

Runnymede Borough Council
CORPORATE MANAGEMENT COMMITTEE

Thursday 3 June 2004, at 7.30 p.m.

in the Council Chamber

at the Civic Offices, Addlestone



Members of the Committee

Councillors R.K. Habgood (Chairman), N. Thewlis (Vice-Chairman), J.R. Furey, P.A. Greenwood, C.J. Norman, Mrs. E.E. Price, Ms. C.M. Simmons, P.B. Tuley, P.J. Waddell and G.B. Woodger

and all other Members for information

A G E N D A

Notes:

- i) Any report on the Agenda involving confidential information (as defined by section 100A(3) of the Local Government Act 1972) must be discussed in private. Any report involving exempt information (as defined by section 100I of the Local Government Act 1972), whether it appears in Part 1 or Part 2 below, may be discussed in private but only if the Committee so resolves.
- ii) The relevant 'background papers' are listed after each report in Part 1. Enquiries about any of the Agenda reports and background papers should be directed in the first instance to **Mr. J. Gurmin, Administration and Leisure Department, Committee Section, Civic Offices, Station Road, Addlestone (Tel. Direct Line: 01932 425624). (Email: john.gurmin@runnymede.gov.uk).**
- iii) Agendas and Minutes are available on a subscription basis. For details, please ring Mr. B.A. Fleckney on 01932 425620.
- iv) In the unlikely event of an alarm sounding, members of the public should leave the building immediately, either using the staircase leading from the public gallery or following other instructions as appropriate.

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1. NOTIFICATION OF CHANGES TO COMMITTEE MEMBERSHIP

2. MINUTES

To confirm and sign as a correct record the Minutes of the meeting of the Committee held on 6 May 2004, attached at Appendix 'A'.

3. APOLOGIES FOR ABSENCE

4. DECLARATIONS OF INTEREST

If Members have an interest in an item please record the interest on the form circulated with this Agenda and hand it to the Legal Representative or Committee Administrator at the start of the meeting. A supply of the form will also be available from the Committee Administrator at meetings.

Members who have previously declared interests which are recorded in the Minutes to be considered at this meeting need not repeat the declaration when attending the meeting. Members need take no further action unless the item in which they have an interest becomes the subject of debate, in which event the Member must leave the room, or refrain from voting, as may be appropriate according to the nature of the interest.

5. FINAL ACCOUNTS 2003/04 (DF)

1. Purpose of Report

1.1 **To report on actual income and expenditure for the 2003/04 financial year and compare this to the budget for General Fund services, the Housing Revenue Account, trading accounts and capital accounts;**

1.2 **To make various determinations relating to the 2003/04 financial year as required under Part IV of the Local Government and Housing Act 1989;**

1.3 **To propose changes in the method of financing various capital schemes to enable General Fund revenue reserves to be strengthened, and;**

1.4 **To reaffirm the purposes for which General Fund reserves are held.**

2. Background Information

2.1 The Budget for 2003/04 was set at the Special Council Meeting held on 13 February 2003.

2.2 All Committees considered revised budgets for 2003/04 in January 2004 as part of the budget setting process for 2004/05. The revised budgets used in this report also incorporate supplementary estimates and budget virements approved since January 2004.

2.3 The Council's accounts for 2003/04 have now been completed. The Statement of Accounts will be presented to the next meeting of this Committee for approval.

2.4 The Committee received a report on the impact of the Accounts and Audit Regulations 2003 in June 2003. The Regulations took effect from 1 April 2003. One of the changes introduced by the Regulations is to significantly reduce the time available for the Council to approve and publish the Statement of Accounts. Both deadlines are to be advanced over the next three years as follows:

Accounting Year	Approval deadline	Publication deadline
2002/03	30 September 2003	31 December 2003
2003/04	31 August 2004	30 November 2004
2004/05	31 July 2005	31 October 2005
Subsequent years	30 June	30 September

- 2.5 This is a significant reduction in the amount of time available to close the accounts and comply with the Committee reporting requirements. Therefore, this report is being made a month earlier than in previous years. The plan for closing the accounts has focussed on streamlining the processes used in preparing the year-end figures and uses a timetable as the key tool in ensuring that information is available when it is required. It is pleasing to report that most Budget Managers have provided the information required in accordance with the timetable. Further consideration will be given to the significant problems areas identified and the actions needed to improve the process in future years.
- 2.6 It should be recognised that producing earlier closing of accounts has led to a more concentrated period of work for the Accountancy Section in particular and all Budget Officers in general. It has been necessary to adopt more flexible working arrangements to manage this concentrated workload.
- 2.7 The Council's external auditors, the District Audit Service, will be commencing the formal examination of the accounts shortly.
- 2.8 Financial Regulations allow for unspent budgets in one year to be brought forward to the next. This is an established part of the Council's financial control procedures and allows more effective use of budgets. Managers can plan to carry the budget forward rather than losing it at the year end, and are not therefore encouraged to 'spend up' their budgets in order to protect their allocation.
- 2.9 The assumption made for general price increases in 2003/04 was 2.5%. The movement in the Retail Prices Index of 2.5% matched this. The local pay award in July 2003 of 3.0% also was in line with projections. However, local levels of cost inflation are much greater than the national average as a result of the acknowledged cost pressures in this part of south-east England and these inevitably impact on the cost of services.

3 Five-Year Strategic Maintenance Programme

- 3.1 In July 2002 the Corporate Management Committee approved a five-year programme of repairs, planned maintenance and improvement works to the corporate property portfolio. The programme covers all the buildings owned by the Council except for the housing stock. The programme commenced on 1 April 2003.
- 3.2 The programme was constructed following a detailed survey. It includes a substantial element to improve buildings to comply with legislation, particularly the Disability Discrimination Act 1995. The total cost of the five-year programme is £3.2m and includes both demand maintenance work and planned maintenance and improvement works. The programme is financed partly from revenue, with improvement works met from capital resources. To simplify control and management, and to provide transparency about the scale of the programme, service budgets include the estimated cost of all the works (i.e. both capital and revenue financed). A global adjustment is made in the General Fund Summary Revenue Account to account for the proportion financed from capital resources.
- 3.3 All works falling under the Strategic Maintenance Plan are scheduled in order of priority over a five-year period. This means that there will be large year on year variances in the bottom line of some services because of the incidence of planned and cyclical works on individual budgets.
- 3.4 The planned element of the programme was substantially under-spent in the year. The proportion to be met from capital resources was only £13,163, compared to the original budget of £372,700. This performance is unfortunate. The difficulties experienced by the previous contractor (Scion) were reported to this Committee on 1 April 2004.
- 3.5 This has had a significant impact on all budgets with their own premises and, in particular, for the Civic Offices where the budget for all elements of the programme was under-spent by £107,600. Because of this the allocations to services of the cost of office accommodation are consequently much lower than expected. The impact can be seen on all services that are charged with office accommodation charges and comparisons between the estimates and actual reflect the under-spend accordingly.

4. General Fund Revenue Actual 2003/04
- 4.1 Actual net General Fund expenditure on services was a reduction on both the original budget and revised projection. The General Fund Summary Revenue Account reproduced in Appendix 'B' gives high level detail on the service spending for the year.
- 4.2 A booklet giving service figures for 2003/04 is being distributed to all Members of the Committee with this Agenda, and Members who wish to study budget variations in detail may find this useful.
- 4.3 The major variations - except those caused by changes in capital charges, the Strategic Maintenance Programme, and changes to office accommodation and other recharges - between the revised budget and the actual for 2003/04 total £710,500. Of this, planned under-spends represent £254,400 and will be taken into 2004/05. The major variations are summarised in Table 2.

Table 2 - Major savings on service spending between the Revised Budget and Actual for 2003/04		
Service Area	Variance	Commentary
	£	
Community Services – Careline	14,500	Savings in maintenance and purchase of units.
Day Centre running costs & special works	34,400	Special works budget not fully utilised and savings on a mix of general running costs.
Abbeyfit Sports Centre	14,500	Net savings on staffing and administration costs after taking into account reduced income and the deferral of the planned improvement works.
Parks and Open Spaces	40,000	Savings on running costs after taking into account the deferral of the planned improvement works. Planned under-spends carried forward to 2004/05 total £10,400.
Cemeteries Service	16,400	Increased income partly offset by additional net costs (after taking into account the deferral of the planned improvement works).
Environmental Protection Services	49,500	General savings in staffing (arising from vacancies) and administration costs and increased income from fees (in particular for Pollution Control of £16,700).
Recycling & Environmental Issues	18,500	Planned under-spends carried forward to 2004/05 (£15,000).
Safer Runnymede	62,000	Reduction in the requirement for special works (£13,700); general cost savings and increased contributions, and an increase in income from Surrey Police (£20,800).
Development Control	59,200	Increase in income from Planning Application Fees (£33,100) and general savings in budgeted staffing and administration costs
Highways and Land Drainage services	20,300	Planned under-spends carried forward to 2004/05 (£14,600) and general savings in staffing and administration costs.
Car Parks	56,500	Buoyant level of income, particularly from excess charges, and planned under-spends carried forward to 2004/05 of £35,700.
Runnymede Travel Initiative	13,300	Additional contributions received towards administrative costs.
Corporate land & properties	44,900	Planned under-spends carried forward to 2004/05 (£42,200)
Civic Offices	29,400	Net reduction in running costs after taking into account the deferral of the planned improvement works.
Corporate & Democratic services.	37,400	Planned under-spends carried forward to 2004/05 (£12,000), savings on the Members IT facilities and training budget (£18,800) and other general savings.

