

Runnymede Borough Council

CORPORATE MANAGEMENT COMMITTEE

31 May 2007 at 7.30 p.m.

Members of the
Committee present: Councillors P.J. Waddell (Chairman for the meeting), J. R. Ashmore, A.J. Davis, Mrs R.M. Denby, J.M. Edwards, Mrs L. M. Gillham, C.J. Norman, D.W. Parr, Ms C.M. Simmons and G. B. Woodger.

Members of the
Committee absent: None

Councillor D.A. Cotty also attended.

32. NOTIFICATION OF CHANGES TO COMMITTEE MEMBERSHIP

The Groups mentioned below had notified the Chief Executive Officer of their wish that the changes listed below be made to the membership of the Committee. The changes were for a fixed period ending on the day after the meeting and thereafter the Councillors removed would be reappointed.

Group	Remove from Membership	Appoint Instead
Conservative	Councillor J.R. Furey (Chairman)	Councillor D.W. Parr
Runnymede Independents	Councillor A. Alderson	Councillor J.R. Ashmore

The Chief Executive Officer had given effect to this request in accordance with Section 16(2) of the Local Government and Housing Act 1989.

33. CHAIRMAN FOR THE MEETING

In the absence of the Chairman of the Committee, the Vice-Chairman of the Committee, Councillor A.J. Davis, indicated that he wished another Member of the Committee to Chair the Committee for this meeting only. The Committee accordingly elected Councillor P.J. Waddell to be Chairman for the duration of the meeting.

34. MINUTES

The Minutes of the meeting of the Committee held on 29 March 2007 were confirmed and signed as a correct record.

35. REFERENCE FROM REVIEW BOARD – 18 APRIL 2007
STAFF RECRUITMENT AND RETENTION POLICY

At its meeting on 18 April 2007, the Review Board had received information, further to a request from the Board Chairman, on the cost of the scheme under which the salaries of long-serving staff were enhanced during the final year of their service prior to retirement, as part of the staff recruitment and retention policy. The matter arose from a report which had been submitted to the Corporate Management Committee on 1 March 2007 on the wording of the scheme. The Committee noted a draft minute of the Board's consideration of this item. The Board had asked for their comments on the scheme to be brought before the Committee for consideration.

In 1990, the Council had introduced a scheme designed to maintain the authority's competitive advantage in the employment market, whereby staff with 10 years satisfactory service with Runnymede qualified for a 10% final year enhancement of salary. At its meeting on 1 March 2007, the Corporate Management Committee had approved a revised wording of the scheme. This emphasised the discretionary nature of the benefit, explicitly required consideration of the value of the employee's continued service to the Council, and allowed for awards of up to 10%, i.e. an award

of less than 10% could be made. The purpose of these amendments was primarily to ensure that the scheme was within the Council's powers.

The Committee noted that the policy of enhancing Officer final year salaries had in the past proved useful in facilitating major restructurings and achieving consequential revenue savings. Staff turnover at senior level was particularly low. Whilst this high retention rate could not be attributed solely to the policy of final year enhancement of salaries, anecdotal evidence suggested that it had had a marked effect on staff's decision on whether or not to leave the authority's service. Currently, 76% of staff with ten or more years service with Runnymede were banded at 'very good' or above in the Performance Related Pay scheme. Retention of these key staff had not only benefited the authority by having highly experienced and able staff, but had also saved potentially significant recruitment and training costs.

The policy of enhancing final year salaries gave rise to additional costs consisting of an uplift in salary of up to 10% in the last year of service, employer's National Insurance and Pension Fund contributions on the additional salary that had been paid, and an increase of up to 10% in the pension paid to the employee. While the salary uplift and additional employer's National Insurance and pension contributions were costs that were directly incurred by the Council, the additional pension costs were borne by the Pension Fund and could fall on the Council either by increasing the deficit attributable to Runnymede if no contributions had been made to the Pension Fund to cover the cost of paying the additional pension, resulting in increased backfunding contributions, or if the Actuary had increased the employers' contributions paid by Runnymede in the light of historic trends that showed that Runnymede pensions turned out to be higher than expected, then the cost of enhancing salaries would be reflected in the higher current contribution rates rather than in deficit backfunding payments. This might be one reason why Runnymede's contribution rate to the Surrey Pension Fund of 12.5% was higher than the average rate of 12.2% for Surrey District Councils (representing an additional cost of £25,000 per annum). It was also possible that the costs were falling on the Council through a combination of these two ways.

