made since September 2008.

The budget for investment income for 2009/10 had been based on an overall average interest rate of 4%, resulting in an anticipated yield of £800,000. The Council enjoyed some degree of protection against the current low level of short-term interest rates because of the fixed interest rates for the Council's medium-term investment portfolio. However, there was no such protection for the Council's short-term cash, and the investment income projection used an interest rate of 0.5% (the current Bank Base Rate) for short-term cash investments. The Financial Forecast (approved by Council in December 2009) had been updated to reflect the impact of lower interest rates, Council cash flows (including capital receipt flows), and the level of reserves and balances on investment income in 2009/10. It was based on achieving an overall average return of 3.5% in 2009/10, 3% in 2010/11, 4% in 2011/12 and 5% in 2012/13. Investment income for 2009/10 had been revised to £700,000. However, short-term interest rates were now even lower than anticipated. The rate of return earned on investments in money market funds (where the majority of the Council's short-term investment activity was made) had now drifted down to around 0.4% (it was nearly 0.5% in October 2009). The Council had significant sums invested in short-term investments. Therefore, the average rate of return for 2009/10 was now expected to be nearer 3.25%.

The Council enjoyed strong positive in-year cash flows. These primarily resulted from collecting local taxes in a 10-month cycle from April to January – whilst expenditure was from April to March – and from the tendency for the Council's spending to be weighted towards the later parts of the financial year. As the Base Rate was 0.5%, and the rate earned on good quality investments below even this, the interest earned from short-term cash flows was currently minimal. Instant access AAA-rated money market funds and bank deposit accounts would be the main methods used to manage short-term cash. Medium-term funds which might be required in the next one to twelve months would be managed concentrating on security, with less importance attached to liquidity but a slightly higher emphasis on yield. Most investments in this period would be in the form of fixed term deposits with banks and building societies. A wide spread of counterparties and maturity dates would be maintained to maximise the diversification of credit and interest rate risks. Deposits with lower credit quality names would be made for shorter periods only, while deposits with higher quality names could be made for longer durations.

Some cash could be invested for the longer term with an emphasis on achieving greater returns within a diversified portfolio. Liquidity was of lesser concern, although it should still be possible to sell investments, with due notice, if large cash commitments arose unexpectedly. Total cash balances in 2010/11 were estimated to range from a high of £28m (in July 2010), reducing to £7m near the end of the financial year. The cash forecast indicated that there may be a need to borrow modest sums for short periods in March 2011. The cash flow forecast assumed that there would be no significant capital receipts in 2010/11. In particular, the receipt for the sale of

the old civic office and police station sites was not anticipated until later in 2011. The list of current investments showed that £8.5m were made for long terms (over 12 months). Of these, £2.5m would mature in April 2010 and £3m in September 2010. At present, it seemed unlikely that these maturities would be replaced with new long-term investments. The amount of cash available for long-term investment had fallen since 2007. This was as a result of the significant draw on revenue resources to pay for the running costs of services, and capital resources to pay for the capital programme. The amount of capital receipts had also fallen far short of what was anticipated in 2007. Based on the current cash flow forecast, it was appropriate to re-set the funds available for long-term investment to £7m. This did not mean that this sum had to be invested in long-term investments. The decision on the appropriate term of an investment would continue to be a balanced judgement of all investment risks.

Tradition UK Ltd currently advised on the investment of a portfolio of £10 million of fixed interest deposits for terms of up to five years. Tradition's return had been greater than the benchmark of the average 7-day notice return. Some of the investments made by Tradition had been the cause of subsequent concern at the height of the credit crises. However, Tradition could not reasonably have been expected to foresee the risky strategies adopted by many major banks and building societies. All current investments were considered secure. A number of long-term investments made on the advice of Tradition had matured in 2009 and these had been beneficial to the Council. New investments made with the maturing funds had been for much shorter periods of between three and six months. The interest rate on these investments was significantly lower than on the previous long-term investments. Tradition was able to generate higher returns by using their knowledge of counterparties and, in particular, by using long-term investments. For short-term investments, Tradition was less able to generate significantly better performance. Since Tradition had first started investing the Council's money in September 2007, which was before the problems in the banking and financial sector had emerged in 2008, there had been a significant reduction in the number of counterparties that met the Council's credit quality criteria for long-term investment. Therefore, it was agreed that the arrangement with Tradition should be kept under close scrutiny. If the risks in long-term investment remained too high, or if the arrangement otherwise did not create value for money, the agreement with Tradition would be terminated. The Committee agreed to receive details on how Tradition's fees were calculated.

The investment income assumed in the Financial Forecast was based on an average interest rate of 3.0% for 2010/11. Based on the projections used at that time, this was estimated to produce investment income of £400,000 for 2010/11. The estimate was based on average investment returns of 2.50%. This reflected the increased likelihood that short-term interest rates would remain at very low levels. This estimate was based on the level of revenue and capital reserves for 2010/11 that was consistent with the latest capital and revenue budgets. The calculation of investment income was particularly dependent on the phasing of forecast capital expenditure and timing of major capital receipts. Investment income for 2010/11 was now expected to be £100,000 lower than Forecast.

Investment income in 2010/11 could be increased by investing sums for longer-terms. However, the interest rate risk in investing for a 5-year term was significant at a time when market conditions for longer term investments were unfavourable. There might, however, be good opportunities to lock into good long-term interest rates, probably for shorter terms than 5 years, with good quality institutions during 2010/11. In this case, investment income would increase accordingly and would spread the risk across a more balanced portfolio of investments.

Runnymede mainly used the banking and building society sectors for making fixed term investments, and deposit accounts at banks and money market funds for cash required for the short-term. The DCLG statutory guidance provided a list of specified investments which were those expected to offer relatively high security and liquidity, which could be entered into with the minimum of formalities. This list included investing with a body or investment scheme of "high credit quality". All other investments were classified as non-specified investments. It was for each authority to determine what they considered as high credit quality. The Council's investment strategy continued to use credit ratings from the three main rating agencies as a major way of assessing the credit worthiness of counterparties. However, credit ratings were only a guide to the credit-worthiness of counterparties and other factors had to be considered when making investment decisions.

Non specified investments, in the Council's case, were those that were due to mature 12 months or longer from the date of arrangement. The Council was required to set out its procedures for determining the maximum periods for which investments could be made, particularly the liquidity of such investments (how quickly they could be recalled and at what cost). The guidance also required the authority to decide on the proportion (or amount) of investments that were held in non-specified investments. It was now proposed that the maximum duration of a long-term investment would instead depend upon its lowest published long-term credit rating. The maximum sum for a long-term investment would remain at £1 million per organisation (except for the UK Government). The proposed total limit on long-term investments would be £7 million, and the total limit on non-specified investments would be £7 million. The Council did not intend to make any investments in foreign currencies, in low credit quality bodies, or those defined as capital expenditure by legislation (such as company shares or corporate bonds).

Investments with building societies that had modest credit ratings or that had not obtained credit ratings had previously been classified as non-specified. However, it was now proposed that UK building societies that held lower or no credit ratings would now be considered to be of "high credit quality" if they had been issued a certificate of eligibility under the UK Government's 2008 Credit Guarantee Scheme. The UK building society sector was regulated and supervised by the Building Societies Commission. There was 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. Therefore, it was considered prudent to invest with building societies generally. However, the policy on investments in lower rated and unrated building societies would be immediately reviewed if the insolvency regime was amended.

In 2009, the Council had limited the investments that could be made with building societies. There did now, on balance, seem to be modest scope for a further relaxation in the lending criteria for building societies. It was now proposed that the maximum term for lending to building societies be extended to one year for societies that had a short-term credit rating of F2 or better, and to 6 months for unrated societies with assets greater than £500m and societies that held a short-term rating of F3 and that investments with a duration of up to 2 years be made in building societies that held a long-term credit rating of A or above, combined with a minimum individual rating of B/C and support rating of 3. This would currently enable investment of up to £1m for up to 2 years in the top 2 rated building societies.

