

Runnymede payroll data		Cars & other expenses (note 2)		Gross pay		Employers NI		Employers Pension		Total payroll (excluding expenses)		Redundancy payments (in payroll)		Redundancy payments (not paid through payroll)		Pension fund deficit		Average monthly payslips		Total Payroll (plus x's & redundancy)	
Total payroll (note 1)		£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
2012/13FC	11,600,000	336,000	11,264,000	821,000	1,490,000	1,490,000	13,575,000	-	-	359,000	530	13,911,000									
2011/12FC	11,480,000	330,000	11,150,000	810,000	1,480,000	1,480,000	13,440,000	-	-	362,000	536	13,770,000									
2010/11	12,753,985	327,523	12,426,462	930,502	1,629,339	1,629,339	14,986,303	144,239	102,044	417,000	643	15,415,870									
2009/10	12,872,229	307,322	12,564,907	933,800	1,650,767	1,650,767	15,149,474	4,890	-	398,400	654	15,456,796									
2008/09	12,607,940	322,106	12,285,834	921,240	1,582,524	1,582,524	14,789,598	30,959	-	380,000	646	15,111,704									
2007/08	12,337,843	318,222	12,019,621	905,528	1,162,346	1,162,346	14,087,495	72,211	-	481,000	656	14,405,717									
2006/07	11,572,380	303,325	11,269,055	862,975	1,101,466	1,101,466	13,233,496	45,437	-	230,000	648	13,536,821									
Notes																					
1. These are the total payments to staff (and councillors), including expenses and redundancy payments, paid through the payroll.																					
2. Almost all expenses paid through the payroll are for cars. Other expenses (e.g. train fares) are generally reimbursed separately.																					
3. The Forecast figures for 2011/12 and 2012/13 are based on current staffing numbers. There will be changes in respect of potential developments such as the possible award of CCTV contracts, closure of play schemes, etc. The overall savings of these initiatives have been factored into our overall Financial Forecast.																					
4. The Forecast for 2012/13 includes provision for a 2% pay award in July 2012.																					

DRAFT ANNUAL REPORT – OVERVIEW AND SCRUTINY FUNCTION – 2010/11

1. **INTRODUCTION**

The Overview and Scrutiny Function in Runnymede is undertaken by the Overview and Scrutiny Select Committee. The Committee's Terms of Reference are set out in Article 6 of the Council's Constitution, which is attached at Appendix '1'.

This report summarises the areas of the Overview and Scrutiny Select Committee's activities for the Municipal Year 2010/11.

TREASURY MANAGEMENT

The Overview and Scrutiny Select Committee is the Council body responsible for scrutinising the Council's treasury management. The Corporate Management Committee makes recommendations to the Council on this subject.

At its October 2010 meeting the Committee considered a report on treasury activity for the first five months of 2010/11 and on proposed revisions to the Annual Investment Strategy for 2010/11. The Committee recommended to the Council that the revised Strategy be approved and had a number of comments to make. The Committee noted that the aim of the revisions was to increase yield without increasing risk, by using long term rating criteria as a measure of the credit worthiness of counterparties and by lengthening some of the terms of the investments, while retaining tight controls.

Levels of interest received from investments made during 1 April to 1 September 2010 were low, with 1% only being achieved on two occasions. The long term investments made before the "credit crunch" with the Coventry, Kent Reliance and Nationwide (formerly Dunfermline) Building Societies had achieved good rates of return. The total value of the Council's investments at 1 September 2010 was £27.5 million, £9 million of which was invested in money market funds which had proved very useful in managing short term investments. Investment in longer duration money market funds was proposed in the revised Annual Investment Strategy.