The Board had considered whether there should be some form of affordability criteria included within the policy but took the view that because the scheme was discretionary and as there was now provision to pay less than 10%, costs could be contained if necessary. The Board had suggested that it might be helpful for the Corporate Management Committee to have a list of Officers who might be retiring soon and therefore might be eligible for the scheme. This could never be definitive because Officers might die, suffer ill health or move on for various reasons, but it would give some indication of the costs which might be incurred in future. The Committee noted that if such a list were to be prepared, it would probably over-estimate the costs.

The Board believed that the Council valued experienced staff and that this scheme was a factor in making senior staff decide to continue working with the Council. The Board considered that discontinuing the scheme would add to uncertainty amongst senior Officers, particularly in view of the move to new Civic Offices which already had a potentially unsettling effect on all staff.

The Board did, however, consider that the scheme should be kept under close review by the Corporate Management Committee. They considered that the Committee should look at whether there might be alternative schemes which could achieve a similar objective, but allow costs to be identified more clearly. This could either be done as part of an exercise looking at a range of recruitment and retention packages, or through a separate report, whichever was appropriate.

The Committee noted that similar schemes were operated in some other local authorities. The Committee agreed that the scheme should be kept under review and noted that there were likely to be changes to the Local Government Pension Scheme which might have an effect upon it.

RESOLVED that –

the recruitment and retention policy relating to enhancement of salary in the final year of service be kept under review, following any further revisions to the Local Government Pension Scheme which may have some effect upon circumstances relevant to the Policy.

36. FINAL ACCOUNTS 2006/07

The Committee considered actual income and expenditure for the 2006/07 financial year compared to the budget, the method of financing the Council's capital expenditure in 2006/07, and the level of General Fund working balances and other reserves. The formal Statement of Accounts for the year 2006/07 would be presented to the June meeting of the Committee and the Audit Commission would be commencing their formal examination of the accounts in July. A booklet giving service figures for 2006/07 was also available on the Council's website, showing variations in budget at cost centre level.

It had been particularly difficult for both building service managers and accountancy staff to obtain reliable budgetary information about the impact of the five-year strategic maintenance plan. Therefore maintenance budgets showed significant differences between estimates and actuals. This was because of the legacy left by the previous two contractors on terminating the contract and problems in acquiring accurate valuations and helpful management information from the present manual records. Council Officers' estimates and assumptions on the value of work completed differed from those of the contractors and it was likely to be some time before these differences would be resolved.

Actual net General Fund expenditure on services had reduced from the revised projection. The net betterment compared to the revised estimate resulted in an increased transfer to reserves of £966,000. This was a significant sum when compared to the net revised budget for expenditure on services of £14.9m. However, it was more appropriate to place it in the context of gross turnover - income and expenditure benefits - of £35.7m. The major variations - except those caused by changes in capital charges and accounting changes to other recharges - between the revised budget and the actual for 2006/07 totalled £902,000. Of this, planned under-spends represented £321,900 and would be taken into 2007/08. The Committee noted a summary of the major variations.

The major variations in spending totalling £902,000 consisted of five elements. The first was planned under-spends (£321,900). These were not savings, but deferrals of expenditure to 2007/08. Planned under-spends were a useful tool in allowing managers to use public money wisely without the constraint of meeting in year budgetary targets. The second element was unused provisions (£50,000) including policy led provisions (e.g. grant aid budget), and established provisions for demand led items (e.g. homelessness). The third element was increased income of £73,000. Much of the Council's income derived from demand led services (e.g. planning applications) where relatively small fluctuations in usage could change the income generated. Other income increases were one-off items generated from policy or management actions (e.g. cost recoveries). The fourth element was savings in salaries and wages (£238,000). This was a significant sum in 2006/07. In addition to the specific 2006/07 factors, there were general staff savings arising from short-term vacancies. For new and developing services (e.g. refuse/recycling, community transport coming in-house) staff budgets had been based on a full establishment and often at pay scale maximum. In these cases, delays in implementation timetables and staff starting on pay at less than the scale maximum, created budgetary saving in the year. The fifth element was savings in other running costs (£219,000). The culture of the Council had been to encourage Budget Managers to minimise costs where consistent with the delivery of good services.

It was noted that the net running costs at the Egham Leisure Centre were £43,700 greater than the revised estimate, with running costs marginally higher and income lower than expected. The Centre had completed a major refurbishment and improvement programme in 2006/07. The latest trading statements showed that the performance of the new fitness suite was exceeding expectations. However, the delay in the opening of the 5-a-side pitches had made it difficult to attract the new business envisaged for the 2006/07 season. The Egham Leisure Centre results subtracted from the major service budget underspends (£902,000), plus a betterment in investment income of £30,000 and other net variances of £78,000 produced a revised estimate to actual of £966,000. Investment income of £1,229,665 was in line with the revised estimate of £1,200,000, although it had been achieved in a different fashion to that originally envisaged.