Register of Electors	22,600	Planned under-spends carried forward to 2004/05 (£9,500) and general savings on salaries and administration costs.
Computer Services	99,600	Savings on computer hardware maintenance and maintenance of systems with particularly large savings on the GIS and Land Charges maintenance budgets.
Document Management & Workflow System	77,500	Planned under-spends carried forward to 2004/05 (£77,500).
	710,500	

- 4.4 There were some budgets that were overspent or with a shortfall of income. In the main these were offset by savings elsewhere. Noteworthy areas are:
- (a) Income from building control fees was less than estimated by £55,800. However, there were cost savings in the overall planning and building control service area that left the net result broadly neutral. Members will recognise that these incomes are volatile and that in past years there has been substantial betterment on building control fee income.
 - (b) Housing and Council Tax Benefit payments: Benefit awarded in 2003/04 was £311,000 greater than anticipated at revised budget stage (and £966,000 greater than at original estimate). The complicated interaction of the new tax credit systems with benefit entitlement has made forecasting total benefit awarded very difficult this year. In 2003/04 the Council bears 5% of the cost of benefit awarded (the 100% grant commences in 2004/05) and therefore this proportion falls to the General Fund. Provision has also been increased for the possible non-recovery of overpaid benefit. Taken together, these items increase the cost to the General Fund by £38,500 compared to the revised budget.
 - (c) Egham Leisure Centre: The deficit contribution needed to balance the DSO account was £26,000 greater than estimated (see paragraph 10 for more information).
 - (d) In September 2003, the Economic Development Committee granted approval for two further bus routes and it was assumed that these would be introduced in 2004. However, a fifth bus was introduced to meet demand earlier than anticipated and this led to the net cost of the Yellow Bus Scheme being £44,700 greater than estimated. The deficit was made up by increased use of contributions from S106 agreements. However, this has left only a minimal sum of S106 contributions currently in hand to offset the net costs in future years. S106 contributions are not a reliable source of income. They cannot be banked on, nor can their receipt be planned with any level of certainty. Although the Planning Committee has granted a number of permissions that have a S106 requirement to subsidise the Travel Initiative, it is prudent to account for these only when the cash is received. This leaves the Council vulnerable to meet any budgetary shortfall on this service, whether caused by increased net costs or non-receipt of S106 monies. The Yellow Bus budget for 2004/05 requires the use of £123,000 of S106 monies to finance the scheme. No S106 receipts have been banked so far this year. The Economic Development Committee has recently approved pursuing other sources of funding for this service, in particular, setting up a Business Improvement District Scheme. The Draft School Transport Bill will also provide a potential for funds to support the project and an initial meeting has been set up with the Dfes to discuss this matter.
- 4.5 The use of S106 powers to require developers to make financial contributions and/or asset transfers has increased in recent years. The accounting treatment for these contributions is to recognise them only when received, and then to treat them as deposits that can be used to pay for the agreed project or service when the relevant expenditure is incurred. Appendix 'F' provides a schedule of S106 financial contributions held and/or used in 2003/04. The Appendix shows the purpose and date of the receipt, the actual or proposed usage of the receipt, and sums in hand that are still available for use.
- 4.6 The transitional transfer of £118,436 from the Housing Revenue Account (HRA) to the General Fund has been sanctioned by the Office of the Deputy Prime Minister (ODPM) and this is consistent with the original estimate.

- 4.7 Investment income of £870,400 is modestly better than the revised estimate of £850,000. A full report on treasury performance in 2003/04 is made to this Committee in a separate report.
- 4.8 A list of the planned under-spends is published in the Service Actuals booklet. The net effect of the under-spending brought forward will be to increase General Fund expenditure in 2004/05 by £254,400 and Housing Revenue Account expenditure by £292,900.
- 4.9 Further flexibility is available to Budget Managers to allow the virement of budgets. A virement is the transfer of a budget allocation from one service head to another. A summary of virements is also given in the Service Actuals booklet.
- 4.10 The net General Fund expenditure in 2003/04 was £9,652,923. The comparable revised estimate for 2003/04 was £10,361,300. Therefore net expenditure is £708,377 less than the revised estimate. Table 3 summarises the major reasons for the variations:

Table 3 - Summary of General Fund Betterment in 2003/04: Revised Estimate to Actual	
	£
Major service budget under-spends (paragraph 4.3)	710,500
Building Control fee income (paragraph 4.4)	(55,800)
Housing and Council Tax Benefit (paragraph 4.4)	(38,500)
Egham Leisure Centre (paragraph 4.4)	(26,000)
Provision for Position Statement Initiatives	44,000
Investment Income (paragraph 4.6)	20,400
Other variances (net)	53,777
Total Betterment: Revised Estimate to Actual	708,377

- 4.11 The other variances in Table 3 above are an amalgamation of the smaller savings generated by the remaining services not specifically mentioned in Table 2.
- 4.12 In previous years Members have commented on the scale of savings and increased income from services disclosed by the Final Accounts report. For 2003/04 this report discloses a total betterment of £708,377. This is a significant sum when compared to the net General Fund Expenditure revised budget of £10,361,300. However, it is more appropriate to place it in the context of the estimated gross turnover (income and expenditure) of £45.7m. The reasons for the betterment can be summarised in the following terms:
1. **Planned Under-spends (£254,400):** These are deferrals of expenditure to 2004/05. Planned under-spends are a useful tool in allowing managers to use public money wisely without the constraint of meeting in year budgetary "targets".
 2. **Unused Provisions:** These include Member led provisions (e.g. Position Statement), established provisions for demand led items (e.g. replacement of Careline equipment), and provisions for possible additional costs (e.g. air quality assessments). Establishing such provisions in the budgets in reasonable sums is normal budgetary practice and their non-use represents a state of fact rather than a quality led judgement on policy or management.
 3. **Increased Income:** A great deal of the Council's income derives from demand led services (e.g. planning applications) where relatively small fluctuations in usage can change the sum of income generated. Other income increases are one-off items generated from policy or management actions (e.g. cost recoveries, VAT recoveries).
 4. **Savings in Expenditure:** The culture of the Council has been to encourage Budget Managers to minimise costs where consistent with the delivery of good services. These savings are often modest at individual service level, but can combine into a significant sum overall.

5. Project Timescales: For new and developing services (e.g. recycling, strategic maintenance programme, document management) relatively small changes in implementation timetables can create budgetary savings in the year.
- 4.13 The Council still needs to make further reductions in its budgets in order to meet the spending targets set out in the Financial Forecast. The betterment achieved in 2003/04 will be reviewed with the Budget Managers to establish if this could form the basis of budget reductions in 2004/05 and future years.
5. Housing Revenue Account (HRA)
- 5.1 The results for the HRA for 2003/04 disclose a surplus of £212,263. This compares to the revised budget where it was forecast that a deficit of £470,600 would occur. This is a turn-round of £682,863.
- 5.2 The HRA working balance at 31 March 2004 is £2,243,785. The summary page for the HRA is produced at Appendix 'C'.
- 5.3 Table 4 identifies the significant variances between the revised budget and the actual:

Table 4 – Summary of HRA Variations in 2003/04: Revised Estimate to Actual	
Housing Service Area	Variance £
General Management: Savings on staffing and other costs. These include delay in commencing the stock options appraisal (£15,000), low demand on the removal and disturbance budget (£21,000), and net savings on the Supporting People budget (£18,200),	91,700
Special Services: Provisions for estate improvements not utilised	111,800
Mobile Home Site: Planned under-spend of £36,400 carried forward to 2004/05	41,700
Housing Repairs: This includes savings on demand maintenance (£80,300), planned and cyclical maintenance (£90,700), and major improvement and repair works (£218,800).	412,900
Rental Income: Additional rent income from dwellings	101,700
Rent Rebates and HRA Subsidy: Change in net entitlement	(62,600)
Other Items (net)	(14,337)
Total Betterment	682,863

- 5.4 The reasons for the under-spend are similar in nature to those for the General Fund. In particular, the HRA makes provision for a number of large projects in the large planned maintenance and improvement programme and a modest delay in the starting date can lead to significant changes between years. The relevant planned under-spends (totalling £292,900) will be taken into 2004/05.
- 5.5 The first call on the increased level of HRA balances in 2004/05 will be the planned under-spends of £292,900 carried over from 2003/04. Proposals to accelerate and/or enhance the planned improvement and repair programme, linked to the HRA Business Plan, will be submitted to the Housing and Community Services Committee in due course.
6. Financial Strategy
- 6.1 The approved revenue forecast shows the medium term impact of the tax and spending plans for the Council over the next five years. The forecast incorporates some demanding targets, and is based on balancing income and expenditure over the medium term by

introducing appropriate stepped increases in Council Tax. In the meantime, the gap between spending and income is met from revenue reserves.