The revised Annual Investment Strategy would enable investment with Lloyds Bank and the Royal Bank of Scotland to be resumed. Limits for short term investments with UK building societies holding high credit ratings would be increased from £2m to £2.5m. For building societies without a credit rating, the maximum term would be increased from 3 to 4 months as there did appear to be more demand from building societies for 4 month deposits. The proposal to establish a public sector money market fund (the Public Sector Deposit Fund) was a welcome development as management fees would be low and there would be an emphasis on the needs of local authorities. The Committee considered that this Fund should be set up as soon as possible and was concerned that there was no timetable for the instigation of the Fund. The Fund has opened for business on 25 May 2011.

The Committee noted that longer term investments seemed to offer low value at present. Confidence in longer term investment was proving slow to return in the wake of the collapse of the Icelandic banks. There was a need for caution in making long term investments and choosing counterparties carefully and prudently.

The Corporate Management Committee had considered that a variety of sources should be considered in deciding on appropriate counterparties, not just credit ratings. This would include newspapers and credit default swap rates. The Overview and Scrutiny Select Committee noted that Officers did use a range of information when making investment decisions. When examining credit ratings, Officers looked at all three credit rating agencies and, for each counterparty, used the lowest rating provided by the three agencies.

At its meeting in February 2011, the Committee considered a report that had been submitted to the Corporate Management Committee on 3 February 2011 on the Treasury Management Strategy, Treasury Management Indicators and Annual Investment Strategy for 2011/12.

The Committee noted that Sterling Consultancy Services had been re-appointed as treasury management advisors for a three-year period from October 2010 after a competitive process.

Sterling provided advice on all aspects of treasury management, including their own interest rate forecasts and continued to provide a good service that met the Council's needs.

£5 million of the Council's portfolio 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. It had also been agreed to use a manager specialising in cash and Tradition (UK) Limited had been appointed and had commenced the management of another £10 million of the Council's funds on 3 September 2007. Tradition had in the past been 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 significant out-performance. In the current interest rate environment, coupled with the reduction in the balances available to invest over the longer-term, the benefits that Tradition could offer were now limited. Therefore, the termination clause in the agreement with Tradition had been triggered and the arrangement would end in March 2011.

For long-term funds, the position would be radically changing because of the proposed reform of Council housing finance from April 2012. The reform would transform treasury management in Runnymede. If the Government proposals were in line with expectations, Runnymede would be allocated a significant debt in respect of its Council housing stock. Thereafter, Runnymede would become a net borrower of funds. The accounting and regulatory regimes for the management and control of the new housing debt were yet to be announced. Hopefully, the rules would not be unduly prescriptive and would allow the amount to be borrowed to be reduced and the Council to operate on the basis of its net indebtedness. The proposals would emerge and be refined throughout 2011. Treasury activities during 2011/12 would be focused on being best placed to take on the debt. These would include minimising the cost of debt and making best use of any flexibilities in the rules to enable treasury activities to be carried out on a holistic basis, if possible. The relevant strategies would be developed as details were published about the change. There were also other changes in the Localism Bill that affected the Housing Revenue Account. The Localism Bill, which had more than 200 clauses, was not expected to receive Royal Assent before November 2011.

The rules in the new Housing finance regime and, in particular, the flexibility they provided would be a significant element in decisions about the length of new investments, especially any that matured after April 2012. In addition to the fundamental changes to Housing finance, the reduction in overall revenue and capital balances was an important constraint on long-term lending and the uncertainties over the timing of future capital receipts, and the possibilities of investing in rather than selling development sites, meant that the sums that could be prudently set aside for long-term investment needed to be revised downwards. Therefore, taking all these factors into account, the limit on long-term investments would be reduced from £7m to no more than £3million during 2011/12.

The Committee noted that, under current legislation, the Council could not transfer its housing stock unless it had gained the consent of its tenants. In the light of the previous views of the tenants on the question of stock transfer, the consent of tenants would be unlikely to be obtained, if at any stage the Council wished to transfer the stock. This reflected the high regard in which the Council as landlord was held by tenants. The Committee asked whether Officers would have the necessary skills to take on the management of debt. While there was already a considerable degree of expertise in dealing with this new area of work in the Finance section, the Committee considered that it would be appropriate for training to be arranged to enhance Officers' knowledge and agreed to recommend this to the Council. The debt which would have to be serviced would fall on the Housing Revenue Account. It was noted that it would be important to have a spread of borrowing that matched the periods when the borrowing would be repaid. The Committee suggested that contributory factors to the Council's financial position under the new Housing Finance regime might be the cost of borrowing and the extent of flexibility allowed in setting rents. Further detail on how the new system would operate was awaited.