A feature of the 2006/07 out-turn was a saving in salary and associated direct staff costs of £238,000. There were also savings in wages paid to direct service staff. There had been some significant staff savings in the year, most noteworthy being the vacancies in the Valuation and Legal Sections, and staff turnover in the Technical Services Department. Such vacancies would not always apply in future years.

The scale of savings in 2006/07 represented a further opportunity to identify budgets that could be reduced, having regard to spending profiles over recent years. Some of the savings made in 2006/07 had already been factored into the 2007/08 budget as part of the net revenue reductions programme. They were not factored into the 2006/07 revised budget to avoid any potential disruption to the spending plans for that year and to give time to budget managers to plan for the required savings, whilst minimising the impact on service delivery. The betterment would be reviewed in consultation with Budget Managers to establish if this could form the basis of further budget reductions in 2007/08 and future years. Officers would be reporting back on this.

The net result for the General Fund in 2006/07 was a beneficial increase in the working balance of £2.514 million, compared to an original estimate of £1.6 million. However, some of the factors that brought about the savings achieved in the year had already been included in the latest Financial Forecast. Others were short-term in nature. Therefore, the need to continue to identify and generate sustainable savings in the medium-term remained a priority.

The Housing Revenue Account (HRA) for 2006/07 had recorded a surplus of £201,968, a betterment of £538,668 compared to the revised budget where a deficit of £336,700 was forecast. The HRA working balance at 31 March 2006 was £1,800,578. The significant variances between the revised budget and the actual were noted. The first call on the increased level of HRA balances in 2007/08 would be the planned under-spends of £8,600 carried over from 2006/07. The HRA balance of £1.8 million was very encouraging and was consistent with assumptions made in the HRA Business Plan. There would, however, be significant future demands on the HRA contained within the Business Plan. These projects would continue to be financed from within the housing capital programme where possible.

The Committee agreed to recommend a schedule of General Fund and Housing capital expenditure in 2006/07 as set out in Appendix 'A'. Many of the variances shown in the schedules resulted from timing differences (e.g. slippage in implementation or project re-phasing) and these capital budgets had been carried forward into 2007/08.

The largest item in the capital programme was the new Civic Offices project. The expenditure in the year of £4.6 million was significantly less than the estimate of £6 million, but this was a timing difference, caused in part by the construction works falling marginally behind schedule, and the profile of actual payments being somewhat different to that expected. The next largest item in the capital programme was the capital repair and improvement works to the housing stock, with total expenditure in 2006/07 of nearly £3 million. The other significant projects in the year were the Addlestone Leisure Centre extension project (£1.18 million), developments at Egham Leisure Centre (£795,000), private sector property improvement grants (£439,000), and repurchase of properties to facilitate the Wapshott estate redevelopment (£456,000).

Capital expenditure was financed by (i) grants and contributions if available, or, (ii) specific reserves for projects and (iii) capital receipts for the remainder of the programme. Revenue contributions from the General Fund were not used to finance the capital programme, because revenue reserves were needed to finance spending on services. Capital expenditure on the Council's existing housing stock was first funded from the Major Repairs Reserve. The balance, financed in previous years by the HRA, was now financed from capital receipts, to ensure that the transfer of revenue reserves from the HRA to the General Fund did not have an adverse impact on the HRA Business Plan.

The capital programme for 2006/07 assumed that certain works would be financed from specific revenue reserves. These were as follows:-

Capital expenditure met from specific revenue reserves	
Name of reserve	£
Safer Runnymede equipment reserve	9,392
Egham Sports Centre equipment reserve	50,000
IT Renewals	70,955
Total	130,347

Financing these works from capital receipts would preserve the level of revenue reserves. In order to maintain the discipline that these specific reserves employed, sums equal to the amount that they would have financed would be transferred to the General Fund working balance.

The Committee noted a summary of capital receipts in 2006/07. The timing and amount of capital receipts was difficult to forecast. In 2006/07 there had been significant delays in asset disposals resulting from planning and commercial factors. The initial cash flow projection was based on capital receipts being realised in accordance with the asset disposal programme. In particular, the receipts for the sale of the Blays Lane and Roakes Avenue sites were originally programmed for June 2006. The Blays Lane receipt was still subject to planning permission, and the earliest expected date for the Roakes Avenue receipt was now June 2007. Other significant capital receipts had been forecast for March 2007 and these had also been delayed. Large capital receipts were now expected in 2007/08 (particularly the sale of Roakes Avenue) and 2008/09 (particularly the sale of the current Civic Offices site). These sales were dependent on favourable market conditions and satisfaction of planning and other matters. Recent experience had shown that slippage in receiving these sums could occur and there was also a risk that the disposal proceeds may be lower than expected.