The Council's treasury policy had been revised to not invest in any foreign bank in 2008 as a result of the market turmoil at that time. It was now appropriate to reconsider this decision. On balance, it could now be considered prudent to recommence lending to foreign banks, but subject to higher credit criteria than UK banks and for short-term duration only. The minimum short-term rating required by a foreign bank would be F1+, individual rating of B or better, and support rating of 1 or 2. The maximum investment proposed was £1 million. In addition to a high quality credit rating, it was proposed that investments in foreign banks would be limited to those that were domiciled in one country that held an AAA or AA+ sovereign credit rating from all three major credit rating agencies, and to a maximum of £2 million per country. Banks that were domiciled in one country but were owned in another country would need to meet the rating criteria of the parent bank and would count against the limit for both countries. Therefore, subject to an acceptable country rating, the Strategy now proposed that investments be made in deposit and/or call accounts of foreign banks, subject to more stringent counterparty credit criteria than applied to UK banks.

These changes to the strategy would allow investment with the Clydesdale Bank, Alliance and Leicester and Abbey National, but only for "call" money, which was repayable on demand.

The security of investments had always been the main emphasis of the Council's treasury strategy. The Council had approved significant changes to its lending criteria in 2008 and 2009 in response to the instability of the market. The approach taken in the construction of the Annual Investment Strategy was to continue to permit use of a wide range of investment types and flexibility in counterparty limits. However, the use of this flexibility would be tempered by caution. Full regard would be given to other available information on the credit quality of banks and building societies, apart from credit ratings, including credit default swap prices, financial statements and rating agency reports, as advised by the "Review of Local Authority Investments" report. No investments would be made with an organisation if there were substantive doubts about its credit quality, even though it may meet necessary criteria. In accordance with DCLG

guidance, the Annual Investment Strategy now made it clear how the Council used investment consultant services and how their quality was controlled.

The new CIPFA Code on Treasury Management required the Council to approve three Treasury Management indicators as part of the treasury management strategy, which in previous years had been included with the Prudential Code. An interest rate exposures indicator was required to control the Council's net exposure (taking borrowings and investments together) to interest rate risk. The Committee recommended that the proposed upper limits proposed on fixed and variable rate interest rate exposures, expressed as the principal sums outstanding should be as follows :-

Table: Upper limits proposed on fixed and variable rate interest rate exposures expressed as the principal sums outstanding in respect of investments			
	2010/11	2011/12	2012/13
Upper limit on fixed interest rate exposures	0	0	0
Upper limit on variable interest rate exposures	0	0	0

This indicator was set as an upper limit on net debt. As Runnymede had negative exposures (net investments), the upper limit was simply zero.

A maturity (i.e. the earliest date on which the lender could demand repayment) structure of borrowing indicator was required to control the Council's exposure to refinancing risk. However, the Council had no current requirement to borrow in the long-term and any borrowing would therefore be short term and only used to meet temporary cash flow requirements. The Committee therefore recommended upper and lower limits on the maturity structure of fixed rate borrowing as follows:

Proposed upper and lower limits on the maturity structure of fixed rate borrowing		
	Upper	Lower
Under 12 months	100%	0%
12 months and within 24 months	0%	0%
24 months and within five years	0%	0%
Five years and within 10 years	0%	0%
10 years and above	0%	0%

The indicator on principal sums invested for periods longer than 364 days controlled the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The Committee recommended that the proposed limits on the total principal sum invested to final maturities beyond the period end should be :

Principal sums invested for periods longer than 364 days			
	2010/11	2011/12	2012/13
Limit on principal invested beyond year end	£7m	£7m	£5m

The Committee noted that the cost of the need to invest much more prudently had been a significant fall in investment income. Securing the capital invested was the objective that currently dominated new investment decisions and led to a strategy of investing over the short-term with high quality institutions. During the past 18 months, the re-investment of long-term maturities had been for relatively shorter periods (up to one year), mainly because of the uncertainties over the credit worthiness of banks and building societies generally. However, this meant that investment income was reducing sharply because higher rate long-term maturities were being replaced with significantly lower rate short-term investments. The Committee commended the changes to the Strategy which would allow investment with more institutions for longer term periods, with a view to achieving higher rates of return, but still adopted a cautious approach in uncertain times. Hopefully, liquidity and confidence would return to money markets and investor confidence in general. When this happened, the Council's investment portfolio could start to again follow an approach that recognised all types of investment risk in a holistic way. The estimate for 2010/11 was based on achieving an overall return on investments of 2.5%. If prevailing interest rates or the cash flow forecast significantly changed it would be necessary to revise the investment income budget and return to the Committee with proposals for further action.

**RECOMMEND that –**

- i) the Treasury Management Strategy for 2010/11 as outlined in the preamble to this recommendation, and as set out in the Agenda report, be approved;**
- ii) the "Annual Investment Strategy for 2010/11", as set out in Appendix 'A', be approved;**
- iii) the proposed revision to Financial Regulation number 11, Treasury Management and Trust Funds, as set out in Appendix 'B', be approved;**
- iv) the treasury management policy statement, as set out in Appendix 'C', be approved;**
- v) the Treasury Management Practices, as set out in Appendix 'D', be approved;**
- vi) the Treasury management indicators, as set out in the preamble to this recommendation, be approved; and**
- vii) approval of all of the items referred to above be subject to amendments being made in these documents and in the Council's Financial Regulations, to show that the body which scrutinises treasury management is the Overview and Scrutiny Select Committee and that the body that makes recommendations on treasury management is the Corporate Management Committee.**

558. PRUDENTIAL INDICATORS FOR 2010/11

The Committee considered the Council's Prudential Indicators and affordable borrowing limit for 2010/11.

The prudential capital finance system was based on self-regulation by local authorities. Under the Prudential Code for Capital Finance in Local Authorities, local authorities were free to borrow and take out finance leases without Government consent provided that they could afford these commitments without extra Government support and provided that they had regard to the key objectives of the Prudential Code. Affordability meant that the Council would be able to meet the costs from anticipated revenues over the lifetime of the commitments undertaken. The Council had a methodology in place – the Financial Forecast - that carried out this test of affordability. The Financial Forecast looked at the impact of all the Council's policy decisions (capital and revenue) over a 5-year timescale. In order to demonstrate that the Code objectives were being fulfilled, the Prudential Code set out a series of indicators that had to be used and the factors that had to be taken into account. Many of the indicators were of greater relevance to authorities that had net borrowings (Runnymede had only investments) and were difficult to set in the context of district councils that did not have any debt. Prudential Indicators were designed to support and record local decision making. They were not performance indicators and were not comparable between authorities.

In setting Prudential Indicators the local authority had to have regard to stewardship of assets (asset management planning), service objectives (strategic planning), value for money (option appraisal), prudence and sustainability, affordability (i.e. the effect upon Council Tax and rents) and practicality (achievability of the plan). This did not mean that a new scheme would have to show a net surplus, as this was outside the Prudential Indicators' remit. However, the Council had other procedures in place to assess whether a scheme would be profitable. The Prudential Indicators took information from the Council's published Statement of Accounts and used definitions that were consistent with the accounts. The Committee considered and agreed to recommend twelve different Prudential Indicators, seven of which also applied to the Housing Revenue Account (HRA). The indicators were a mix of estimated and actual figures, ratios, and limits. The Prudential Code set the definitions for the terms used and the method of calculating the indicators. The indicators proposed were consistent with the Council's medium term financial strategy and treasury policy strategy. Minor textual amendments would be made before the

indicators were presented to the Council. A Member would be advised of the calculation and reconciliation for the estimate for capital expenditure for Leisure Services.

The Council was also required to set an authorised limit for external borrowing in 2010/11. This borrowing would take place through the London money market. The Committee decided to recommend the sum of £3m for this purpose, which was consistent with the amount approved in recent years. This limit could be increased, but a further report to the Committee and a recommendation to the Council would be required.

**RECOMMEND that –**

- i) the authorised limit for external borrowing by the Council in 2010/11 be set at £3,000,000 (this being the statutory limit determined under Section 3 (1) of the Local Government Act 2003; and**
- ii) the prudential indicators for 2010/11 as set out in Appendix ' E' be adopted.**

559. ANNUAL MINIMUM REVENUE PROVISION STATEMENT 2010/11  
(Ref: Minutes of Corporate Management Committee, 5 March 2009, page 789, para. 529; and Council, 10 March 2009, page 804, para 544).

The Committee considered an annual minimum revenue provision statement for 2010/11.

When a Council funded capital expenditure by borrowing, the costs were charged to the Council Tax payer in future years, reflecting the long-term use of the assets. There were two elements to this cost – the interest on borrowing was charged in the year it was payable, and the principal (or capital) element was charged as a "minimum revenue provision" (MRP). Since 2007/08, local authorities had been required to determine their own prudent level of MRP. The Council had to approve a MRP statement even though it was debt free, i.e. it had no plans to borrow for capital purposes during 2009/10 or 2010/11. Therefore, the Council did not need to make any MRP in the 2010/11 financial year and the Committee recommended the statement below to the Council.