In March 2010, the Council had agreed that it was prudent to recommence lending to foreign banks, but subject to higher credit criteria than UK banks and for short-term duration only. It had been suggested that this would offer the opportunity of making investments in the deposit accounts of the UK based banks that formed part of the Santander Group. However, the sovereign credit rating of Spain had been lowered shortly after the new strategy had been approved and since then the risk in investing in foreign banks seemed to have increased, mainly reflecting concern over sovereign ratings. Given that security of funds was the main objective of

the Council's treasury strategy, no investments had been made with foreign banks. However, for the sake of completeness, the Annual Investment Strategy allowed investments with foreign banks, but with much higher credit limits. Members had suggested that Officers might look at investing in foreign banks, where foreign bank assets were ring-fenced in the UK, e.g. Santander. Santander UK was a foreign bank, albeit with very strong interests in the UK banking sector and it was also a member of the UK credit guarantee scheme. The credit rating of Santander UK (and of Spain) currently met the criteria for making deposits, but on call only and for a maximum of £1m.

The estimate for 2011/12 was based on achieving an overall return on investments of 2%. This estimate assumed that the base rate would continue at ½% for an extended period. Under the current circumstances, the Council would predominantly rely on investments for short periods. While also giving attention to liquidity and yield of investments, Officers would continue to place emphasis on the control of risk. The Corporate Management Committee had commended this approach and the Overview and Scrutiny Select Committee concurred. The Council had approved significant changes to its lending criteria since 2008. The Annual Investment Strategy would 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 by Finance staff. The Overview and Scrutiny Select Committee recommended that the proposed Treasury Management Strategy, Treasury Management Indicators and Annual Investment Strategy for 2011/12 be approved and arrangements be made for the Council's Finance Officers to receive training in the management of debt.

PROGRESS IN ACHIEVING NET REVENUE REDUCTIONS

As part of its work programme, the Committee periodically reviews the Council's progress in achieving its net revenue reduction targets. The Committee considered a report on this matter at its October 2010 meeting.

The Committee noted the savings initiatives that had been approved and details of those initiatives where action to achieve the savings had been completed and the remainder where action was still pending. The Committee was also pleased to note that Officers had drawn up a separate list of savings initiatives in addition to the schedule of savings that had been formally approved and were therefore looking at other opportunities that might be available. The Committee agreed that Officers should explore with neighbouring authorities the possibility of a joint approach to advertising public notices, with a view to obtaining a reduced price for these notices across all those authorities. Officers have examined this proposal and as Runnymede achieves the best price amongst Surrey districts have concluded that any joint working would not be to the advantage of the Council.

The reduced income resulting from not now being able to charge for land charge personal searches and, with regard to strategic maintenance, the absence of revenue savings and the increase in the cost of reactive and planned works that would have to be charged to revenue budgets, were noted. Savings in parks and open spaces in respect of staggered hours and insourcing were anticipated to be achieved by April 2011. The reduction in the KPMG fee for auditing the Benefit Subsidy claim was now only expected to reduce by £5,600. Although the target for saving for the Runnymede speed camera initiative had been achieved, the costs of the initiative had been transferred to Surrey Police and Surrey Police had withdrawn their contribution of £30,000 to Safer Runnymede, thereby negating any savings. The Committee was pleased to note the savings that would arise from the new recycling contract, which would come into effect in February 2011. The contribution being made by staff to savings through the pay freeze was noted. It was envisaged that the savings being sought through the restructuring of the Council would be achieved. The inflationary provision included in the 2010/11 budget was only 1% and this had achieved the required savings. The Committee suggested that this provision might need to be adjusted in the future. The Committee noted the increase in charges for the Careline service. The Committee considered that the Council must always bear in mind the need to achieve a balance between seeking to maximise income and not over pricing a service that was being provided to vulnerable members of the community and that therefore any significant changes in the take up of the service should be closely monitored.