Capital receipts were the main source of funding for the Council's capital expenditure plans. The Committee noted the use of capital receipts in 2006/07. Pooling of housing capital receipts required the Council to pay a proportion of housing capital receipts over to the Government. The total amount payable to the Government pool for 2006/07 was £398,000.

The balance on the usable capital receipts reserve at 31 March 2007 was £6.266m. However, the rate of spend on the new Civic Offices project was reducing this balance, and it was important that the sale of Roakes Avenue in particular took place as soon as was possible. Investments that were not classified by the Government as approved investments had to be treated as capital expenditure. In view of the reducing level of capital receipts the Council's external fund manager had been instructed to sell all Floating Rate Notes by 31 March 2007.

Grants or contributions received from third parties formed an important part in funding new capital initiatives and the scale of receipts in 2006/07 reflected the success in attracting Government and other third party support. The Committee noted the capital and revenue grants and contributions so used in 2006/07, consisting of £861,495 (capital) and £964,705 (revenue). The amount of one-off or short-term Government grants and other third party support for revenue expenditure was also a feature of the Council's operations. The use of Section 106 powers to require developers to make financial contributions and/or asset transfers had been an important feature of financing services in recent years. However, the Committee noted that these types of grant income could be insecure and abortive time could be potentially spent seeking funds in competition with other public sector organisations.

The Committee noted the performance of the DSO trading accounts in 2006/07, and the movement in general DSO Reserves. The decision to transfer £250,000 to General Fund reserves had been made in October 2006. The remaining balance represented accumulated surpluses on Depot based DSO activities and was considered sufficient to meet potential financial needs now that the contract was due to be terminated in 2007/08 for street lighting activity. Any remaining balance on this reserve would then be transferred to the General Fund working balance.

It was noted that the Bemonds Allotment Remedial Works set out in the Capital Expenditure Financing Summary 2006/07 related to an extension to the Library car park. Full details of other HRA expenditure listed in the HRA Actuals account were provided at page 136 of the service figures 2006/07 booklet. The Committee agreed that when the Local Government Act Member Working Group met in the autumn to discuss the Constitution, the Group should be asked in particular to look at the Committee reporting arrangements for residual highways services and for refuse. The Committee also asked Officers to consider whether any special financial arrangements were needed at this stage for the 800th Magna Carta Anniversary celebrations in 2015.

The Committee noted the movements in General Fund Revenue Reserves in 2006/07, the purpose of each major reserve, proposals for setting the balances of each reserve at 31 March 2007 and the movements in revenue reserves in 2006/07. The statement on forecast reserves and balances presented with the Budget for 2007/08 estimated that revenue balances would be £7.710 million at 31 March 2007. The increased level of balances, (totalling £8,584,000), was primarily the result of the savings and planned under-spends. The additional flexibility that this increase afforded the

Council was very welcome given the challenges to be faced over the next few years. The Council currently had what appeared to be substantial revenue balances, including £6.927 million as a working balance and contingency. However, the approved General Fund budget for 2007/08 alone estimated the use of £1.665 million of these balances to support service spending. The Council's medium term financial strategy was based on revenue reserves being used to finance service spending, whilst net revenue reductions were phased in to bring income and expenditure into balance.

The movement in the Retail Prices Index in 2006/07 of 4.8% was significantly greater than the assumption made for general price increases of 2.5%. The Government's favoured measure of inflation – the Consumer Price Index – had increased to 3.1% in March 2007. The local pay award in July 2006 of 3.0% matched the assumption used in preparing the 2006/07 estimate. The Committee noted the increasing impact of inflationary pressures upon the budget.

The Committee commended Officers for the clarity of the presentation of the accounts and for the savings which had been made.

RECOMMEND that –

- i) the methods of financing capital expenditure in 2006/07 be as set out at Appendix 'A'; and**
- ii) the additional revenue savings identified in this report be investigated to ascertain whether they can form the basis for further revenue reductions towards the overall savings target.**

37. FINANCIAL MONITORING STATEMENT

The Committee noted the latest financial projections for the 2007/08 financial year for corporate and business services reflecting an updated position based upon the 2007/08 original estimates approved by the Committee in January 2007. The Financial Forecast previously approved by Council in October 2006 had now been updated to reflect changes made during the updating of the Council's Revenue estimates. The statement was split into three parts, projected budget and forecast, savings still to be delivered, and current year key budget indicators. The total approved budget for 2007/08 for corporate and business services was £3,720,000. The latest budget projection was for £3,779,000. Local Land Charges Income was a key budget indicator for this Committee which would be monitored closely. The extra software costs arising from the need to verify some of the postal ballot signatures at the 2007 election had been met by the Government. An extra £10,000 in savings would arise in 2010 from a district election free year.