The Financial Forecast included a statement on revenue reserves and capital receipts that indicated that there would be sufficient capital receipts to fund the capital programme for the following five years without recourse to borrowing. However, this was dependent on capital receipts being realised in accordance with the forecast timetable and the timing of major capital expenditure transactions. In particular, if the receipt from the disposal of the former civic offices site was delayed beyond 2011, it was possible that the Council would need to borrow to finance its capital programme in 2011/12.

**RECOMMEND that –**

**the statement below be adopted:-**

**as the Council intends to be debt-free, the Council does not need to make any MRP in the 2010/11 financial year.**

560. SERVICES SURVEY 2009 RESULTS

The Committee noted the key findings of the services survey of residents, which had been undertaken in December 2009. The Committee noted information on those services which were most important to residents, those services which residents thought were most in need of improvement, how well informed residents felt about services, how they currently found out about services and how they would prefer to find out about services in the future. A press release would be issued on the results of the survey. The survey would set the service review programme in context and inform decision making in 2010.

The survey had been carried out from 30 November to 18 December 2009, with 946 paper questionnaires sent out to Runnymede residents. 447 of these questionnaires had been sent to the Council's existing Resident's Panel, and a further 499 questionnaires had been sent to randomly selected addresses. The same questionnaire was also available online, linked from

the homepage of the Council website. There had been 347 responses to the paper based survey, a response rate of 37%. A further 76 responses had been received through the online survey, and these responses had been combined. All survey data was subject to a statistical margin of error and, where appropriate, the results had been weighted to take account of the unrepresentative age profile of the Residents' Panel. The results mirrored results across the country as nationally the public's top priorities were the street scene and refuse collection.

The Survey had been a limited but valuable exercise and a more detailed public consultation would be carried out as part of the service review programme. The results of the survey had shown a public desire for street scene services to remain at a high quality level. There had been satisfaction shown with the Council's approach to community safety. There was public concern that there should be greater opportunities for recycling. This would be an issue for the refuse and recycling service review. Many discretionary services were highly regarded by those residents that benefited from them, e.g. services for older people and parks and open spaces. A substantial number of people were using the Council's website to find out about services. It was noted that the Committee would receive a quarterly report on complaints from the public. A Member would receive verbatim copies of the responses received for Englefield Green wards and a Member would be advised of the percentage of responses received from the Residents' Panel and from the random addresses.

561. STAFF REMUNERATION POLICY AND UPDATE ON THE SERVICE REVIEW PROGRAMME

The Committee considered a pay scale freeze and the withdrawal of final year remuneration benefits for staff and noted progress on the service review programme.

As part of the briefing of the Committee on the Council's Five Year Financial Forecast in November 2009, the Chief Executive had reported on measures to tackle the deficit forecast in the Financial Plan of at least £850,000. A programme of service reviews had been agreed which would start in January 2010 and would inform the 2011/12 budget. The 2011/12 budget would be a particularly difficult one with potential reductions in Government support in real terms. Taking into account other budget pressures, the total proposed financial savings target was therefore in the region of £1m to £1.5m.

Since November, a Business Transition Manager had been appointed who had begun work on 10 December 2009 and two service review workshops had taken place with various Members and Directors to define Member involvement in the service review process and to explain how the service review programme would operate. Those Members had also designated other Members to support and oversee the detailed work of the service review teams, project initiation documents had been produced and service review groups had been established. An intranet site had been established to aid communication, staff briefings had taken place, and meetings had taken place with UNISON to communicate how staff would be involved in the detailed processes.

There was a time lag before the full impact of savings identified in the service reviews could be realised. In the interim, there were budgetary pressures which needed to be addressed. Such pressures went beyond those recognised and planned for in the Financial Forecast, not least of which was the need to restrain the increase in Council Tax to within Government set capping limits. Last year, the capping limit had been set nominally at 5%, but this could be changed by the Government to a lower percentage. In order to limit the impact on the Council's budgets in the short term, in November 2009 the Chief Executive had proposed a pay scale freeze for the next two financial years, commencing in 2010/11. This would be in addition to the suspension of the performance related pay scheme. It was noted that the National Employers Organisation for Local Government Services had recommended a pay freeze for 2010/11 to all local authorities and that a pay scale freeze had been implemented by many other local authorities. The pay scale freeze proposed for Runnymede Borough Council staff was in respect of the annual cost of living award and did not affect the existing policy of retaining annual increments of 3% for those staff who were not yet at the top of their pay scale. All staff had received a letter from the Chief Executive on 4 December 2009 advising them of this proposal and inviting comments. No comments had been received from staff in response to this letter. Discussions had taken place with UNISON on this issue against the backdrop of a proposed pay increase of 2% by UNISON.

The Chief Executive had made a further recommendation to Members in November 2009 in respect of the policy which allowed for final year salary enhancement for certain retiring staff with good performance and at least ten year's service (up to 10%, subject to the Chief Executive's approval). The proposal was to abolish this policy with effect from 1 April 2011, meaning that all

staff eligible for retirement from this date would no longer be entitled to such a benefit. It was not considered appropriate to abolish the policy from 1 April 2010, as it would be too harsh to remove the policy immediately.

An Equalities Impact Assessment relating to the pay scale freeze and the withdrawal of the final year salary enhancement policy, including a breakdown of the 120 staff who earned less than £18,000 per annum in terms of gender, black and minority ethnic grouping and disability, was noted.

A pay scale freeze and suspension of performance related pay was bound to have an impact on staff morale. This matter had been openly debated at Staff Briefings with employees being informed that the primary considerations must be the need to retain services and as far as was possible to avoid compulsory redundancies. In this respect, a draft new redundancies policy had been drawn up which was noted. This policy was still the subject of negotiation with UNISON.

The pay review arrangements formed part of staff's contractual terms and conditions (the pay review policy being incorporated into individual contracts of employment). Consequently, any significant changes or suspension of the arrangements would require notice being served of such changes following consultation. Technically, this would require current contracts being terminated and new revised contracts being offered in their place. If individuals were minded not to accept the revised contract, their employment with the Council would come to an end. If that occurred, the potential existed for claims of unfair constructive dismissal which the Council would defend.

The Committee noted comments from UNISON on the pay scale freeze. UNISON had requested that if Members were minded to support the pay scale freeze for two years, Officers should review whether it was necessary to impose the freeze for the second year, in time for the preparation of the 2011/12 budget. The Committee agreed that if sufficient savings had been made and the savings plan could be implemented, it seemed reasonable to undertake this review and consider a pay increase in 2011/12, if this was affordable. The Chief Executive had made it clear that this gave no guarantee of a pay increase in 2011/12, but he had given a commitment to further consideration of the pay policy during the autumn of 2010.

UNISON had also requested that during the period of the pay scale freeze, staff be granted either an additional day's annual leave or other staff benefits, such as an increase in flexi-leave, as some form of compensation to staff for the monetary detriment they would face. However, Officers advised that the lost time that this would entail would have considerable resource implications and would cause difficulties for remaining staff in covering current workloads. It would also put a strain on services and limit the ability to provide some services to the public within the current opening hours. This could, in turn, lead to demands for additional posts. The Committee therefore agreed that no additional leave benefits should be given to staff.

UNISON had also expressed the view that a pay freeze would have a devastating effect on staff, in addition to the other hardships that staff had recently experienced, including the suspension of Performance Related Pay and external economic factors, which had been detailed in UNISON's original pay submission of 2%. UNISON had asked the Personnel Officer to provide a breakdown of the effects of a pay freeze on all pay scales. This information was provided to the Committee. UNISON had stated that the pay scale freeze would have a greater effect on staff who had children or had travel expenses, mortgages or rent to pay and that the loss of pay would also reduce the pension entitlements of staff. UNISON also considered that the pay scale freeze would not promote staff retention, particularly as inflation was now increasing. UNISON stated that the Local Government Association's Labour group had opposed an across the board pay freeze and that this group believed that a 1% rise was appropriate and that it was unjust for the low paid to receive no pay increase. UNISON did not support the removal of the link between Council pay awards and national pay awards or the imposition of any pay scale freeze for any length of time. UNISON had submitted proposals on how savings might be made without loss of jobs and would be involved in the service review programme. UNISON sought a guaranteed pay increase for staff after the pay freeze came to an end, noting that the Independent Remuneration Panel had recommended an increase in the basic allowance for Runnymede Members from 1 April 2012.