6.2 General Fund reserves give the financial flexibility to enable necessary budgetary measures to be introduced to protect spending levels over a period of time (thereby helping to mitigate adverse impacts) and the low tax policy of the Council. It follows that measures taken to increase the amount of General Fund reserves will assist in introducing necessary changes.

6.3 A measure to maximise the level of General Fund revenue balances is to finance all capital expenditure from capital receipts (instead of partly from revenue reserves).

6.4 The capital programme for 2003/04 assumed that certain works would be financed from specific revenue reserves. These are set out below:

	£
Safer Runnymede Equipment	97,026
Egham Sports Centre Equipment	6,500
IT Renewals	<u>180,663</u>
Total	284,189

6.5 Financing these works from capital receipts will preserve the level of revenue reserves. To maintain the discipline that these specific reserves employ, it is proposed that sums equal to the amount that they would have financed be transferred to the General Fund Contingency Reserve.

7. Capital Expenditure

7.1 Schedules of General Fund and Housing capital expenditure in 2003/04 that also show the source of financing are at Appendices 'D' and 'E'. Many of the variances shown in the schedules are a result of timing differences (e.g. slippage in implementation or project re-phasing) and these capital budgets have been carried forward into 2003/04.

8. Capital Income

8.1 The table below summarises capital receipts in 2003/04:

Table 5 - Capital Receipts (net of costs) in 2003/04	
	Actual
	£000
<u>General Fund</u>	
Painsfield Allotment Site, Chertsey	2,000
Crabtree Industrial Estate, Thorpe	692
Other sales and receipts	452
Total - General Fund capital receipts	3,144
<u>Housing</u>	
Sale of Council Houses	2,045
Mortgage Redemptions and Repayments	53
Land at Roakes Avenue, Chertsey	674
DIYSO - Gross Income	570
Barker Road Garage site, Chertsey	374
Other sales and receipts	195
Total - Housing capital receipts	3,911
Total Capital Income 2003/04	7,055

- 8.2 The timing and amount of capital receipts is notoriously difficult to forecast. This is the case for both demand led receipts (sale of Council houses, DIYSO receipts) and general property sales. At the time of preparing the 2003/04 budget the total forecast receipts were £7.8m. The variance between this and the actual receipts of £7.1m are a mix of items. The Economic Development Committee receives regular reports on schemes and Members will recognise that it is not always possible to achieve sales on favourable terms that are exactly in line with projections. In some cases better terms can be agreed by deferring receipts. For example, the revised timetable for the receipt for the sale of the final block of land in Chertsey Town Centre, originally forecast for 2003/04, has now been deferred to receipts of equal instalments from 2004/05 to 2006/07, but in a far greater sum.
- 8.3 Capital receipts are the main source of funding for the Council's capital expenditure plans. Table 6 shows the use of capital receipts in 2003/04, including the change in financing certain items from capital receipts instead of the specific revenue reserves as proposed in section 6 of this report.

		£000
Balance at 1 April 2003		7,232
Receipts in 2003/04 – see Table 4		7,055
Used to finance Capital Expenditure in 2003/04		
Housing Capital Programme	(466)	
General Fund Programme	(1,092)	
Equipment Renewals	(284)	(1,842)
Usable Capital Receipts at 31 March 2004		12,445

9. Capital Financing

Capital Financing - Contributions and Grants

- 9.1 A number of matters must be determined formally by the Council under Part IV of the Local Government and Housing Act 1989. The determinations relate principally to the financing of capital expenditure. The Officers' recommendation is written in the language of the Act to ensure that their effect takes legal force.
- 9.2 The first determination requires the Council to formally approve that grants or contributions received from third parties are used for financing capital expenditure. These now form an important part in funding new capital initiatives and the scale of receipts in 2003/04 reflects the success in attracting Government and other third party support. The table below lists the grants and contributions so used in 2003/04:

Scheme	£	Details
House Renovation Grants	184,253	Government Subsidy for 60% of Disabled Facilities Grants made
Kerbside Recycling Initiative	43,137	Government Grant (DEFRA) from the Recycling Fund
CCTV Schemes	107,247	Funded from Developer Contributions via Section 106 agreements
Aviator Park	204,203	Funded from Developer Contributions via Section 106 agreements
Purchase of a Graffiti Team vehicle equipment	17,985	Government Grant
Various Computer Schemes	200,000	Government (IEG) Grant
Total	756,825	

9.3 Revenue Grants and Contributions

The amount of one-off or short-term government grants and other third party support for revenue expenditure is also becoming a feature of the Council's operations. The table below lists the significant contributions in the 2003/04 accounts.

Table 8 - Revenue Grants and Contributions Received in 2003/04		
Scheme	£	Details
<u>Travel Initiative</u> Yellow Bus Scheme	76,524	Contributions from Schools (£47,691), Sponsorship from Countryside Agency (£20,000), Proctor and Gamble (£5,000) and other companies (£3,833)
Cycle Shelters	52,437	Department of Transport (£47,292), and other contributions of £5,145
<u>Runnymede Business Partnership</u>	28,000	Sponsorship (in kind) from various sources towards this initiative.
<u>Recycling Initiatives</u>	80,000	DEFRA revenue contribution to new Recycling Service
<u>Anti-Graffiti & Street Care Team</u>	7,000	Surrey CC (£3,500) and Network Rail (£3,500)
<u>Safer Runnymede</u>		
• Building Safer Communities	113,310	Home Office funding (see footnote).
• Crime and Disorder	33,162	Tripartite funding from Surrey CC and Surrey Police
• Junior Citizen Initiative	1,485	Sponsorship.
• Monitoring Centre costs	30,000	Surrey Police funding.
• Contributions towards staffing	19,385	Surrey Police funding
<u>Chertsey Museum</u>	83,917	Contributions by the Olive Matthews Trust for rent (£27,000), running costs (£30,000), projects (£20,865) and other items (£6,052)
<u>Play and Youth Activities</u>	8,510	Proctor and Gamble sponsorship
<u>Planning Services</u>	107,800	Use of Planning Delivery Grant in 2003/04
<u>Homelessness</u>	36,352	Government Grant
<u>Home Improvement Service</u>	28,900	Supporting People Grant
<u>Community Services Dial-a-Ride Scheme</u>	105,700	Countryside Agency (£12,000), Surrey CC Transport Unit contribution (£35,000), Surrey CC Social Services contribution (£26,000), Joint Finance (£20,200), and Primary Care Trust contribution (£12,500).
Total	812,482	

The Home Office contributions for the Safer Runnymede scheme formally come to the tripartite partnership (Runnymede, Surrey County Council, and Surrey Police) for which Runnymede acts as the lead partner.

9.4 Grants and contributions are of course welcome in that they ease the burden on the Council and, ultimately, the local taxpayer on paying for services. However, there are some policy issues about the dependency on this sort of income that need to be recognised. The Council may be influenced towards providing services because of the availability of grant income rather than explicit local need or policy direction. Furthermore, grant income can be insecure

and providers may taper out grants (either deliberately or through less than inflation increases) or stop providing grant support altogether. This leaves the Council with the ultimate service and financial risks. These important risks need to be carefully considered given the financial challenges the Council faces over the following years.

- 9.5 A great deal of Officer time can also be spent on generating third party funding. Government funding often involves making bids in competition (known as “challenge funding”) with other public sector organisations. Unsuccessful bids can be especially frustrating given the resources used in compiling applications. Successful applications can also mean accepting time consuming and onerous audit and reporting regimes (although these will hopefully be mitigated if the Audit Commission is able to keep to its commitment not to audit grant claims of less than £50,000).

Capital Financing – Use of Capital Receipts

- 9.6 The second determination relates to the use of capital receipts to finance capital expenditure. Appendices 'D' and 'E' list the 2003/04 capital schemes and the necessary use of capital receipts in detail. The total for General Fund schemes is £1,375,481 comprising of £1,091,292 of mainstream funding from capital receipts and £284,189 that was to be financed from specific revenue reserves (see paragraph 6.4).

10. Direct Service Organisation (DSO) Accounts

- 10.1 The Council maintains separate DSO trading accounts as a management discipline and accounting control tool. The accounts for 2003/04 have been maintained on a similar basis to previous years.
- 10.2 The dissolution of the Highways DSO took place in March 2002, although the DSO continued to operate the Winter Maintenance schedule on behalf of Surrey County Council until March 2003 and continues to manage street lighting on their behalf.
- 10.3 The DSO has suffered from severe cost pressures over a number of years. Increases in local labour rates and other costs have often been greater than allowed for in the original tender prices bid by the DSO. The Council has previously recognised these in approving extra sums for fuel costs and wages for the Refuse Collection DSO. However, the DSO accounts have otherwise had to bear the brunt of these cost pressures.
- 10.4 The statement below summarises the performance of the Council’s DSO trading accounts in 2003/04.