38. TREASURY MANAGEMENT AND INVESTMENT STRATEGY - ANNUAL REPORT 2006/07
(Ref: Minutes of Corporate Management Committee, 2 February 2006, page 830, para. 533, and 1 February 2007, page 733, para. 515)

The Committee considered the annual report on treasury management activity and performance for the 2006/07 financial year, conducted in line with the approved treasury management and Annual Investment strategies.

The Committee noted a summary of the Council's overall investment portfolio at the start and end of 2006/07 as follows:

	At 1/4/06	At 1/4/07
Alliance Bernstein Fund	£21,045,935	£16,984,147
In-house Investments	£5,500,000	£3,380,000
Total Investment Portfolio	£26,545,935	£20,364,147

In-house investment activity in 2006/07 had begun with an opening balance of £5,500,000, new investments had been made of £78,300 and £80,420 of investments had been cancelled, leaving a balance of £3,380 at 31 March 2007. Gross investment income for 2006/07 was £1,383,000 and the net income for the General Fund was £1,230,000, after subtracting interest on the HRA balance and interest paid in Deposits and Balances.

The Bank Base Rate in 2006/07 commenced at 4.50% and increased to 4.75% on 3 August 2006, 5.0% on 10 November 2006, and 5.25% on 11 January 2007. The average base rate for 2006/07 was 4.82%. The assumption for the average base rate that had been used to compile the original estimate was 4.50%.

The original estimate for investment income in 2006/07 was based on interest rates of 4.5% for both externally managed and in-house funds. This was estimated to generate investment income of £1,200,000. The revised estimate for 2006/07 was also £1,200,000. However, the cash flows for 2006/07 were markedly different than expected this time last year.

The Council enjoyed strong positive cash flows as a result of collecting local taxes over the first ten months of the financial year. The original cash flow forecast for 2006/07 had been made in January 2006 and formed the basis of the treasury management strategy in 2006/07. This forecast assumed in-house cash holdings to be £2.7m and the funds with Alliance Capital to be around £22m at 31 March 2007. The actual total investments at 31 March 2007 of £20.4m were £4.3m less than that originally forecast. There were a number of large variations in cash flow movements in 2006/07 compared to the original forecast.

The cash forecast for 2006/07 was based on capital receipts being realised in accordance with the expected asset disposal programme. In particular the receipts for the sale of the Blays Lane and Roakes Avenue sites were programmed for June 2006. The prospects for the Blays Lane receipt were now uncertain, and the earliest expected date for the Roakes Avenue receipt was now June 2007. The forecast also assumed other significant capital receipts in March 2007, which had not materialised. These changes had had a negative impact on investment earnings of around £250,000 in 2006/07 alone. £5m had been withdrawn from the Alliance Bernstein fund on 2 February 2007 to accommodate the in-house cash resources shortfall.

The cash forecast also included the projected spend of the large sums in the capital programme for the affordable housing programme, sports centre developments, and the Civic Offices re-provision project. The timing of these spending commitments had been beneficial because of the cash movements occurring later than expected. This was particularly so in respect of the Civic Offices project where the cash spend predicted by the project manager by 31 March 2007 had been overstated by £1.4 million. This sum would, however, be spent in 2007/08. The net impact of this betterment was around £50,000.

Revenue related cash flows had been better than anticipated. This was mainly because of the lower than expected use of revenue reserves in 2005/06, leading to higher overall cash reserves. The transfer of £3 million from HRA to General Fund balances had also increased the amount of investment income payable to the General Fund. Taken together, these provided betterment of around £160,000. Interest rates had been higher than expected. This provided betterment of around £75,000.