The Committee fully recognised the hardship that the pay scale freeze would cause to staff, but considered that there was no alternative to implementing this, given the Council's financial position. The Committee could not undertake to provide a guaranteed pay increase for staff after

the pay scale freeze came to an end, as the Council's financial position was too uncertain to provide such a guarantee. UNISON considered that it was inappropriate for Members to agree an increase to their allowances at a time when staff pay was restricted. However, the Committee had agreed to recommend to the Council in an item elsewhere on the agenda that a decision be taken in the autumn of 2011 as to whether to implement the uplift recommended by the Independent Remuneration Panel to the Members' basic allowance and to Members' special responsibility allowances, with effect from 1 April 2012. Concerning UNISON's comment about the effect of the pay scale freeze on retention, the Committee noted that other authorities were implementing similar measures, so Runnymede's conditions were not worse than other authorities. There had been an emphasis in Runnymede on restructuring rather than recruitment when posts became available, because of the Council's financial position. However, this had to be balanced against the need to be mindful of recent legislation protecting older people and also to recruit some new staff and to provide some opportunities for younger people, especially as the Council had an aging workforce.

It was noted that a freezing of pay scales would have a significant impact on lower paid staff. A disproportionate number of lower paid Council employees were female. Consideration had been given to the possible mitigation of a pay freeze on the lowest paid. Some Surrey authorities that had implemented pay scale freezes had introduced some measures to benefit employees earning under £20,000. However, any threshold below which employees would qualify would be arbitrary. The Committee therefore agreed that the pay scale freeze should apply to all staff. The question of measures for the lower paid was, however, a matter which the Chief Executive would like to address in future pay rounds, subject to affordability. It was agreed that opportunities should be taken, where possible, to advise lower paid staff on the operation of the tax credit system.

Regarding the abolition of the final year enhancement policy, the Chief Executive had received responses from staff requesting further consideration and in general suggesting that this had been part of a long term retention policy and an expectation of staff retiring in the near future. Conversely, two members of staff had suggested that the policy should be abolished with immediate effect. UNISON had received feedback from its Members on the removal of the final year salary enhancement which consisted of a number of staff who were adversely affected and understandably concerned, balanced by a significant number who supported its immediate removal. UNISON had asked for approximate figures of those affected classified by gender and pay scale and the savings which would be achieved by the discontinuance of the policy from 1 April 2011. UNISON had also commented that fewer women or part time workers had the opportunity to accrue the same levels of service as other staff, thus preventing them being eligible for the scheme and that the scheme placed a potential additional burden on the Local Government Pension Scheme.

The withdrawal of the policy on potential enhancement of salary in the final year of service would cause detriment to qualifying older Runnymede employees by comparison with previous years, although no legal issue arose as they would not be being treated less favourably than younger employees. Although an established Council policy, the ability to enhance final year salaries had always been discretionary and an award could be made for the less than 10% if the circumstances justified it. Even if it was argued that the existing policy formed part of Runnymede's terms and conditions, no qualifying member of staff had a guarantee of an enhancement of a specific value or at all. Accordingly, it was the view of Officers that there was no contractual right to the final year enhancement. A Member would be advised of the implications of the policy in terms of the pension entitlements of staff, depending upon salary and length of service.

The Committee noted the costs to the Council and to the Surrey Pension Fund of the final year enhancement policy over the last five years. As the pension payments were annual, if all the entitled retiring staff in the most expensive year continued to draw their pension for the 2004 average survival period of 18.5 years, the Pension Fund would pay an estimated £157,000 extra over that period. The cumulative impact on the Pension Fund of a number of years when staff retired with a final year enhancement could be substantial. Although the policy had been reworded so that not all awards, where approved, were as high as 10%, the policy had implications for Runnymede Borough Council's resources and a knock on impact for the Surrey Pension Fund (which in turn could be an extra cost to the Council). Few authorities retained such a policy in the light of pressures on public sector pension funds and the potential detrimental impact on pension scheme members in the medium to long term. Although the Committee noted that staff may have an expectation of enhancement of final salary, the

Committee agreed that greater weight had to be given to the cost of future Council contributions in the longer term and the interests of pension scheme members who were likely to be paying into the Surrey Pension Fund for many years to come. The Committee therefore agreed that the final year salary enhancement policy be discontinued from 1 April 2011.

The pay scale freeze would contribute £47,000 in 2010/11 and £262,000 in 2011/12 towards the Council's savings target. It was not possible to quantify the savings resulting from the abolition of the discretion to approve final year pay enhancements as these depended on the number and nature of qualifying retirements in a year and also on future decisions made regarding the funding of Surrey pensions. There was no provision in the forecast for additional expenditure in respect of the policy and therefore its removal would show no improvement against the forecast. However, the abolition of the policy would remove a source of additional pressure on the Council's budget and savings target.

**RESOLVED that –**

- i) the Runnymede Borough Council staff pay scales be frozen at their current level for a period of two years, commencing in 2010/11, but be reviewed so that an uplift can be considered as part of the 2011/12 budget process;**
- ii) the final year salary enhancement scheme for staff be abolished with effect from 1 April 2011; and**
- iii) staff be served notice of these changes.**

562. 2010/11 BUDGET AND COUNCIL TAX

The Committee noted the main changes that had taken place between the Council's 2009/10 original budget estimate and probable outturn and the 2010/11 estimate, the position of the budget when compared to the Financial Forecast, the impact of the adverse economic conditions on the budget, the anticipated level of Council tax increase that would be permitted by any Government which was in power in 2010, and the effect of budget decisions on the Council Tax. Having considered these matters, the Committee recommended the level of Council Tax for 2010/11.

In December 2009, the Council had considered its Financial Forecast for 2010/11 to 2014/15. The Council had approved a strategy of increases in the Council Tax restricted to 5% per annum, a target of generating further revenue reductions of £847,000 on top of the annual savings of £1,365,000 already approved and of continuing to use working balances over the next five years to bridge the gap between the Council's net spending levels and the yield from taxation. This strategy now required amendment in the light of recent developments.

The Committee noted a comparison of the original estimate with the projected outturn for 2009/10 and a summary of budget developments in 2009/10 which showed the reasons for an increase in net expenditure on services in 2009/10 of £664,500. The economic downturn had had serious implications for Runnymede's financial prospects as shown in the probable outturn. The reduction in income reflected the reduced use of services for which the Council made charges. The Council's response to the deteriorating financial outlook had been to approve further budget reductions and to initiate a programme of service reviews commencing in January 2010. The withdrawal from working balances in 2009/10 was expected to be £2.839 million, which was £770,300 more than the original estimate. The Financial Forecast had assumed that £2.644 million of working balances would be used. The accelerating use of balances meant there was less time to implement the significant reduction in service spending that needed to be delivered from the forthcoming service reviews.

The Committee noted a comparison of the estimated net expenditure on services in 2010/11 with the 2009/10 estimates. The Council had recently been advised that the Department of Transport grant for 2010/11 for concessionary bus fares would be £83,800 rather than £100,000. This resulted in an increase in net expenditure on community services of £16,200, bringing the total net expenditure on services to £16,631,700. This represented a reduction of £105,000 (0.6%) from the 2009/10 original estimate. A summary of the reasons for the reduction of £105,000 was

noted. The position on the Housing Revenue Account and on Reserves and Provisions was noted.

The financial projections had been re-evaluated in the light of the position disclosed in the 2010/11 budget. The key assumptions now were for average interest earnings of 2.5% in 2010/11, 4% in 2011/12 and 5% thereafter, inflation on prices of 2%, income to be inflated by 3% per annum, the disposal of the old civic offices site to take place in 2011/12, a further recovery in income from fees and charges in 2011/12 to be realised as the economy emerged from recession and that the service reviews commencing in January 2010 combined with a staff pay scale freeze would yield savings of £47,000 in 2010/11, £707,000 in 2011/12 and £847,000 in both 2012/13 and 2013/14. It was critical to the Council's financial position that these savings were achieved as balances were running out and large Council Tax increases were not possible.

Investment income in 2009/10 was expected to be £560,000 compared with £800,000 in the original estimate. The average interest rate assumed in the original estimate was 4% and although base rates were expected to remain at 0.5% for the remainder of the financial year the probable outturn had been based on average rates of 3.25%.