Table 9 - Direct Service Organisations – Trading Accounts				
2002/03 Surplus (Deficit)	Activity	2003/04		
		Income	Expenditure	Surplus (Deficit)
£		£	£	£
10,713	Highways and Street Lighting	250,471	206,966	43,505
(12,962)	Street Cleansing and Gullies	473,622	440,686	32,936
(34,693)	Refuse Collection	1,014,109	1,055,284	(41,175)
11,608	Car Parks	98,700	89,480	9,220
(25,334)	Total - Depot Based DSO's	1,836,902	1,792,416	44,486
	Other DSO's			
(16,476)	Egham Leisure Centre	855,962	1,013,479	(157,517)
(41,810)	Totals for the year	2,692,864	2,805,895	(113,031)

- 10.5 The performance of the Egham Leisure Centre has been the subject of detailed reports to the Leisure and Environment Committee during the year. Management action is being

taken to recover the financial performance of the Centre. Some of the deficit results from once-off redundancy costs in connection with the staff restructuring.

10.6 DSO expenditure includes relevant capital charges for the use of assets (charged at 3.5% in 2003/04) and, in the case of the Egham Leisure Centre, the 'contractual' payment to the Client side account of £236,800.

10.7 The following statement shows the movement in DSO General Reserves:

Table 10 - Direct Service Organisation – General Reserves		
2002/03 £		2003/04 £
194,027	At the beginning of the year	152,217
(41,810)	Surplus / (Deficit) for the year	(113,031)
	Deficits funded by General Fund Revenue Accounts:	
0	Egham Leisure Centre	85,955
0	Refuse Collection	41,175
0	Transfer from the Egham Leisure Centre Equipment Reserve	5,207
152,217	At the end of the year	171,523

10.8 These balances represent accumulated surpluses entirely on the Depot based DSOs. There is no balance in hand on the Egham Leisure Centre trading account.

11. General Fund Reserves

11.1 The Committee received a report on the disposition of the Council's revenue reserves with the budget report for 2004/05. The table below shows the actual movements in revenue reserves in 2003/04:

Table 11 - General Fund Revenue Reserves in 2003/04				
Reserve	Balance 31 March 2003	Increase (Decrease) 2003/04	Additional Transfers 2003/04	Balance 31 March 2004
	£000s	£000s	£000s	£000s
General Fund Contingency	3,487	0	284	3,771
General Fund Working Balance	4,443	(2,056)	0	2,387
IT Renewals Reserve	974	205	(180)	999
Direct Service Organisations	152	20	0	172
Egham Leisure Centre Equipment Reserve	49	(5)	(7)	37
Car Park Machines Replacement Reserve	76	12	0	88
Community Transport Reserve	32	(7)	0	25
Safer Runnymede Reserve	50	129	(97)	82
Museum Purchases Fund	19	6	0	25
Maintenance of Graves	2	0	0	2
Total General Fund Reserves	9,284	(1,696)	0	7,588

11.2 The forecast reserves and balances statement presented to the Council in February (with the Budget for 2003/04) estimated that revenue balances would be £6.751m at 31 March 2004. The increased level of balances is primarily the result of the General Fund planned under-spends, increased income, and cost savings explained earlier in this report. The additional

flexibility that this increase affords the Council is very welcome given the challenges to be faced over the next few years.

11.3 The Council currently has substantial revenue balances. However, the approved General Fund budget for 2004/05 alone estimates the use of £2.56m of these balances to support service spending and the current low level of local tax. The Council's medium term financial strategy forecasts that revenue reserves available to finance service spending and taxation plans will be exhausted by 2007. It should also be noted that this forecast is based on the approved savings targets being delivered by the 2005/06 financial year and a stepped increase in Council Tax in each year.

12. Conclusion

12.1 The 2003/04 accounts disclose a number of favourable trends and show that Budget Managers have accommodated Council Policy within financial provisions made.

12.2 The Council has a proud record in maintaining strict financial control whilst developing and improving services. The approved financial forecast recognises that there are a number of important challenges that the Council faces in continuing this success. This includes the difficult task of identifying service based financial savings and, at the same time, justifying stepped increases in the level of local taxation to the community. The financial forecast will be formally considered later this year and will reflect the progress made and further developments necessary to implement the Council's financial and operational strategy over the coming years.

12.3 The financial performance of the Council in 2003/04 provides a firm foundation for considering these matters.

OFFICERS' RECOMMENDATION that -

i) determinations required under Part IV of the Local Government and Housing Act 1989 be made in the sums set out below:-

a) under Section 42 (2) (g) the expenditure for capital purposes which is to be reimbursed, or met out of money provided by any other person which is to be capitalised, is £756,825;

b) under Section 60 (2), the use of usable capital receipts which are to be applied to meet expenditure incurred for capital purposes are £466,223 on housing account and £1,375,481 on General Fund Account;

ii) the capital expenditure in 2003/04 that was to be met from revenue reserves (as set out in paragraph 6.4 of the report) now be financed from capital receipts in hand; and

iii) the disposition of the General Fund reserves be approved.

(TO RECOMMEND)

Background Papers

None stated

6. TREASURY MANAGEMENT AND INVESTMENT STRATEGY - ANNUAL REPORT 2003/04 (DF)
(Ref: Minutes of Corporate Management Committee, March 2003, page 1094, para. 653)

1. Purpose of Report

1.1 This is a report on treasury management activity and performance during the 2003/04 financial year.

2. Background Information

- 2.1 Treasury management is defined as:
- “The management of the organisation’s cash flows, its banking, money market and capital market transactions; the effective control of risks associated with these activities; and the pursuit of optimum performance consistent with those risks”.*
- 2.2 The Council's Treasury Policy Statement requires the Director of Finance to report to this Committee on the treasury management activities and performance at the end of each financial year.
- 2.3 The Council has no long-term debt. Treasury management is concerned mainly with the management of the Council's investments and day-to-day cash management. The Council's investment portfolio comprises funds earmarked for longer-term investment, and short-term investments sufficient to meet cash flow requirements without recourse to borrowing.
- 2.4 Investment income is a major provider of the revenue resources that are needed to maintain services and keep the Council Tax at a low level.
- 2.5 Sterling Consultancy Services were appointed as the Council's treasury management consultants for a three-year period from October 2001. Sterling provide advice on all aspects of treasury management, including their own interest rate forecasts. They also provide a quarterly review of fund manager performance and a copy of their latest publication (currently for the quarter to 31 March 2004) is placed in the Members' Room.
- 2.6 In April 1999 the Council appointed Invesco Asset Management Ltd (Invesco) as an additional fund manager with an initial portfolio of £10m to manage. Investec Asset Management (Investec) were re-appointed and an additional £1.8m was transferred to bring this fund up to approximately £10m at 1 April 1999.
- 2.7 The external investment funds are managed under parameters approved by the Council. The Fund Managers provide quarterly statements that show investment activity and performance for the three month period and give a commentary on the reasons for their investment decisions and a forecast of future activity. The latest copies of the Managers' quarterly statements are placed in the Member's Room. Members may also request a copy direct from the Director of Finance if so required.
- 2.8 The original estimate for investment income in 2003/04 was based on interest rates of 4.0% for fund managers and 4.0% also for in-house funds. This was estimated to generate investment income of £1,100,000.
- 2.9 In June 2003 the Committee was informed that investment income in 2003/04 was unlikely to match the Budget because of the reductions in short term interest rates in Spring 2003. An overall shortfall of around £100,000 was considered likely. The revised estimate for 2003/04, reported in the Budget Book for 2004/05, was reduced further to £850,000.
- 2.10 A report on treasury management strategy for 2004/05 was presented to the February meeting of this Committee.
3. Investment Activity and Commentary 2003/04 - General
- 3.1 The management of the Council's investments in 2003/04 has been conducted within the policy guidelines approved in the Treasury Policy Statement.
- 3.2 Treasury management activity in the year was carried out in accordance with statutory requirements and CIPFA's "Code for Treasury Management in Local Authorities."
- 3.3 The Base Rate in 2003/04 commenced at 3.75%. Movement in the year is set out in Table 1. The average base rate for 2003/04 of 3.71% was less than the interest rate assumptions used to compile the original estimate.

Table 1 – Bank Base Rates in 2003/04	
Date of change of base rate	%
Start of year	3.75
10 July 2003	3.50
6 November 2003	3.75
5 February 2004	4.00

The Base Rate subsequently increased to 4.25% on 4 May 2004.

- 3.4 A summary of the Council's overall investment portfolio at the start and end of 2003/04 is set out in Table 2:

Table 2 – Overall Investment Portfolio		
	At 1 April 2003	At 31 March 2004
	£	£
Investec Cash Fund	10,864,808	11,123,779
Invesco Cash Fund	10,775,672	11,140,835
In House Investments	1,120,000	5,350,000
Total Investment Portfolio	22,760,480	27,614,614

- 3.5 The original cash flow forecast for 2003/04 (made in January 2003) was for an increase in in-house cash holdings of around £1.5m. The actual increase in in-house cash holdings was £4.23m (i.e. £5.350m less £1.120m at the start of the year). The principal reasons for this increase of £2.7m in the overall amount invested were:

- The capital programme spend was significantly smaller than originally expected, mainly as the result of the deferment of some large schemes. In particular, the commencement of the Addlestone Community Centre project (originally forecast to start in 2003/04 with expenditure of £1.086m), the completion of Action Addlestone (£627,000), and the under-spend on the Strategic Maintenance Programme in 2003/04. In total, the lower capital spend in 2002/03 accounted for £1.8m of the increase in balances.
- The scale of net General Fund revenue savings and increased in-house investment income in 2003/04 contributed a further £850,000 to cash balances.