The Committee noted the outcome of in-house investment activity during the course of 2006/07 split between the sector of the counterparties with which the funds were invested. Greater use of counterparties within the banking sector had been made this year. It had been helpful that a number of banks with good credit ratings had taken investments from local authorities. The annualised rate of return of in-house managed investments was 5.0% in 2006/07 and the total earnings were £467,764. Returns from in-house investments could be measured against external benchmarks. As in-house investments were lent only for periods commensurate with the Council's short-term cash flow obligations, an appropriate comparison was a short term index. The Committee noted comparisons of in-house performance against average short-term indices for 2006/07. The in-house return had particularly benefited from an investment of £1 million made in July 2005 at a rate of 5.25% (renewable by the borrower at 6-monthly intervals), which had been held throughout the year. Taking this investment out of the calculation, the return on in-house investments was 4.970%. In house investments had also been made in three deposit-type accounts that had paid the base rate or better throughout the year.

The Committee noted a summary of the return generated by Alliance Bernstein. The net return on the Alliance fund in 2006/07 was disappointing. The report provided by Alliance Bernstein at 31 March 2007 showed portfolio performance after managers fees of 4.51% for the 2006/07 financial year. The benchmark for the year was 4.93%. During most of 2006/07, Alliance Bernstein continued

to invest in a mix of certificates of deposit and, up until March 2007, floating rate notes (FRNs). Since the Council would have less financial flexibility as usable capital receipts reduced, FRNs were not being used from 1 April 2007. Sterling Consultancy Services, the Council's treasury consultants had supplied a report that commented on the performance of the fund manager in the last quarter of 2006/07. The report looked at the performance of Alliance Bernstein in absolute terms and relative to other cash fund managers. The report for the quarter ending 31 March 2007 identified some of the reasons why Alliance Bernstein's performance had fallen short of the Council's benchmark. However, the two other fund managers operating in the local authority market that were identified had not performed as well as Alliance Bernstein. The principal difficulty appeared to be that fund managers had not forecast the scale of the recent upward movements in interest rates.

In February 2007, Alliance Bernstein had informed the Committee that the company had decided to withdraw from the cash management market and had decided to terminate their agreement with Runnymede. This required a re-assessment of the Council's investments and accordingly at its meeting on 29 March 2007, the Committee had approved a revised investment strategy for £15 million which it was agreed could prudently be made available for investment over the medium-term. A new element in the strategy involved investing a proportion (£5 million) in fixed term investments for a 2 to 5 year period, to give the Council a greater degree of certainty over the total yield. It was also agreed that a manager specialising in cash investments be appointed to allow investment returns to match benchmark returns more closely, while providing a good mix of investment counterparties for the remaining £10 million. The Alliance Bernstein fund would close by the end of July 2007, on implementation of these new arrangements.

The Council's medium-term financial forecast was based on achieving an average return of 5%. The unexpectedly large increase in the inflation indices for March had raised the prospect of further increases in interest rates. The Committee noted the latest set of interest rate forecasts received from Sterling Consultancy Services. The increase in Base Rate by 0.25% to 5.50% on 10 May had been widely predicted by the financial markets. There was a possibility of a further 0.25% rate increase in June. However, the rate of inflation was widely expected to fall over the next 12 months, and the Base Rate was also expected to reduce, albeit more slowly. The prospect of a further increase in the base rate made it likely that investment income would be greater than expected in 2007/08. However, this beneficial impact was more than offset by the cumulative increase in inflation.

The placing of the £5m funds set aside for fixed-term (at fixed rate) investment was now taking place. The interest rate forecasts suggested that this is the right time to make such investments. In house investment returns had benefited from higher than expected balances, timing differences in capital spend, and the transfer of revenue balances from the Housing Revenue Account. These factors had been offset by delays in securing capital receipts from the sale of assets. The management of the large cash flows arising from the Civic Offices re-provision project and the programme of asset sales was a crucial part of the delivery of the Council's overall financial strategy. The need to deliver capital receipts on time would be particularly important, to meet the cash flow impact of spending on the Civic Offices re-provision project.

39. REVIEW OF SALARIES 2007

The Committee considered the level of annual adjustment to salaries of staff subject to the Runnymede pay scales with effect from 1 July 2007.

The Council in its Local Pay Policy (and in individual contracts of employment) stated that the annual adjustment of salary grades would, subject to individual satisfactory performance, be no less than the level of NJC and JNC awards. The Committee noted the Council's revised Pay Policy as agreed in February 2007. This year's pay review was set against the Chancellor's insistence that public sector pay rises must be kept below 2% to avoid fuelling inflation.

The Surrey Districts' twice yearly comparison of a basket of mid range posts showed that for this group Runnymede salaries were currently between median and upper quartile (January 2007). The South East Employers Pay and Benefits Survey (March 2006) showed Runnymede as paying between median and upper quartile for posts surveyed. The National Management Salary Survey 2007 placed Runnymede salary scales for Management posts at between median and upper quartile. The National Local Government pay settlement for 2007 was awaited, with the Trade Unions rejecting a 2% offer by the National Employers. In the National local government pay negotiations, a

settlement of at least 2% would be reached. The level of any final settlement could not be predicted with any confidence and it was noted that the timescale involved in reaching such a settlement could well be very protracted this year.