The Council was faced with a difficult dilemma in setting the Council Tax for 2010/11. The Committee noted the effect of different Council Tax increases on the budget for 2010/11. The Council Tax would not support the present level of service expenditure and the Council would be heavily reliant on withdrawing from its balances in order to balance the budget. At the present rate of withdrawal, the balances would only last for another two years at the maximum and therefore urgent budget reductions and increases in income would have to meet the shortfall as the Council was severely restrained in the amount by which it could increase the Council Tax. The Government would cap what it saw as an excessive Council Tax increase. The definition of what was excessive would not be announced by the Government until after local authorities had set their budgets, although a Ministerial Statement in January had implied that this may be close to a 3% increase. This statement referred to the fact that the Government had already initiated capping action against three police authorities in advance for 2010/11 to limit their Council Tax increases to around 3%.

The Committee accordingly agreed to recommend that the Council Tax increase for 2010/11 be set at 3% rather than 5%. The effect of a 3% Council Tax increase in 2010/11 would be to reduce the tax yield and the Net Demand by £87,000, to reduce the Budget Requirement from £10,283,500 to £10,196,500, and to reduce the basic amount of Council Tax (at Band D) from £139.50 to £136.89. Looking forward, remaining working balances would be £1m at the end of 2014/15 rather than £1.6m, but this was calculated on the basis that the Council Tax would be able to be set at a 5% increase from 2011/12 onwards, which currently appeared unlikely. In view of the commitment from both of the main political parties to reduce public spending and levels of Council Tax increases for future years, it was agreed that Officers would report to the next meeting of the Committee with a General Fund Revenue Account Forecast Summary showing the effect of a 2.5% increase in the Council Tax for 2011/12 and 2012/13 and a 3% increase in Council Tax for 2013/14 and 2014/15.

There was a surplus of £138,000 on the Collection Fund this year because Council Tax yield had been better than expected largely because completions of new properties had exceeded expectations. Runnymede Borough Council's share would be £13,000.

The Corporate Management Committee estimates had been considered by the Committee at its last meeting on 20 January 2010. The other Committees had also considered their estimates and the overall budget was now submitted for approval and recommendation to full Council on 11 February 2010. The precepting decisions of Surrey County Council and the Surrey Police Authority would not be made until after the meeting of this Committee, so it would be necessary to submit a separate report with this information direct to Council. The overall Council Tax for 2010/11 would be the aggregate of the tax decisions made by Runnymede Borough Council, Surrey County Council and the Surrey Police Authority.

The recommendation to Council related only to Runnymede's budget and did not include the Council Tax decisions of Surrey County Council and the Surrey Police Authority. The wording of the recommendation was based on the terminology in the legislation and referred to the gross expenditure on all services in the General Fund and the Housing Revenue Account offset by the gross income in the General Fund and the Housing Revenue Account including the use of

balances. This calculation produced the budget requirement of £10,196,500. The calculation of the basic amount of Council Tax for a Band D property of £136.89 was as set out below.

	£
Budget Requirement	10,196,500
Less Formula Grant	- 5,620,300
Less Collection Fund Surplus	- 13,000
Net Demand	4,563,200
Divided by Council Tax Base	÷ 33,335
<b>Basic amount of Council Tax (Band D)</b>	<b>£136.89</b>

Runnymede's element of the Council Tax remained too low to support the present level of spending on services. Only large withdrawals from balances allowed the current spending on services to be supported. The Government's policy on restricting tax increases meant that there was no prospect of tax revenues bridging this gap alone. The Council did not have sufficient balances to support the budget for much longer. In order to bring the budget into balance it was necessary to make significant service reductions with a savings target of £1m to £1.5m of further revenue reductions now being required. Under these circumstances Runnymede's Council Tax needed to be the maximum that could be set without being capped by the Government.

The current economic climate had increased the financial and operational risks to which the Council was exposed. Income from fees and charges had fallen from an estimate in 2009/10 of £5,295,700 to an estimate of £5,093,300 in 2010/11. This accelerated the use of balances, and the prospects for inflation and interest rates were uncertain. The financial projections assumed that fees and charges income would start to recover in 2011/12 but this might be optimistic. Other areas of risk to the Council's long term financial strategy were an increase in inflation, reduction in Government grant after 2010/11, capping of the Council Tax, future Pension Fund liabilities and risks associated with the timing and extent of the economic recovery, particularly relating to asset disposals and income from charges and rents.

There was still time to achieve planned, deliverable savings that would allow the Council to continue providing a range of quality services. However, there were difficult choices in deciding which budgets to reduce and the rigours of the service review programme would be needed to deliver the scale of savings required.

**RECOMMEND that -**

- i) the revised revenue estimates for the year 2009/10 and the revenue estimates for 2010/11 as submitted in the 2010/11 Budget, be approved;**
- ii) the following amounts be now calculated by the Council for the year 2010/11 in accordance with sections 32 to 36 of the Local Government Finance Act 1992:-**
  - a) £66,344,100 being the aggregate of the amounts which the Council estimates for the items set out in section 32(2)(a) to (e) of the Act.**
  - b) £56,147,600 being the aggregate of the amounts which the Council estimates for the items set out in section 32(3)(a) to (c) of the Act.**
  - c) £10,196,500 being the amount by which the aggregate at ii)(a) above exceeds the aggregate at ii)(b) above, calculated by the Council, in accordance with section 32(4) of the Act, as its budget requirement for the year.**
  - d) £5,633,300 being the aggregate of the sums which the Council estimates will be payable for the year into its General Fund calculated in accordance with section 33(1 and 3) of the Act.**

e) **£136.89 being the amount of ii(c) above less the amount at ii(d) above, all divided by the Council Tax Base of 33,335 calculated in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax for the year.**

f) **Runnymede Borough Council  
Valuation Bands**

Band	A	B	C	D	E	F	G	H
Amount	£91.26	£106.47	£121.68	£136.89	£167.31	£197.73	£228.15	£273.78

**(being the amounts calculated by the Council in applying the figure set out at ii)(e) to the formula in section 36(1) of the Act) as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.**

(Note: The above recommendations were dealt with at the Special Council Meeting on 11 February 2010).

563. MEMBERS' ALLOWANCES – INDEPENDENT REMUNERATION PANEL

(Ref: Minutes of Corporate Management Committee, June 2003, page 28, para. 54; November 2003 page 924, para. 440; September 2006, page 205, para. 203; March 2007, page 1005, para. 507)

The Committee considered the recommendations of the Independent Remuneration Panel following their review of the scheme of Members' Allowances and made recommendations to Council accordingly for the adoption of a new scheme.

The Local Authorities (Members Allowance) (England) Regulations 2003 as amended required all local authorities to appoint an Independent Remuneration Panel to advise on the terms and conditions of their scheme of Members' Allowances. The Regulations required the Council to have regard to the advice of the Panel when approving a new scheme. The Council had previously appointed a panel in 2001, in 2003 and in 2006 and on each occasion the Council had adopted its recommendations in full. The Council's present scheme of allowances took effect on 1 April 2007 and ran until March 2010. During this period there had been minor amendments to the scheme on which the Panel had been consulted prior to their adoption by the Council. The Panel had been convened to make recommendations on the scheme to be adopted with effect from 1 April 2010. The Panel consisted of Mr Mark Adams (Wilkins Kennedy and Chairman of the Runnymede Business Partnership), Mr Arthur Birkby (Runnymede Association of Voluntary Services) and Mr Chris Fisher (Egham Residents' Association).

In formulating its proposals, the Panel had reviewed a range of background information and comparative data and had circulated a questionnaire to all Councillors, which provided information about the operation of the scheme, Councillors' workloads and Councillors' views about the present arrangements. The Panel had compared Runnymede's Members' allowances scheme with the schemes operated by the other Surrey district Councils. The Panel had also met the Deputy Leader of the Council and the Leader of the Runnymede Independents Group on the Council to consider the issues that emerged from the questionnaires in more detail. The Panel's report and recommendations were noted by the Committee.

Runnymede's basic allowance for Members was set at a level that approximated to one third of the average hourly rate for all employment in Great Britain multiplied by the average time spent by Runnymede Councillors on Council business. The current figure for the basic allowance was £2,335. The Panel was satisfied that the present level of basic allowance was in step with the principles that the Panel had originally recommended to balance the paid and voluntary elements of a Councillor's work. Special responsibility allowances were also paid at rates that were multiples of the basic allowance. Each special responsibility allowance was calculated by a formula which was unique to that special responsibility allowance.