- 3.6 Interest earned on balances is derived mainly from external investments, adjusted for internal transfers and miscellaneous items as necessary. Table 3 shows the original, revised and actual calculations of General Fund investment income in 2003/04:

Table 3 - General Fund Investment Income 2003/04			
Source of Income	Original Estimate £000	Revised Estimate £000	Actual £000
Externally Managed Cash Funds	900	610	605
Short term in-house investments	265	310	339
Short Term Bank Deposits	10	10	9
Gross External Investment Income	1,175	920	953
Interest on Housing Revenue Account balance	(59)	(60)	(70)
Interest paid on Deposits and Balances	(16)	(10)	(13)
Total Net Investment Income	1,100	850	870

3.7 The original estimate for investment income for 2003/04 assumed that the Council's Fund Managers would achieve an overall performance of 4.0%. This was expected to produce £900,000 in investment income. The Fund Managers under-performed this target in 2003/04 to produce income of £605,000 and their performance is explained later in this report.

4. In-House Investment Activity and Performance in 2003/04

4.1 The table below summarises short term in-house investment activity during the course of 2003/04.

Table 4 - Short Term In-House Investment Activity in 2003/04				
	Opening Balance	New Investment	Investments Recalled	Closing Balance
	£000	£000	£000	£000
Banking Sector	1,120	30,480	28,600	3,000
Building Societies	-	28,250	26,750	1,500
Debt Management Office	-	23,080	22,230	850
Totals	1,120	81,810	77,580	5,350

4.2 In-house money market investments are managed to achieve optimum returns within the constraints of the Council's short term cash flow requirements. In particular, care is taken to ensure that adequate funds are available to pay precepts to Surrey County Council and Surrey Police, major capital scheme payments and transfer business rates collected to the Government's national pool. Recourse to short term borrowing is used only as a last resort and no such borrowing was made in 2003/04.

4.3 The Debt Management Office is an Executive Agency of HM Treasury and provides a Deposit Facility where small deposits can be invested. Runnymede joined the scheme in November 2002 and it has proved very useful for depositing the smaller amounts of money that are too small to interest the money market.

4.4 The annualised rate of return of in-house managed investments was 3.68% in 2003/04 and the total earnings were £339,300. The interest rate earned was below the budget assumption for in house investments of 4.0% because of the lower level of short-term interest rates in 2003/04. However, the total earnings were higher than the initial budget assumption of £265,000. The increased in-house investment earnings were generated from the following factors:

- Higher reserves and balances brought forward into 2003/04
- Slippage on major capital projects (see paragraph 3.5).
- Savings on the General Fund Revenue Account (see paragraph 3.5).

4.5 Returns from in-house investments can be measured against external benchmarks. Because in-house investments are lent only for periods commensurate with the Council's short term cash flow obligations, an appropriate comparison is a short term index. Table 5 illustrates simple comparisons of in-house performance against average short term indices for 2003/04:

Table 5 - Comparison of Investment Returns: 2003/04	
Index	Annualised Return %
Average Bank Base Rate	3.705
Local authority 7 day index daily average - simple	3.522
Local authority 7 day index daily average - compound	3.469
Local authority 3 month index daily average	3.714
Return on in house managed investments	3.680

5. Fund Managers Performance - General

5.1 The Council appointed two external fund managers following the meeting of the Contracts Sub-Committee on 8 February 1999:

- INVESCO Asset Management Limited; and
- INVESTEC Guinness Flight Investment Management Limited

5.2 Each fund manager was allocated £10m to manage on 1 April 1999. INVESCO was a new appointment. INVESTEC had been fund managers for the Council since 1994.

5.3 The amount under external management in 2003/04 is set out in Table 6:

Date of Valuation	Investec £000	Invesco £000	Total £000
31 March 2003	10,865	10,775	21,640
30 June 2003	10,981	10,886	21,867
30 September 2003	10,990	10,949	21,939
31 December 2003	11,020	11,039	22,059
31 March 2004	11,124	11,141	22,265

5.4 Early in 2003 both fund managers reported that there would be little opportunity to achieve returns in excess of the benchmark in 2003/04. However, even this modest target was not achieved. Income from both the Funds in 2003/04 was disappointing. Both Funds look for long-term performance and taking single years in isolation can be misleading. For instance, the performance of the managers in 2001/02 was also disappointing, but performance in 2002/03 was good. It is overall long term performance that is important. The arrangements for review and scrutiny at both Officer and Member level are designed to constantly monitor fund manager performance and identify problems at as early a stage as possible.

5.5 At the presentation made to the Corporate Management Committee in July 2003, both fund managers were forecasting further reductions in interest rates. As a result, their strategy was to maintain a significant gilt holding. Quite simply, this strategy has been proved wrong.

5.6 Developments in the market since July 2003, including 0.25% rises in the Base Rate in November 2003 and again in February 2004, have been contrary to both managers' forecasts. Both fund managers subsequently wrote to the Director of Finance with a warning that their performance in 2003/04 would not achieve the Council's benchmark. This was reported to the Committee on 4 December 2003.

5.7 Each fund manager is required to explain their performance and future strategy before this Committee at least twice a year. The Committee received presentations from both fund managers at the meeting on 8 January 2004.

5.8 Officers reported to this Committee in April 2004 on the long-term options for using fund managers. The report looked at the performance of the Managers, what the Managers reported to the Committee in January, the long term sums that the Council has available for investment, and options for reviewing the number of managers and market testing. The Committee resolved to undertake a full market testing exercise for fund managers. A Member Working Group was authorised to undertake the market testing exercise and recommend the selection of a fund manager. The Director of Finance is in the process of drawing up a short list of fund managers for the selection interviews, in consultation with the Chairman of the Committee and the Council's treasury management consultants.

5.9 Sterling Consultancy Services have supplied a report that comments on the performance of the two fund managers in the last quarter of 2003/04. It looks at the performance of both

managers in absolute terms and relative to other cash fund managers. A copy of this report has been placed in the Members' Room.

- 5.10 The next presentation by fund managers would normally be made to the meeting of this Committee on 29 June 2004. However, Officers have not arranged for these presentations because Members will have the opportunity to question both the fund managers directly as part of the impending market testing exercise.
- 5.11 The cash returns generated by the Council's two managers are summarised in the table below:-

	Investec £000	Invesco £000
Fund Manager's Valuation at 1 April 2004	11,124	11,141
Fund Manager's Valuation at 31 March 2003	10,865	10,775
Change in fund valuation in 2003/04	259	366
Adjustment for Managers' fees	3	(22)
Net Gain in 2003/04	262	344

- 5.12 The adjustment for Managers' fees line is necessary because of the difference in the way that the fees are treated. Investec deduct their fees direct from the Fund whereas Invesco send an invoice for payment. The small adjustment for Investec is for the recovery of the VAT element of fees deducted from their Fund.
- 5.13 The following paragraphs discuss their performance in more detail.

6. Investec Investment Management Ltd

- 6.1 This fund was established in 1994 with an initial sum of £5 million. An additional £960,000 was deposited with Investec in February 1997 following the sale of the in-house gilt holdings and a further £1.8 m in March 1999 to bring the fund up to approximately £10m. Interest earnings accumulate in the fund to allow the fund managers to tailor investments to market conditions rather than repayment requirements.
- 6.2 Investec's asset allocation during the year is illustrated in Table 8 below:

Asset Type	Start of Year	30 June 2003	30 Sept. 2003	31 Dec. 2003	31 March 2004
	£000	£000	£000	£000	£000
Fixed Interest - Gilts	1,597	3,989	2,908	0	0
Certificates of Deposit	9,160	6,937	8,008	10,836	11,073
Cash	108	56	74	184	51
Valuation	10,865	10,981	10,990	11,020	11,124

- 6.3 The net rate of return on the fund in 2003/04 of 2.38% was significantly lower than the three month LIBID (London Inter Bank Bid Rate) of 3.72%. It should be stressed that this fund is designed to take a long-term view. The overall performance since the inception of the fund in 1994 shows a return of 6.20% against the LIBID benchmark return of 5.61%.
- 6.4 The trading losses generated by the significant level of holdings in gilts early in the year (see above) has been the dominant reason for Investec's poor performance in 2003/04. The trading loss of gilts in the year totalled £180,000.
- 6.5 Investec are regarded as a relatively aggressive fund manager and this is borne out by the volatility of their performance over recent years. Sterling Consultancy Services report that

Investec performed poorly in comparison to other cash fund managers in 2003/04 (seventh out of eight managers).

6.6 Investec have written to the Director of Finance to explain the reasons for their disappointing performance. The letter explains the changes Investec have made to their processes to analyse both technical market factors and overall economic indicators more effectively, and how these will enable them to react to changes more promptly. The letter also explains that the Council can limit the volatility of the Fund by reducing the exposure to risk (i.e. gilts and long term investments). This is an issue that will form part of the forthcoming selection process for fund managers.