Surrey Local Authorities on local conditions had so far agreed awards for 2007 between 2% and 3.7%, which represented a wider variation than for previous years. Neighbouring authority awards concluded so far were as follows: Elmbridge – 3%, Spelthorne – 2.75%, Woking 3%. Surrey County Council had settled at 2%. The current headline settlement for Local Authorities in the South East on local pay stood at an average of 2.81%. Median settlements in the whole economy in the period up to March 2007 were 3.5%. The cost of a basket of goods and services had increased by 4.5% in April 2007 compared to April 2006, as measured by the Retail Price Index (RPI).

An adjustment of at least the level of the National award was required in order to comply with Runnymede's policy and contractual requirement to pay no less than the National award. As the National award had yet to be settled, any decision locally would ultimately need to take into account the outcome from the National settlement.

Staff turnover at Runnymede during the period May 2006 to April 2007 was 13.9%, a 2% increase on the January to December 2006 figure and within the median for Surrey districts. High housing costs within the catchment area restricted applicants generally to those living within commuting distance of the borough. Certain posts within areas of national skills shortage remained difficult to fill. While a small number of employees accounted for most of the Runnymede staff sick leave, further measures would be put forward by Officers, seeking to reduce the amount of staff sick leave taken.

In February 2007, the Council's pay policy aim had been changed from a policy of pitching salaries at an upper quartile level to a level which was not less than median. As the previous policy had been in existence for the past 20 years, the transition to median could only take place over a period of time. Most Runnymede jobs were pitched at between median and upper quartile salary levels. Realistically, the main mechanism for achieving this revised aim would be via the annual review of salaries. Consequently, in the short term, salaries would continue to exceed the median aim. Taking into account the various indices and survey data above and the need to maintain Runnymede's competitive position and pay policy aim, Officers had recommended an award of 2.8% this year.

The Committee noted UNISON's comments on the review of salaries. UNISON had noted the range of settlements (2-3.7%) agreed with other Surrey Districts on local agreements and the fact that immediate neighbouring Council staff were being offered settlements of between 2.75% and 3%. The Committee noted a table provided by UNISON showing the effect on staff of a 2.8% increase. UNISON considered that a settlement of 3% was reasonable, taking into account the current costs of living on the outer fringes of London, the fact that certain staff benefits such as health insurance were being lost, the rising housing and borrowing costs and the work pressures upon a large number of staff over the last few years as a result of increased demands. While considering UNISON's comments, the Committee noted that a 3% award may lead to a need for staff reductions and would increase the savings targets required. The Committee agreed that a 2.8% award was fair to staff and to Council Tax payers.

A 2.8% pay award in July would add £274,100 (including employer's costs) to the Council's expenditure in the 2007/8 financial year, of which £246,200 would fall on the General Fund and £27,900 on the Housing Revenue Account (HRA). There was a provision in the budget for a 2.5% award leaving a shortfall of £29,400, of which £26,400 would fall on the General Fund. The additional cost to the General Fund could be met from within the salaries budget because the Housing Department had achieved salary savings of £29,200 by handling the work associated with houses in multiple occupation (HMOs) without the need to appoint an additional authorised temporary (2 year) post. There would therefore be no need for a supplementary estimate in 2007/08. The cost to the HRA could also be met from within existing budgets.

RESOLVED that –

- i) with effect from 1 July 2007, subject to the performance related criteria being met, individual salaries for staff on the local contract be adjusted by 2.8%;**

- ii) **if the 2007 national award exceeds this figure, the local award be adjusted accordingly to meet the national award;**
- iii) **a further information item on budgetary implications be submitted in due course if the national award, once agreed, exceeds 2.8%; and**
- iv) **the future shortfall in funding be added to the savings target.**

40. PERSONNEL SERVICES MEMBER WORKING GROUP – MINUTES

The Minutes of the Personnel Services Member Working Group held on 9 March 2007 were noted.

41. MEMBER WORKING GROUPS 2007/08

The Committee gave consideration to the arrangements for its informal cross party Member Working Groups in 2007/08. Substitute Members were permitted for these Groups where necessary.

It was agreed that the four groups in existence in 2006/07 should all continue to operate in the new Municipal Year on the following basis:-

i) Local Government Act Member Working Group

Terms of Reference: To deal with matters emanating from the Local Government Act 2000 including the Best Value Regime, requirements of Comprehensive Performance Assessments, review of the Council's Constitution and preliminary consideration of related Government consultation papers and subsequent legislation.