The Panel considered that most of the work that the Councillors carried out was voluntary. The Panel approved of the way in which the special responsibility allowances for Runnymede Members were calculated by reference to the basic allowance. The Panel's overriding concern was to recommend a scheme that was affordable to Runnymede tax payers. In response to

budgetary pressures the Council had proposed a freeze on pay scales for staff for the next two years. The Panel did not consider that they could ignore these circumstances. They had examined the Councillors' IT budget to see if there was any scope for transferring some of this budget to Members' Allowances in order to provide some flexibility for modifying allowances. The Committee objected strongly to the Panel viewing the IT provision made to Councillors as an allowance, as they considered that the IT equipment they received was an essential part of a Councillor's duties and could not be compared with an allowance.

The most contentious aspect of the existing scheme was that the amounts paid to Members in Runnymede were low when compared with other Councils. However, the Panel considered that just because other Surrey Councils paid their Members more than Runnymede did not necessarily mean that an increase could be justified for Runnymede Members, as the Panel considered that it was a matter for each Council to determine an acceptable level of Members' allowances depending on their local circumstances.

Some of the responses the Panel received had suggested that Councillors' duties had generally become more onerous. The Panel therefore recommended an increase in the basic allowance. It did not recommend an increase for the next two financial years in the present financial climate, but thereafter recommended a 7% basic allowance increase to £2,500. The Panel recommended that all Members' allowances should be subject to annual increases linked to the retail prices index. If the Council could find savings to pay for the basic allowance increase in the meantime, the Panel supported implementing the increase earlier. The Panel did not recommend a matching 7% uplift in special responsibility allowances.

In its review of special responsibility allowances, the Panel had concluded that the Planning Committee continued to make demands on Councillors that justified a higher allowance than other Committees, and therefore had recommended no change to the current allowance. The Panel were informed that the workload of the Overview and Scrutiny Select Committee had fluctuated, with some meetings cancelled through lack of business. However, this Committee had recently assumed new responsibilities under the Crime and Disorder Act and so the Panel concluded that it would not be appropriate to recommend any change in the present allowance. In the case of the Licensing Committee and the Regulatory Committee, the Panel thought that the special responsibility allowances were too high. At the time of the last review, the new licensing regime was being introduced and the weighting given to those allowances had been influenced by the workload that this entailed. The workload had now reduced and the Panel now recommended halving the allowance weighting for each of these Committees as a fairer reflection of the demands made by these special responsibilities.

The Panel believed that the special responsibility allowance for the Deputy Leader of the Council (at 25% of the Leader of the Council's allowance) was out of step with the amount of additional work that this post entailed and recommended an immediate increase of the weighting to equate to 50% of the Leader of the Council's allowance. The Panel was not convinced that the additional workload associated with the Leader of the Runnymede Independent Group merited a special responsibility allowance as high as 75% of the basic allowance, but did not feel strongly enough about this to recommend that this allowance should be reduced. It had been suggested to the Panel that membership of a Member Working Group ought to attract a special responsibility allowance but the Panel were not persuaded that this required another allowance. The Panel had not recommended any changes to any of the other special responsibility allowances but had recommended that all special responsibility allowances should be in future calculated as a percentage of the basic allowance, but subject to annual increases linked to the retail prices index.

The Panel continued to support the payment of a dependant's carers' allowance where it assisted a Councillor in the proper discharge of his or her duties, with reimbursement on the basis of fair and reasonable costs. Although training for Councillors did not strictly fall within the Panel's remit, it had invited Councillors to comment on their training needs when they responded to the questionnaire. This information had been passed to Officers with a recommendation that this be followed up with a report on future training requirements. The Panel also recommended no changes in the present scheme of travel and subsistence allowances or dependant's carers' allowances and that none of the various Members' allowances should attract a pension entitlement. While the Panel had recommended that the proposed increase in the basic allowance should be deferred until April 2012 on the grounds of affordability it considered that all other changes should be implemented from April 2010 and that the cost of the scheme in 2011/12 and 2012/13 should also be subject to increases in line with the retail prices index.

The Committee considered whether it wished to accept the recommendations from the Independent Remuneration Panel in their entirety or, if not, what changes they would wish to see before any recommendation for a formal scheme was considered for approval by full Council. The Committee did not accept the recommendations of the Panel and agreed to recommend that in view of the Council's financial position and the pay scale freeze for staff, which would be in operation for 2010/11 and 2011/12, no change should be made in the Councillors' basic allowance until April 2012. It was also agreed to recommend that a decision be taken in autumn 2011 as to whether to implement the uplift recommended by the Panel to the basic allowance and to the special responsibility allowances, with effect from 1 April 2012. While it was agreed that the changes recommended by the Panel to the special responsibility allowances in respect of the Licensing and Regulatory Committees should be brought into effect from April 2010, it was agreed that no other adjustment be made to the current levels of allowance. Officers were instructed to draft a scheme based on these recommendations for approval by the Council at its March 2010 meeting. The Committee recommended that the Panel be thanked for their deliberations and recommended that the composition of the Panel for the next review should be considered during 2012 before its commencement. The Committee also recommended that the scheme and uplift arrangements be formally reviewed in October 2012, with a view to any revised scheme being implemented from 1 April 2013.

The Committee agreed that no increases to Members' allowances in Runnymede could be approved in the current financial climate. However, looking to the longer term, while Members recognised the voluntary element of their duties and did not wish to receive an excessive amount, allowances paid to Members in Runnymede were substantially lower than other local authorities generally and the other Surrey district Councils in particular. The way in which the basic allowance was calculated in Runnymede was based on the average time spent by Runnymede Councillors on Council business. There were wide variations in the hours that had been recorded, so that those Members who spent more time on Council business were relatively penalised. Consideration also had to be given in future as to whether one third of the average hourly rate for all employment in Britain was still an appropriate ratio on which to calculate the basic allowance. In view of these factors, and the fact that Runnymede Members were spending an increasing amount of time on Council business, the Committee's last recommendation was that the Overview and Scrutiny Select Committee should report on whether there were any principles which might be adopted or elements of common approach which could be followed arising from the way in which other local authorities calculated their Members' allowances, which might be taken into account in the next review of Members' allowances in Runnymede.

The 2003 Regulations placed certain duties on local authorities in connection with publicising the recommendations made by the Independent Remuneration Panel, the scheme of allowances adopted and the actual allowances paid to Members in any given year. Copies of the Panel's report and recommendations had to be available for inspection at the Council's principal offices at all reasonable times and a notice had to be published in at least one newspaper circulating in the area. The Government urged local authorities to publicise more widely the report from the Independent Remuneration Panel, the scheme of allowances and the sums paid to each Councillor with the suggestion that, where possible, this information be published on the Council's web site. Supporting information and explanations were also encouraged. Similar duties of publicity and inspection applied to the scheme of allowances finally determined by the Council.

In view of these publicity requirements, the Committee also agreed that the Council should consider ways of reporting to the public the fact that the Committee had not taken the immediate increase recommended by the Panel, and highlighting the low level of Runnymede Members' allowances compared to those for other local authorities that had recently been publicised.

**RECOMMEND that –**

- i) taking into account the current financial position, no change be made in the Councillors' basic allowance until April 2012;**
- ii) a decision be taken in autumn 2011 as to whether to implement the uplift recommended by the Independent Remuneration Panel to the basic allowance and to special responsibility allowances, with effect from 1 April 2012;**

- iii) **the reduction in special responsibility allowances recommended by the Panel for the Chairmen and Vice-Chairman of the Licensing and Regulatory Committees be implemented with effect from April 2010;**
- iv) **no other adjustment be made to the current levels of allowance;**
- v) **the scheme and uplift arrangements be formally reviewed in October 2012 with a view to any revised scheme being implemented from 1 April 2013;**
- vi) **the Independent Remuneration Panel be thanked for their deliberations and the composition of the Panel for the next review be considered during 2012 before its commencement; and**
- vii) **the Overview and Scrutiny Select Committee be asked to examine the reports of Independent Remuneration Panels and subsequent Council decisions of other Surrey authorities on Members' Allowances to establish the reasoning behind them and whether any elements of common approach can be commended, and to make their report available to the Independent Remuneration Panel and the Members of this authority before the commencement of the next review.**

**RESOLVED that -**

- viii) **the Director of Administration and Leisure, in consultation with the Director of Finance, be instructed to draft a scheme based on the above amendments to the existing scheme, for approval by the Council at its March meeting.**

564. REFERENCES FROM OTHER COMMITTEES

- i) REFERENCE FROM HOUSING AND COMMUNITY SERVICES COMMITTEE - 13 JANUARY 2010  
Concessionary Bus Fares: Increase in Payments made to Bus Operators  
(Ref : Minutes of the Corporate Management Committee, 30 October 2008, page 355, para. 273)

At its meeting on 13 January 2010, the Housing and Community Services Committee had considered, inter alia, a request for a supplementary estimate for the increase in costs of reimbursing bus operators in 2009/10.