SURREY WIDE SCRUTINY CO-ORDINATION GROUP - REPRESENTATIVE

At its October 2010 meeting the Committee noted the proposals from the Surrey Scrutiny Officers Group (SSOG) for collaborative scrutiny in Surrey and considered whether it wished to nominate a representative to serve on the Surrey-wide Scrutiny Co-ordination Group.

Collaborative scrutiny in Surrey had been developed by the SSOG and was intended to provide the means by which local authorities and key partners in Surrey (such as Surrey Police, Surrey Police Authority, the Primary Care Trust and Probation), could work together to carry out the scrutiny of decisions or activities which had strategic/county-wide implications and where a range of partners were responsible for delivery. It was intended that the Surrey wide Scrutiny Co-ordination Group would consist of a Member from each Surrey local authority and advisers from key partner organisations and would meet to identify those topics suitable for collaborative scrutiny by applying a set of agreed criteria. The Co-ordination Group would submit their proposals for reviews to the appropriate Surrey County Council Select Committee. The Select Committee would then formally appoint a task group to conduct the review. The task group would share its draft review report with the Co-ordination Group members and a final report would be presented to the County Select Committee for approval. Any recommendations would be shared with partner organisations for action as appropriate.

The Committee noted that while there were special interest groups looking at issues of Surrey-wide concern, these groups might not have the same influence as a County-wide scrutiny report on a particular issue. The Committee therefore concluded that it would be appropriate to be represented on the Co-ordination Group. The Committee accordingly resolved to appoint Councillor Norman appointed as the Councillor representative from Runnymede to serve on the Surrey-wide Scrutiny Co-ordination Group.

MEMBERS' ALLOWANCES IN SURREY DISTRICT AUTHORITIES

A comparison of total expenditure on Members' allowances for the Surrey district authorities for the year ending 31 March 2010 was noted by the Committee at its October 2010 meeting. The low levels of basic allowance, total expenditure and spend per Member for Runnymede, when compared to the other Surrey districts, was noted. The Committee concluded that the residents of Runnymede were receiving value for money from their Councillors.

In connection with the next review of Members' allowances in Runnymede, the March 2010 Council meeting had agreed to ask the Committee to examine the reports of the 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 could be commended. The Committee would then make its report on these matters available to the Independent Remuneration Panel and Runnymede Members before the commencement of the next review. The Committee had discussed the timing of this report at its meeting in April 2010. The next review of the Scheme would take place during the latter part of 2012, with a view to implementation in April 2013. In order that up to date information was available to the Independent Remuneration Panel (whose membership was to be considered before the next review) and subsequently to the Council, the Committee had agreed at that April 2010 meeting that it would be appropriate to commence work in April 2012 on this report.

The Committee considered that the following points should be taken into consideration and should be fully discussed when the next review of Members' Allowances in Runnymede was being undertaken. The fact that Runnymede Members were paid a low level of allowance in comparison to many other local authorities could be interpreted as meaning that a low value was placed on their work. While there would always be a voluntary element to a Councillor's duties, the balance between the voluntary and the paid time of Members needed to be re-evaluated. The frequency of Council meetings and the number of people in each Councillor's ward should be taken into consideration. There might be a case for changing the composition of the Independent Remuneration Panel. The previous Panel had considered that two thirds of a Councillor's time spent on Council business should be unpaid and should be deemed to be therefore provided on a voluntary basis. The hourly rate for remuneration for a Councillor in Runnymede was below the level of the national minimum wage. A differently constituted Panel might take a fresh view of these issues, in the light of changing circumstances.