6.7 At the end of March 2004 the Investec Fund comprised entirely of a short-term portfolio of Certificates of Deposit (CDs) that mature in less than 3 months. Certificates of Deposit are investments with banks and other financial institutions of good quality credit worthiness for periods of a year or less. In early April 2004 Investec purchased a £1.1m CD at a redemption yield of 4.77%. However, in general, Investec appear to be waiting for interest rates to rise before making significant moves in the market.

7. Invesco Investment Management Ltd.

7.1 This fund was established on 1 April 1999 with an initial sum of £10 million. Interest earnings accumulate in the fund to allow the fund managers to tailor investments to market conditions rather than repayment requirements.

7.2 Invesco's asset allocation during the year is illustrated in Table 9 below:

Asset Type	Start of Year	30 June 2003	30 Sept. 2003	31 Dec. 2003	31 March 2004
	£000	£000	£000	£000	£000
Fixed Interest - Gilts	1,513	2,224	1,045	1,001	0
Fixed Interest - Eurosterling Bonds	197	188	189	0	0
Certificates of Deposit	7,241	8,441	9,675	9,981	10,903
Cash	1,824	33	40	57	238
Valuation	10,775	10,886	10,949	11,039	11,141

7.3 The performance benchmark for the Invesco fund is the 3-month LIBID rate compounded monthly. The way that Invesco calculate this benchmark is different from the Investec method, hence the slight difference in the rate. Their target is to exceed this benchmark rate by 0.5% a year. The net rate of return on the fund in 2003/04 of 3.17% is 0.57% points lower than the benchmark rate of 3.74% (and well below the target rate of 4.24%). Sterling Consultancy Services report that Invesco performed poorly in comparison to other cash fund managers in 2003/04 (sixth out of eight managers).

7.4 The Invesco fund was established in April 1999. Over the four year life of the Invesco fund the net return is 4.67% compared to the benchmark for the period of 4.83%. The poor performance of the fund in 1999/2000 along with 2003/04 explains this shortfall.

7.5 Invesco have had smaller holdings in fixed interest stock than Investec in the summer and this at least led to the lower loss on this Fund. However, it is clear from Invesco's recent performance that it has modified its strategy over the last year. This has been characterised by more active trading in gilts (although the last gilt holding was sold on 15 January 2004). While this resulted in an incorrect positioning of the fund in summer 2003, its trades have been better judged since then.

7.6 Invesco have also recently adopted a different strategy to Investec in relation to holdings of Certificates of Deposit. In contrast to the Investec Fund, at 31 March 2004 the Invesco Fund had around £4.4m of CDs that run for 12 months. It now appears that Invesco were a little hasty in investing in 12-month CDs as the rate at which these were purchased (4.41% to 4.42%) in January and February 2004 was lower than available (up to 4.75%) later in the quarter.

8. Legal Implications

8.1 The powers for a local authority to borrow and invest are governed by the Local Government Act 2003 and associated Regulations (The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003). The Regulations also specify that authorities should have regard to the Treasury Management Code (published by CIPFA) when carrying out their treasury management functions. This Code covers good practice on the administration of debt, investments and related aspects of financial management.

8.2 Section 15 of the Local Government Act 2003 provides the power for the Government to issue guidance about investments to which authorities are to have regard. Guidance issued by the Government requires the full Council to approve an Annual Investment Strategy that sets out the investment parameters adopted by the Council. The Strategy for 2004/05 was approved by Council on 9 March 2004.

9. Council Policy

9.1 This is set out in the Treasury Management Policy Statement and associated Practices and Schedules.

10. Prospects

10.1 The Council's long term financial forecast is now based on achieving an average return of 4% (4.5% from fund managers) for 2004/05 and 4.5% in the following years.

10.2 The latest set of interest rate forecasts received from Sterling Consultancy Services is set out below:

	Base	1- Month	3-Month	12-Month	5-Year
	%	%	%	%	%
April-2004	4.00	4.10	4.33	4.78	4.85
June-2004	4.25	4.30	4.40	4.75	4.75
September- 2004	4.50	4.60	4.70	4.80	5.00
December-2004	4.75	4.75	4.80	4.90	5.00
June-2005	5.00	5.00	5.00	5.00	4.90
December-2005	5.00	5.00	5.00	5.00	4.90
June-2006	5.00	5.00	5.00	5.00	4.90
December-2006	4.75	4.75	4.75	4.75	4.80

11. Conclusions

11.1 The performance of the fund managers has been disappointing in 2003/04 and this follows a period of erratic performance over recent years. The forthcoming market testing exercise sets out to address this by reviewing the Council's future strategy and selecting a manager(s) that is most appropriate for fulfilling these requirements.

(FOR INFORMATION)

Background Papers

1. 2003/04 final accounts working papers number F1, F2, F3, F15 and F16 (DF)
2. Quarterly report from Investec for the quarter ending 31 March 2004 (DF)
3. Quarterly report from Invesco for the quarter ending 31 March 2004 (DF)
4. Letter and enclosures from Investec dated 22 April 2004 (DF) (Exempt)
5. Letter and report from Sterling Consultancy Services on fund manager performance dated 28 April 2004 (DF's file 183) - exempt

7. REVIEW OF THE CONSTITUTION (DAL)
(Ref: Minutes of Corporate Management Committee, 6 May 2004)

1. **Purpose of Report**

1.1 **To summarise and seek authority for the proposed amendments to the Constitution.**

2. Background Information

2.1 At its last meeting the Committee noted the broad scope of the review of the Constitution for 2004/5 and awaited a report back to this meeting.

3. Report

3.1 A copy of the draft revised document will be placed in the Members' Room, with the changes underlined, and further copies will be sent to the three Leaders of the Political Groups. The 250 page draft document has not, however, been copied with this agenda.

3.2 A three page summary of the amendments is attached at Appendix 'G'. This summary was also circulated to all Members of the Committee by e-mail on 18 May, in accordance with the Committee's request at its last meeting.

3.3 The main changes of substance proposed are:

i) The role of full Council – at present the Constitution provides that full Council is to consider any corporately binding policy for the exercise of any function. Some comparatively minor issues fall under the heading of "Policy" and Officers propose that most matters falling entirely within the remit of a single Committee should be determined by that Committee rather than being referred to Council. This would mean that full Council considers:

- policies it is required to consider by law – e.g. Local Development Framework, Crime and Disorder Reduction Strategy;
- policies which the Constitution remits to full Council in accordance with Government advice (eg Housing Strategy, Licensing Policy);
- policies which cut across more than one Committee, such as the Asset Management Plan and the Consultation Strategy, and also the overall approval of the Leader's Position Statement;
- any other matters which this Authority has specifically committed to full Council, of whatever nature.

Full Council's role of receiving formal public representations, and petitions, will continue, as will its responsibility for the capital and budgetary framework. The proposed change is not expected to make a lot of difference to the amount of business coming to full Council, but it will avoid some minor items which are passed over without discussion, and also enable these to be resolved more quickly.

ii) Capital approvals – it is proposed to bring the approach to capital financing issues into line with that for the revenue budget. At present all changes to the capital programme, no matter how small, go to full Council. The proposal is that this Committee will deal with changes up to £50,000 (the same level as its authority to approve a supplementary estimate) and also with changes which involve only rephrasing rather than changes in cost.

iii) Creation of a Regulatory Committee. This is a complication which Officers did not originally envisage and do not present with enthusiasm. However, there is considerable doubt about whether the Licensing Act 2003 allows Licensing Committees constituted under that Act to deal with the residual non 2003 Act licensing functions. The safest course is to remit these to a separate Committee, and this is what a large number, probably the majority, of authorities are doing.

Under this arrangement, the Licensing Committee would deal with liquor licensing and public entertainment licensing of various kinds, while another Committee would deal with taxi licensing, gaming legislation, charitable collections etc. Officers therefore propose a separate smaller Regulatory Committee whose Members would also be Members of the Licensing Committee. This duplication of membership would assist in matters such as training in requirements for fair handling of applications, hearings, and other licensing issues. It would also provide the facility for a meeting of the Regulatory Committee to be held on the same night as a meeting of the Licensing Committee without involving a separate set of Members. It is these two advantages which have caused Officers to suggest a separate Regulatory Committee, rather than, say, a new Sub-Committee of Leisure and Environment Committee.