The enhanced statutory minimum bus concession had commenced on 1 April 2008. The concession was for free off-peak local bus travel anywhere in England for people currently aged 60 and over and eligible disabled people, who were resident in England. The 11 District Councils in Surrey, together with the County Council, operated a joint countywide scheme of concessionary bus travel on a partnership basis. This Surrey partnership employed consultants – the TAS Partnership – who advised on arrangements with the bus operators and collected and audited data from the bus companies. The major cost element in providing this service was payments to bus operators to reimburse them for income foregone as a result of accepting concessionary fare passengers. Bus operators were reimbursed on the basis of actual usage, at the rate of 65% of the normal fare for each journey undertaken. Each Surrey District was charged for journeys starting within their Borough boundary. TAS had now provided data on the second quarter usage and cost apportionment for 2009/10. The result was a significant increase in the payments to bus operators payable by Runnymede. The TAS report stated that the introduction of new ticket machines by the new local operator "Abellio" had resulted in a considerable increase in recording of concessionary journeys.

The original estimate for payments to bus operators in 2009/10 was £330,000. The result of the increased recording of journeys was an increased annual cost to

Runnymede estimated at £64,000 in 2009/10. A supplementary estimate would therefore be required to finance this increased cost.

**RECOMMEND that –**

**a supplementary estimate be approved in the sum of £64,000 to meet the additional cost of reimbursing bus operators for concessionary travel in the 2009/10 financial year.**

ii) REFERENCE FROM ECONOMIC DEVELOPMENT COMMITTEE – 21 JANUARY 2010

Review Of Off Street Parking Charges

At its meeting on 21 January 2010, the Economic Development Committee had considered a number of options for future charges in the Council's off street car parks.

After careful consideration and after having noted that the car parks budget was in surplus, that Committee had decided that in view of the uncertainties about car park usage in the current financial climate, the charges should remain unchanged until the next Car Park Charges Review in January 2011 since it was likely that any increase in these charges could lead to resentment and a reluctance to use the facilities, thus resulting in further reduced usage and income. It was acknowledged that a £100,000 shortfall in income as compared to the Financial Forecast would occur as a result and the Economic Development Committee had therefore recommended that the shortfall in income be added to the Council's savings target. The Corporate Management Committee agreed to add the shortfall to the target.

**RESOLVED that-**

**the £100,000 shortfall in income as compared to the Financial Forecast be added to the Council's savings target.**

iii) REFERENCE FROM PLANNING COMMITTEE – 27 JANUARY 2010

Costs of Padd Farm Inquiry

The Committee considered the financing of increased costs of the planning inquiry relating to Padd Farm, Hurst Lane, Egham.

On 28 October 2009, it had been reported to the Planning Committee that £60,000 would be required to fund the Padd Farm Inquiry. On 26 November 2009, the Corporate Management Committee had agreed to finance this by way of a virement from the provision for the Trumps Farm Incinerator Appeal. Based on expenditure to date, the likely cost of external legal or any other fees for the Padd Farm Inquiry in the 2009/10 financial year was now £120,000. The Planning Committee, at its meeting on 27 January 2010, had recommended that the extra £60,000 be financed from a further virement of £20,000 from the Incinerator Appeal budget, with the other £40,000 being met from the Suitable Alternative Natural Green Spaces (SANGS) endowment funds. This would leave an estimated balance of SANGS endowment funds of £86,000 at 31 March 2010, £49,700 of which was committed in 2010/11.

The Corporate Management Committee agreed to approve the virement and use of SANGS endowment funds, as set out above.

**RESOLVED that –**

**a further virement of £20,000 from the provision for the Trumps Farm Incinerator Appeal and the use of £40,000 from the SANGS endowment funds be approved, to meet the costs of the Padd Farm Inquiry.**

565. PROGRESS IN ACHIEVING NET REVENUE REDUCTIONS

The Committee noted progress in achieving the Council's revenue reductions targets.

The Council had decided in December 2008 that it needed to reduce net revenue expenditure by £712,000 per annum by 2013/14. Following a report on the deteriorating financial outlook, the Council had approved further savings of £653,000 at its meeting on 15 October 2009. The latest Financial Forecast approved by Council on 17 December 2009 showed that these savings would not be sufficient to produce a sustainable budget and the Council had initiated a programme of service reviews with the aim of identifying further savings of at least £847,000. The Committee noted the status of the savings initiatives totalling £1,365,000 that had already been approved by the Council. The latest projections, which had been included in the Probable Outturn, showed that £405,700 was likely to be achieved compared with the target for 2009/10 of £547,500, which represented a shortfall of £141,800. Each of the 2009/10 savings initiatives had been given a risk indicator showing the likelihood of achievement. The Committee also noted a projection of the savings through to 2013/14. Risk indicators in this projection were shown for those initiatives that had already commenced, but none were shown for the remainder. On this projection it was noted that the rationalisation of marketing at the Leisure Centres was expected to yield £15,700 in savings in each year from 2009/10 to 2013/14 and that the police had withdrawn their contribution to the Safer Runnymede Initiative. Representations were continuing to be made to the police about this withdrawal.

566. NON-DOMESTIC RATES - REVIEW OF DISCRETIONARY RATE RELIEF CASES

The Committee considered the policy guidelines for the determination of discretionary rate relief for charities and other non-profit making bodies, and for the determination of discretionary rate relief under the rural settlement rules. The Committee also reviewed existing discretionary rate relief cases. The criteria for awarding mandatory relief were set out in statute. Both policy guidelines worked well in practice and provided flexibility where Members decided that a particular application merited special treatment. The Committee therefore agreed that no change should be made to either of the two policy guidelines.

It had been past practice to grant discretionary rate relief to organisations for the duration of the Rating List current at the time of the award or until there was a material change in circumstances, whichever was the sooner. The Committee agreed that it would be appropriate to make future awards on this timescale, unless the particular circumstances of the case warranted a different duration for an award. The current Rating List was to be replaced with effect from 1 April 2010 and it was therefore necessary to review all cases where relief was still being allowed.

A full list of existing recipients of mandatory and discretionary rate relief was noted. Officers had recently carried out a comprehensive review of these cases, writing to all the organisations and sending written reminders and making telephone contact when there had been no response. The Committee noted the amount of relief granted to each organisation in the current financial year and the status of each application for relief in future years.

Applications had been received from three of the eight eligible non-profit making sporting and leisure organisations. Officers were satisfied that the information provided by the three organisations that had applied indicated that there had been no change in circumstances and it was agreed that discretionary relief should continue to be granted to these organisations as listed in resolution ii) below. It was also agreed that the Director of Finance be given authority to award discretionary rate relief to Chertsey Football Club, Egham Cricket Club, Englefield Green Cricket Club and Staines Boat Club, subject to receiving applications that confirmed their entitlement under the Council's existing guidelines. In the case of Egham Town Football Club it was agreed that if an application confirming eligibility for discretionary rate relief was received from this organisation, a report should be submitted to the Committee, as there were issues relating to the use of the premises and the Club's lease that required consideration by Members.

Community Amateur Sports Clubs were entitled to mandatory relief of 80%. In accordance with its guidelines, the Committee did not usually award additional discretionary relief to these organisations. However, it had made an exception in the case of Abbey Rangers Football Club and had awarded 20% relief in 2008/09 and 10% relief in 2009/10. The Committee had resolved that this should reduce to nil in 2010/11. The Club would continue to attract 80% mandatory relief. In the Scouts and Guides cases, the Director of Finance had the delegated authority to award relief upon receipt of proof that these organisations still satisfied the Council's criteria.