Composition: Eight Members, comprising six Conservatives and two Runnymede Independents.

Programme of meetings: ad hoc

ii) Communications Review Member Working Group

Terms of Reference: To oversee the direction of the corporate communication strategy and the form and content of the associated work programme.

Composition: Four Members, comprising three Conservatives and one Runnymede Independent.

Programme of meetings: ad hoc

iii) IT Member Working Group

Terms of Reference: To examine proposals for the purchase of new IT systems, changes to existing systems and the ongoing development of corporate projects, and to make recommendations on corporate ICT Strategy.

Composition: Eight Members, comprising six Conservatives and two Runnymede Independents.

Programme of meetings: Monthly

iv) Personnel Services Member Working Group

Terms of Reference: To oversee the development and implementation of a simple and transparent pay and grading structure.

Composition: Four Members, comprising three Conservatives and one Runnymede Independent.

Programme of Meetings: ad hoc.

The Chairmen of each Working Group would be appointed at their first meetings in the Municipal Year.

RESOLVED that –

- i) **each of the Member Working Groups listed above continue in operation in the 2007/08 Municipal Year with the terms of reference indicated; and**
- ii) **the memberships of the respective Member Working Groups for 2007/08 be as follows:**
1. **Local Government Act**

Conservative - Councillors Davis, Edwards, Furey, Tuley, Waddell, Woodger

Runnymede Independents - Councillors Ashmore, Mrs Gillham
 2. **Communications Review**

Conservative - Councillors Butterfield, Ms Simmons, Waddell

Runnymede Independents - Councillor Mrs E. Gill
 3. **Information Technology**

Conservative - Councillors Furey, Mills, Mrs J. Norman, Perschke, P. Roberts

Runnymede Independents - Councillors Mrs Gillham, Moore
 4. **Personnel Services**

Conservative - Councillors Mrs J. Norman, Ms Simmons, Waddell

Runnymede Independents - Councillor Mrs Gillham; and
- iii) **the Chairmen of the respective Groups be appointed at their first meetings in the Municipal Year.**

42. **URGENT ACTION – STANDING ORDER 42**

The Committee noted the following action taken after consultation with the Chairman of the Committee under Standing Order 42.

<u>Officer</u>	<u>Action Taken</u>	<u>Central Index No.</u>
Director of Technical Services	Establishing a new part-time Licensing Administrator post to supplement the Licensing Team in the undertaking of new Gambling Act duties	636

43. CIVIC OFFICES REPROVISION SUB-COMMITTEE MINUTES

By resolution of the Committee, the press and public were excluded from the meeting during the consideration of this matter under Section 100A(4) of the Local Government Act 1972 on the grounds that the discussion would be likely to involve the disclosure of exempt information of the description specified in paragraph 3 of Schedule 12A to Part 1 of the Act.

The public part of the Minutes of the Civic Offices Reprovision Sub-Committee meeting held on 24 April 2007 was noted (attached at Appendix 'B').

It was noted that there was currently a three week delay anticipated in the completion of the build of the new Civic Offices. Officers were seeking a definitive revised finish date.

The Sub-Committee's recommendation regarding the potential relocation of the library in Church Road, Addlestone was considered in the next Minute of this Committee.

44. RECOMMENDATION FROM CIVIC OFFICES REPROVISION SUB – COMMITTEE - POTENTIAL RELOCATION OF THE LIBRARY BUILDING IN CHURCH ROAD, ADDLESTONE

By resolution of the Committee, the press and public were excluded from the meeting during the consideration of this matter under Section 100A(4) of the Local Government Act 1972 on the grounds that the discussion would be likely to involve the disclosure of exempt information of the description specified in paragraph 3 of Schedule 12A to Part 1 of the Act.

The Committee considered the recommendation of the Sub-Committee in respect of the potential relocation of the Library building in Church Road, Addlestone.

RESOLVED that –

the Sub-Committee's Recommendation be agreed.

45. WRITE-OFFS

By resolution of the Committee, the press and public were excluded from the meeting during the consideration of this matter under Section 100A(4) of the Local Government Act 1972 on the grounds that the discussion would be likely to involve the disclosure of exempt information of the description specified in paragraph 3 of Schedule 12A to Part 1 of the Act.

RESOLVED that –

the Council Tax arrears, totalling £3,556.13, and the Rent Arrears totalling £6,144.22 be written off as irrecoverable.

Chairman

(The meeting ended at 8.57pm)