The Committee agreed that a report should be submitted to them before April 2012 with a work plan setting out proposals for the implementation of the next review of Members' Allowances in Runnymede.

FUTURE ITEMS FOR THE COMMITTEE

At its meeting in February 2011, the Committee considered the outcome of a survey of Members of the Committee to establish items for discussion in future meetings.

It had not been possible to report the results of this survey to the December meeting of the Committee, as that meeting had been cancelled because of inclement weather. The Committee agreed that the Airtrack scheme rather than the Crossrail project, might be discussed by them. It would, however, be appropriate to consider this at a later date, as the Airtrack public inquiry had been delayed. Heathrow Airport expansion was a possible topic for a future meeting. Another potential future matter for discussion was maximising income from the Council's asset portfolio. One option in considering this item might be to compare the approach of other Councils to maximising their asset income and to invite them to speak to the Committee about the methods and policies that they used. The Committee considered whether it would be appropriate to examine the likely response of various agencies in the event of a major flooding incident occurring in the borough, which might include an analysis of the insurance position for properties in areas at risk of flooding. The Committee noted that its predecessor bodies had in the past examined the response of agencies after flooding incidents had occurred in the borough. The Committee concluded that it would, however, receive a report at its meeting in July on the impact of the end of the linkage between local authority expenditure on flooding and Formula Grant, which was a new funding measure introduced by the Coalition Government. This meant that the grant that the Council now received for flooding was based on the length of ordinary watercourses.

FUNDING FOR VOLUNTARY ORGANISATIONS IN THE BOROUGH

At the Committee's April meeting the Committee welcomed speakers from outside organisations to a meeting about the issue of financial support to voluntary organisations. The Committee wished to be informed of the consequences of cutbacks to the funding of voluntary organisations and also to be advised of the approach taken to the funding of the voluntary sector from organisations that provided support to voluntary organisations in the borough other than the Council. The outside organisations were informed that the Committee was not in a position to make more funding available but could make recommendations to other Council bodies and outside organisations as it saw fit. The Committee received presentations on the work of Age Concern Runnymede and Spelthorne, Runnymede and Spelthorne Citizens Advice Bureaux and Runnymede Association for Voluntary Service (RAVS). The Committee also received presentations from Thames Medical GP Consortium, NHS Surrey Primary Care Trust (PCT), Surrey County Council Adult Social Care Division and Surrey County Council Children, Schools and Families Division on work being done relating to the voluntary sector, the funding being made available for voluntary organisations and the commissioning being undertaken in respect of the voluntary sector.

In receiving the presentations from the voluntary sector organisations, the Committee noted the problems faced by the voluntary sector and the value for money that it delivered.

The problems faced by voluntary organisations included the following:-

- i) a drop in the level of donations (the National Lottery was a contributory factor);
- ii) whether to work collaboratively or to merge with other voluntary organisations or to share certain functions;
- iii) reductions in funding;
- iv) whether to charge for services and, if so, at what level;
- v) how the contribution made or the value or benefits provided by the voluntary sector could be measured;

- vi) the problem of long term planning because of financial uncertainty;
- vii) judging the length of time for which volunteers would serve;
- viii) dealing with the problem of volunteers volunteering less frequently or for shorter time periods;
- ix) how to raise skills levels and profile.

Costs associated with the voluntary sector were usually much lower than for a statutory provider. The voluntary sector often provided a preventative role in providing services which meant that people did not have to be referred on to the statutory sector. It was noted that central Government had calculated that for every £1 invested in the voluntary sector, the return on investment was £13. In receiving the presentations from the statutory providers and commissioners of voluntary services, it was noted that there would be an increasing need for providers and commissioners of funding to the voluntary sector to work together to develop and support the voluntary sector and that voluntary organisations would need to continue to raise their skill levels and profile.