Eight of the twelve community associations currently receiving relief had applied for continued support and the Director of Finance had the delegated authority to grant discretionary relief in accordance with the Council's guidelines. Charity shops were entitled to receive 80% mandatory rate relief. Organisations eligible for mandatory rate relief (80%) would not normally be considered for any discretionary relief. An exception had been made by the Committee in respect of the application made by the Woking Hospice Trust charity shop, where Members felt that the contribution made by the Trust to the local community justified financial support from the Council. There were 33 charities in receipt of mandatory rate relief. The Committee had previously agreed to grant 20% discretionary rate relief to eleven of these, so that their rate liability was reduced to nil. It was agreed that these eleven charities, as listed in resolution v) below, should be granted further discretionary rate relief.

In March 2005 the Committee had granted 50% discretionary rural relief to the Thorpe Post Office and Stores in Thorpe Village after considering a report from Officers. An application to extend the relief had been received from the ratepayer and Officers would submit a report to the Committee for consideration, if the business still met the qualifying criteria. A public house in Lyne might qualify for mandatory rural relief following the 2010 revaluation. The licensee would be invited to apply and would have the relief granted, if the statutory criteria was met.

There were a total of 41 organisations currently in receipt of discretionary rate relief for 42 properties. In 2009/10 the amount of discretionary rate relief granted amounted to £28,078, £17,139 of which was borne by the Council's General Fund. In addition, the General Fund bore £467 of the rural settlement relief awarded. If discretionary relief continued to be granted to these organisations in 2010/11, the estimated cost to the General Fund would be £15,300. This compared with the provision of £17,300 made in the 2010/11 Budget.

An application for discretionary relief had also recently been received from Home Start Runnymede for its premises at 24 The Broadway, New Haw. Home Start Runnymede was a registered charity that provided free support and friendship to families in Runnymede who were experiencing crisis and breakdown and had at least one child under the age of five years. The service was provided by volunteers and received a grant from Surrey Children's Services to provide a preventative service and a grant from Surrey Primary Care Trust. The last statement of accounts for the year ended 31 March 2009 showed that the organisation was drawing on its reserves to support its present level of service. The organisation was already entitled to mandatory relief on 80% of its rate liability. The scheme manager had requested discretionary relief on the remaining 20%, backdated to 20 October 2009 when the organisation had moved into its premises. The organisation did not fall within any of the categories in the Council's guidelines for which the Committee would normally consider granting discretionary relief in addition to mandatory relief, but the Committee had complete discretion to determine entitlement in this case. If the Committee were to award discretionary relief for the remaining 20% of the rating liability, the cost to the General Fund would be £89.60 in 2009/10 and £204.93 in 2010/11. This would be in addition to the cost to the General Fund of discretionary rate relief as referred to above. The Committee agreed that Home Start Runnymede should receive discretionary rate relief from the time when it had moved into its premises until 31 March 2011, as it provided a valuable service for the community. The Committee did not award relief beyond 31 March 2011 as it was understood that a children's centre would be in operation in the vicinity in the near future, which might lead to a duplication of services provided to the public, so if the organisation wished to receive further discretionary rate relief beyond 31 March 2011, it would have to submit an application for consideration by the Committee.

**RESOLVED that –**

- i) the guidelines for the determination of discretionary rate relief for charities and other non-profit making organisations, be reaffirmed;**
- ii) discretionary rate relief be granted to Addlestone Canoe Club, Egham Hollowegians Rugby Football Club and Laleham Sailing Club;**
- iii) discretionary rate relief be granted to Chertsey Football Club, Egham Cricket Club, Englefield Green Cricket Club and Staines Boat Club, if the organisations submit applications that confirm their eligibility, at the percentage rate shown at Appendix 'O' to the Agenda, for the duration of the new Rating List or until 31 March**

**2015, whichever period is the shorter, or until there is a material change in the use of the premises or the circumstances of the organisation, whichever is the sooner;**

- iv) if an application confirming eligibility for discretionary rate relief is received from Egham Town Football Club, a report be submitted to the Committee for decision;**
- v) discretionary rate relief be granted to the Woking Hospice Trust, the British Red Cross, the Citizens Advice Bureau (Addlestone Office), the Coopers Hill Recreational Trust Ltd, the Crusaders Union Ltd, the Duke of Edinburgh Awards scheme, the East to West Trust, the Runnymede Association of Voluntary Services, the St John Ambulance Brigade Centre, the Surrey Army Cadet Force (Chertsey and Addlestone) and the Surrey Women's Aid;**
- vi) the guidelines for the determination of discretionary rate relief under the rural settlement rules, be reaffirmed;**
- vii) in the cases referred to at resolutions ii) and v) above, discretionary rate relief be granted at the percentage rate shown at Appendix 'O' to the Agenda, for the duration of the new Rating List or until 31 March 2015, whichever period is the shorter, or until there is a material change in the use of the premises or the circumstances of the organisation, whichever is the sooner; and**
- viii) discretionary rate relief be granted to Home Start, Runnymede for the period from 20 October 2009 up until 31 March 2011 and a further report be submitted to the Committee if the organisation applies for further relief beyond 31 March 2011.**

567. SAFER RUNNYMEDE ALLOWANCE

The Committee considered an amendment to the circumstances in which allowances were paid to Safer Runnymede staff when covering staff absences.

The Council's current Safer Runnymede Allowance policy stated that when less than eight days notice was given to cover sickness absence, Safer Runnymede Operators would receive an allowance to compensate for the disruption to their private life by such short notice changes. The Safer Runnymede Control room was a 24 hour facility available for 365 days a year and so was staffed by three shift changes in a 24 hour period. Unlike other staff sections, there was a minimum staffing level below which it could not operate and cover was required to be maintained. When staff were absent, there were often others who would volunteer to take on additional shifts for an overtime payment. However, where overtime was not taken up voluntarily, managers had to ask operators to change their shifts and in these circumstances the additional payment was made. Since its introduction, this had worked well. However, the original authority only covered absences for sickness and it would be appropriate for it to also apply in the cases of annual leave, training and when posts fell vacant. It was therefore proposed that the policy be amended to cover for these eventualities. Whilst the payment of this allowance represented a cost to the Council, it replaced what would otherwise have to be covered by an overtime payment, which would be considerably more costly. Over the last year, approximately £6,000 had been paid to staff in allowances. If overtime payments had been used instead this would have amounted to over £16,000. The Committee therefore agreed that the Allowance policy should be amended accordingly.

**RESOLVED that –**

**the Safer Runnymede Allowance policy be amended to read:**

**'When less than eight days notice is given to change shifts to cover staff absences and no overtime payments are received, (except for exceptional circumstances) Safer Runnymede Operators shall receive an allowance to**

**compensate for the disruption to their private life by such short notice shift changes'.**

568. EQUALITIES PEER REVIEW

The Committee was advised of the outcome of the Equalities Peer Review.

The Council had received external accreditation to Level 2 of the Equality Standard for Local Government in June 2006. At that time a commitment was also made to achieve Level 3 of the Equality Standard. The achievement of the Standard was one of the factors considered by the Audit Commission in their Comprehensive Area and Use of Resources Assessments. External validation was required to determine whether or not the Standard had been reached and a Peer Review had therefore been undertaken by IDE&A assessors in October 2009. The Committee noted the report of the Peer Review Assessment. The Assessors had awarded Runnymede Level 3 of the Equalities Standard.

The Equality Standard had now been replaced by the Equality Framework and the 5 levels within the old standard had been replaced with 3 levels under the new framework. These were "Developing", "Achieving" and "Excellent". Attaining a Level 3 under the old Equality Standard allowed the Council to migrate to the middle "Achieving" level under the new framework. It would be necessary to seek reaccreditation of the Council's "Achieving" award after 2 years unless the Council had attained the "Excellent" award in the meantime. The assessors had made various recommendations that they considered needed to be put in place in order to retain the current "Achieving" status. These and other requirements would have to be satisfied if the Council wished to obtain an "Excellent" award. An Equalities Bill was currently being considered by Parliament and it was likely that this would also generate additional requirements. Further consideration would be given to the extent of any additional work on equalities when the detailed requirements of the proposed legislation were known. Meanwhile, departmental Officer leads had been established to provide advice on equalities, a Member lead (Councillor Waddell) had been appointed and progress was being made on departmental Equality Action Plans. An assessment of the requirements of both the Peer Review and the forthcoming legislation would be undertaken to assess the full financial/resource impact and a further report would be made to Committee at the appropriate time.

Chairman

(The meeting ended at 10.45pm)