- iv) The reintroduction to some extent of the "six month rule" for rescission of decisions. Some years ago Standing Orders generally prohibited the rescission of a decision less than six months old. This led to complications and it was amended in various ways before being replaced by a provision omitting the six months rule but providing strict criteria for rescission. This is generally sounder in operation than the previous practice but does give rise to two anomalies – first, under a separate Standing Order, there is still a six month rule preventing the moving of a motion to the same effect as one which has been defeated within the previous six months, and secondly, the procedural hurdles for rescission are not necessarily appropriate to an old decision which has ceased to be practically relevant or could be rescinded without undue problems. The amendment proposed is to apply the strict criteria for rescission only to decisions less than six months old. After that age, an unimplemented decision could be rescinded by the appropriate Council or Committee resolution without the strict procedural hurdles.
- v) Implementation of the refinements requested by the Planning Committee to the Standing Order governing public speaking in the Planning Committee.
- vi) Minor amendments to Standing Orders for Contracts, which are mainly administrative but which will facilitate the adoption of partnering arrangements where the Council considers this to be advantageous, rather than the usual "best tender" approach. The partnering approach could not be used in any particular case without Committee approval.
- vii) Inclusion of additional documents approved over the last year, such as Consultation Strategy, Members' IT protocols, Member/Officer protocol, Monitoring Officer protocol, Anti-Fraud and Corruption policy, and a Media Handling protocol to provide guidance as to the propriety and legality of Council publicity.

OFFICERS' RECOMMENDATION that –

the revised Constitution for 2004/5, as deposited in the Members' Room, be adopted at the Annual Council Meeting on 23 June.

(TO RECOMMEND)

Background Papers

None other than published material.

8. PLANNING DELIVERY GRANT (DTS)

1. Purpose of Report

1.1 **To inform Members of the amount of Planning Delivery Grant awarded for 2004/05 and seek authority for expenditure.**

2. Background Information

2.1 In July 2002, the Office of the Deputy Prime Minister (ODPM) announced that £350m had been set aside for 2003-06 for Planning Authorities, to deliver improved performance both in

determining planning applications and progressing Development Plan work. The allocation of the Planning Delivery Grant (PDG) was scheduled to be £50m for 2003/04, £130m for 2004/05 and £170m for 2005/06.

- 2.2 In February 2003, it was announced how the grant was to be allocated for 2003/04, and the individual grant allocations for each Authority for the first of the three years.
- 2.3 Runnymede was allocated £139,569, due to improved performance over the relevant period. This sum is not ring-fenced but it was assumed that it will be used to improve performance both in Development Control and Plan making. It was made clear that any further allocations in the next two financial years would be subject to further improved performance.
- 2.4 The Committee at its meeting on 3 April 2003 resolved that the PDG for 2003/04 would be allocated as follows :-

Proposal	Cost (£)
Planning Career Progression Scheme	17,067
Two Additional Planning Assistant/Senior Posts	45,000
New Post of Administrator	17,262
On-costs for above 3 New Staff	15,000
Potential Cost of Additional Pension Fund Contributions	7,500
0.5 FTE Environmental Policy Officer	13,000
Local Development Framework/Consultancy	10,000
4 New P.C.'s	4,556
Total Earmarked	129,385
Balance not yet earmarked	10,184
Planning Delivery Grant received	139,569

- 2.5 The new posts in Development Control and Administration were formally added to the establishment but with the expectation that the PDG would provide funding for several years. The opportunity to renew the status of these posts would be considered as vacancies arose, etc., towards the end of the PDG allocations.
- 2.6 At a further meeting of the Committee on 6 November 2003 consideration was given to the Environmental Policy Officer Post and the consultancy arrangements for the emerging Local Development Framework (LDF) (formerly titled the Borough Local Plan). It was resolved to confirm the additional 0.5 FTE Environmental Policy Officer Post until March 2006 and an 0.5 FTE Policy Post for the same period, subject to additional PDG funding being forthcoming in subsequent years.
- 2.7 In 2003/04, £107,800 from the PDG of £139,569 was spent on the resources identified in paragraphs 2.4-2.6 of this report. The remainder (£31,769) has been carried over to the current financial year.
- 2.8 The ODPM announced in March 2004 that the PDG for 2004/05 would be £292,027. The terms of the grant reflect development control performance, plan making performance, housing delivery in areas of high housing need, location of enterprise areas and performance at appeal. Further grant allocations will be based on improved performance in these areas.

3. Policy Considerations

- 3.1 The Committee has previously recognised that enhanced staff resources are required to meet the targets that the Government has set for approving the delivery of the Planning Service. The PDG has been put in place to assist with the delivery of the enhanced service. The PDG of £292,027 for 2004/05 plus £31,769 carried over from 2003/04 enables the newly established staff resources to be funded for this financial year and beyond. Projecting expenditure for the period to 31 March 2006 it is anticipated that the total cost would be £269,533, on the basis of current commitments.
- 3.2 Since the Committee considered the allocation of funding for the Local Development Framework (LDF) at its meeting in November 2003, the OPDM has issued further guidance on the matters that need to be considered to ensure adoption by the end of 2006. The potential workload has increased above that originally envisaged as reported to the

Committee in November 2003 but it is anticipated that the PDG settlement will enable this target to be achieved.

- 3.3 The new Planning Policy System (the LDF) requires the Local Authority to produce a large amount of documentation. In order to meet the obligations to fully involve the community in the LDF process it is important that the material is attractively designed and presented. This will include presenting data to make up the Council's evidence base, documents setting out issues and options, draft policy documents for consultation and formal deposit versions. It is also likely to include the production of display material for the presentation of proposals at public meetings.
- 3.4 The draft Regulations covering the preparation of LDFs require all material relating to the Local Development Framework to be available via the Internet. They also require the Local Planning Authority to provide representations forms for electronic submission via the Council Website. The E-Government requirements are likely to place further obligations for the provision of planning services via the Internet, including Development Control services and information (see paragraph 3.5 below). All this will create a significant amount of additional work for the Policy and Implementation Graphics Officer which is currently a 0.5 FTE Post. To cope with workload over the next two years it is recommended that the post of Graphics Officer be extended to 1 FTE for the period to 31 March 2006. This would cost an extra £21,254, including on-costs for this period.
- 3.5 Associated with the enhancements to the delivery of the Planning Service are the activities associated with the capturing and dispatch of planning and corporate information. Implementing Electronic Government sets out objectives for progressively making services and information available in an electronic format. For the Planning Service this is being achieved with new software and the availability of planning application information on the Council's Website.
- 3.6 In tandem with this the GIS Service is moving towards facilitating the availability of property based 'Corporate Information'. This includes a wider variety of planning information with close links to the preparation of the LDF. However, progress is hindered by the lack of resources to undertake non-technical support work. Currently a 0.4 FTE GIS Post is available to undertake this task, but progress would be enhanced if this position were extended to 1 FTE for the period to 31 March 2006 creating a combined GIS/Information Officer Post. This would cost an extra £17,670, including on-costs for this period.
- 3.7 During the year there will be a number of service delivery issues that will emerge and which will need to be addressed if the objectives of service enhancement are to be achieved. It is anticipated that these will involve additional funding for specific areas of work by staff or consultants. It is recommended that these remaining PDG monies be allocated at the discretion of the Director of Technical Services, in consultation with the Chief Executive, to ensure that the objectives of the service delivery are achieved. These monies are listed as Discretionary Spending in the table at paragraph 4.1 below.

4. Financial Implications

- 4.1 The financial implications are set out in the table below:-

Paragraph Reference	ALLOCATIONS	COST £
	Commitments in paragraphs 2.4 – 2.6 projected for the period 1/04/04 to 31/03/05 (with reductions on post F0088 for Financial Year 04/05 *)	131,355
	Commitments in paragraphs 2.4 – 2.6 projected for the period 1/04/05 to 31/03/06	138,178
3.1	Total cost of commitments set out in paragraph 3.1 above	269,533
	<u>Further allocations</u>	
3.4	0.5FTE Graphics Officer post for the period 1/04/04 to 31/03/06 (2 years)	21,254
3.6	0.6 FTE Policy/GIS support post for the period 1/04/04 to 31/03/06 (2 years)	17,670
3.7	Discretionary Spending (including on-costs) (to be allocated as set out	15,339

	in paragraph 3.7 above)	
	TOTAL ALLOCATIONS	£323,796
3.1	Financed from Planning Delivery Grant 2004/05 plus carry over from 2003/04	292,027 31,769
	TOTAL PLANNING DELIVERY GRANT AVAILABLE	£323,796

* Reflects staff position at present (£142,135 - £10,780).

5. Conclusion

5.1 The PDG has been allocated with no control or restriction upon usage. It is clear, however, that final (and potentially far greater) allocation over next year will be based on performance in processing planning applications and developing the Local Development Framework.

5.2 The proposed expenditure is considered necessary to provide additional resources in a range of areas in order to deliver this performance. Unfortunately, the Government allocations have enabled many Local Authorities to recruit more staff in an already difficult job market. The career progression scheme and provision for discretionary spending are therefore seen as an important factor in retaining existing staff.

OFFICERS' RECOMMENDATION that -

- i) the Planning Delivery Grant for 2004/05 be allocated as set out in the table in paragraph 4.1 above for the period to 31 March 2006;**
- ii) the Director of Technical Services report further on any other proposals for expenditure; and**
- iii) any outstanding monies be carried forward to support salaries of new permanent staff in subsequent years.**

(TO RESOLVE)

Background Papers

Correspondence with Office of the Deputy Prime Minister
The Egan Report - ODPM April 2004

9. COMMUNICATIONS STRATEGY - RESOURCING OF COMMUNICATIONS FUNCTION (DAL)

1. Purpose of Report

1.1 **To consider the level of resourcing to be applied to the Council's communication activities.**

2. Background Information

2.1 Staff and Members have identified the need to improve the Council's internal and external communications. The need has been highlighted in the Comprehensive Performance Assessment (CPA) report on the Council and other material. It is, however, recognised that the issues are common to all large organisations.