The Committee was encouraged to see the work that GPs were undertaking in consultation with Surrey County Council, the Primary Care Trust (PCT) and others to prepare for the role of taking on the commissioning of voluntary sector projects from the PCT in 2013. PCT funding was made available through a mixture of grants and contracts and services were carried out by a wide range of providers. The PCT had an Independent multi-agency Review Panel which decided on support from the PCT to the voluntary sector. Projects were commissioned by the PCT with a variety of partners. Surrey County Council Adult Social Care Division were targeting investment to support local priorities and need and were developing community budgets. Surrey County Council Children, Schools and Families Division were moving most grants to contract funding on the basis that this provided greater transparency and value for money.

The Committee noted a list of voluntary organisations in the borough that had been provided by RAVS. This illustrated the amount of organisations, both public and private, profit making and charitable, that raised funds for the voluntary sector in Runnymede. The Committee noted the implications of the Government's Big Society agenda under which the Government was expecting the voluntary sector to pick up the shortfall from reductions in statutory provision. The Committee was advised of the details of the compacts with the voluntary sector from the Coalition Government, Surrey County Council and Runnymede and the implications of the Decentralisation and Localism Bill were noted. The support costs associated with grant aid would be likely to increase if the Council were to take a route of providing funding for the voluntary sector which was primarily contractual, rather than based on grant aid.

The approach of other Surrey districts to grant aid was also noted. A number of these districts had set up multi-agency panels. Under Article 6.04 of the Council's Constitution, the Committee could form advisory panels from any suitable persons, whether Members of the Council or not. The advantages of setting up such a multi-agency advisory panel for grant aid would include that the voluntary sector would be involved in the difficult funding recommendations that would be made, all bodies responsible for funding could work together to decide on appropriate levels of support to be recommended, the requirement in the Decentralisation and Localism Bill for involvement with the voluntary sector would be satisfied and larger voluntary organisations could put the case for funding for smaller voluntary organisations. The Panel would make recommendations to the Overview and Scrutiny Select Committee. Any changes to grant aid and/or policy would then be reported by the Overview and Scrutiny Select Committee for decision by the Community Services Committee.

The Committee agreed that it would be appropriate to set up such a panel, with the membership and Terms of Reference set out below.

Membership of Advisory Panel of the Overview and Scrutiny Select Committee to consider future Council grant aid

Thames Medical GP Consortium Representative
 Senior Council Officer(s)
 Runnymede Lead Member for The Voluntary Sector (if and when appointed)

RAVS
Surrey County Council representative(s)
PCT representative
Member of Overview and Scrutiny Select Committee
Member of the Runnymede Business Forum

Terms of Reference of the Advisory Panel to Consider Future Council Grant Aid

- to map voluntary sector organisations in Runnymede, including county wide groups covering Runnymede;
- to identify the key voluntary and community organisations that support the objectives of the Runnymede Borough Council Corporate Plan;
- to promote partnership working in Runnymede, by identifying common priorities between other funding or commissioning bodies and Runnymede Borough Council that could result in joint funding;
- to achieve value for money in any recommendations to the Overview and Scrutiny Select Committee on funding decisions;
- where funding recommendations could result in reducing or ceasing funding to a voluntary or community organisation, to carry out equality impact assessments and include the results in the Panel's report to the Overview and Scrutiny Select Committee;
- to report identified gaps in service provision; and
- to consider how more donations to the Runnymede Community Fund might be encouraged

It was also agreed that it would be appropriate to ask the Council's Community Services Committee to consider whether it wished to appoint a lead Member for the voluntary sector that could act as a champion of the voluntary sector and could also serve on the panel.

The Committee also agreed to authorise Officers to carry out further research to identify joint voluntary sector and Council service provision for future income generation as the Decentralisation and Localism Bill indicated that the Council would be able to be more flexible in providing services in the future through a joint working or partnering approach. The Committee also noted that Age Concern in their presentation had referred to the difficulty in finding appropriate measures of the value provided by the voluntary sector and the Committee agreed that Officers should report back to them on how the benefits to the community of voluntary sector organisations might be measured.