2.2 The Council approved a Communications Strategy in October 2003, based on work done by Messrs Luther Pendragon, a firm of specialist Communications Consultants. The preparation time available for the report had not permitted in depth consideration of the issues raised, and the Strategy identifies various issues needing resolution rather than providing final solutions. The Council set up a Working Group of Members to examine the Consultants' report in detail with appropriate Officers and to report back on the action recommended. This Working Group has now met three times and its Minutes have been reported to this Committee. The Minutes of the Working Group's last meeting held on 22 April 2004 are attached at Appendix 'H'.

- 2.3 The Working Group has carefully examined the case for a dedicated communications resource to address the various issues identified in the Consultant's report and to assist in the achievement of Council aspirations. It has concluded that it will be difficult to make effective progress without such a resource.
- 2.4 Previously the Council has set its face against dedicated staffing in this area. However, this now places it very much in the minority of local authorities, even those of a similar size to Runnymede.
- 2.5 These issues are discussed in greater detail in the report below.
3. The Communications Strategy
- 3.1 The adopted Communications Strategy sets the following as the key objectives:
- external communications: to communicate Runnymede Borough Council's services and objectives as widely as possible amongst external stakeholders, and to maintain democratic accountability;
 - internal communications: to provide an effective two-way communication infrastructure that enables Runnymede to be a responsive and effective public sector organisation.
- 3.2 Supporting these objectives is an action plan which calls for the Council to plan effective management of communication with stakeholders, the development of an effective way of communicating the Council's values and key messages, the giving of attention to the way Runnymede is "branded", review of the website, and a new plan for relationships with the media. As regards internal communications, the Council is to create a new internal two-way communication process between staff and managers, address the issue of cross departmental communications, review the ways staff are expected to communicate with each other, and pay particular attention for the need for communication in the proposed office move.
- 3.3 These steps are to be monitored and reviewed in consultation with those affected.
- 3.4 The level of achievement in these areas will depend not only on a sound plan but also on the resources applied. The Strategy calls for a review of current spend, and requires the Council to consider the need for a full-time individual with responsibility for communicating the Council's strategic objectives, both internally and externally.
4. The Consultants' Report
- 4.1 In the report underpinning the Communications Strategy, the Consultants identified the following issues:
- no individual or team had sole responsibility for external communications with stakeholders, such communication being managed on an ad hoc basis with the exception of press releases. It was also generally departmentally focused in its production, with the exception of the Annual Report.
 - Officers currently engaged in this area do "a valiant job" and were to be commended, particularly as they managed two to three other roles.
 - the lack of a corporate strategy tended to lead to communications taking place in a reactive rather than a proactive manner.
 - it was difficult to track spend on communications.
 - service and marketing information was delivered to the public ad hoc as required, but not to meet corporate objectives.
 - there was a lack of guidelines on branding, the use of contractors, costs of publicity, or the evaluation of communication initiatives.

- communication was seen as a function incidental to the Council's activities, rather than a function aimed at meeting corporate objectives and worth managing in its own right.

4.2 The Consultants recommended that Runnymede should appoint a full-time Communications and Information Officer who would:

- i) take responsibility for external communication functions across the borough, located centrally, and providing strategic advice on best practice;
- ii) draw up a long-term Communication Strategy and an annual Communications Plan, in conjunction with all departments;
- iii) manage the communications and marketing spend across departments, and take control of branding and website information;
- iv) play a role in communicating corporate objectives internally and take the lead on managing internal communications about the proposed office move, in conjunction with Personnel and any external resource engaged.

The consultants also recommended that the Council should consider hiring or seconding an assistant over the period of the office move in order to allow the Communications and Information Officer to continue to perform a strategic role.

4.3 The consultants recommended that in each department external and internal "communications champions" be designated to liaise with the Communications and Information Officer and carry the strategy forward in their own departments.

4.4 The Council was urged to consider the recommendations and to come to a view on them as an early priority in its implementation of the Communications Strategy. Should the Council decide not to provide a dedicated resource to manage communications functions, then although improvements could be made in the way it manages communications, the Council would largely be restricted to no cost/low cost options and this would clearly reflect in the level of impact it would be possible to achieve.

5. Consideration by the Working Group

5.1 The Working Group comprises Councillors Mrs Price (Chairman), Haas, Miss Heath, Mrs Jacobs, Mrs Jones, and Pate, meeting with the Director of Administration and Leisure, the Personnel Officer, the Head of Corporate Administration, the Information Systems Manager, and the Leisure Projects and Support Manager. Most Members have managed to attend each meeting, but Councillors Miss Heath and Pate were unable to be present at the last one.

5.2 The Working Group identified that in excess of £100,000 per year is spent in printing and distribution costs for various Council publications and information. This is unlikely to include all ad hoc expenditure such as press releases, and it does not include the cost of staff time. Two Officers in the Department of Administration and Leisure devote approximately a quarter of a full-time equivalent out of their other commitments to these activities, and significant but less easily identified amounts of time are devoted by staff in all departments.

5.3 It is not suggested that there is substantial duplication or waste in this level of expenditure and resourcing. It is however uncoordinated in style or timing, and there is a risk that without being managed centrally, instances of ineffectiveness and duplication will occur.

5.4 The Working Group has considered in detail the question of resourcing as required by the Strategy. The Group is firmly of the view that a dedicated resource must be recruited if the various communications issues are to be properly addressed. The following points are pertinent:

- i) the environment in which the Council has to operate today has developed substantially from that when the earlier stance on resourcing was taken, and the Council is now out of step with general practice and indeed the expectation of media and other organisations which deal with it;

- ii) communication has been highlighted as a priority area for attention, particularly within the context of the CPA report and Improvement Plan;
 - iii) a number of current and foreseeable issues emphasise the need for effective communication – the proposed replacement of the Civic Offices, the Housing Stock Options Appraisal, the marketing challenges facing both Egham Leisure Centre and Abbey Fit, the further development of CPA and the continuing likelihood of a further review of Local Government structure;
 - iv) the need to take full advantage of new ways of working made possible by information and communications technology, and, where possible, related savings;
 - v) the opportunity to manage the Council’s publicity and information spend instead of continuing the present departmental and ad hoc arrangements. This may result in a modest level of greater financial efficiency but the main benefit will be in focus and effectiveness;
 - vi) the Working Group accepted generally the value of achieving the objectives identified by the consultants (see paragraph 4.2 above);
- 5.5. The Working Group accordingly recommends that a Communications Officer be appointed during the latter part of this year and a supplementary estimate be approved accordingly.

6. Nature of Proposed Post

- 6.1 Taking into account the consultants’ comments, practice in other authorities, and the views of the Working Group, a draft job description is set out at Appendix ‘I’.
- 6.2 The salary range is a little difficult to gauge. Posts in similar authorities are advertised at salaries ranging between £25,000 per annum and £40,000 per annum, with probably more being paid in private sector companies. It is relevant that only one post is envisaged, the lower end of the above range normally being for Officers performing a subordinate or support function. Taking all this into account the Working Group is advised and recommends that the post be advertised on Runnymede’s scale MM2 (£24,300 to £32,973) with the probability that an appointment would have to be made towards the upper end of the scale. Should this be unsuccessful, then it may be necessary to try MM1 (£28,188 to £38,247).

7. Council Policy

7.1 Community Strategy - Key Targets include:-

- Develop a coherent strategy to provide the heritage of Runnymede, with particular emphasis on Chertsey Abbey and Magna Carta (e.g. through heritage trails and improved public information, use of Chertsey Museum facilities) (page 36);
- Identify creative and imaginative ways of promoting those services and facilities already available to the public in Runnymede (page 37);
- Create an "information portal" for young people and provide a link between the Youth Forum and the Runnymede Borough Council Website (page 44);
- Produce three business newsletters per year (page 46).

7.2 Cultural Strategy - Proposed actions include:-

- enhance consultation with young people when planning new facilities (page 17);
- undertake consultation into the feasibility of arts venues in the Borough or better use and promotion of existing facilities (page 20);

- enhance profile of leisure and tourist opportunities on the Runnymede Borough Council Website, along with links into facilities run by other agencies and organisations (page 21);
- increase the profile of the River Thames, River Wey and Basingstoke Canal as recreational resources in the Borough (page 22);
- consider the appointment of a public relations officer, or retaining a public relations agency in partnership with local business, to raise the profile of the Borough and improve links with the media (page 22);
- consider the implications and benefits of a quarterly "What's On" publication to every home in the Borough (page 22).

7.3 Leader's Position Statement 2004/05:-

- i) Corporate Standards include:
 - Committed to achieving and maintaining clearly stated service standards.
 - Engaging with and being responsible to public opinion through consultation on important issues, ensuring clear communication of our policies.
- ii) Corporate Management Committee Principal Committee Objectives include:
 - paragraph 5.5.8: We will develop the Communication Strategy and implement the necessary improvements to enhance internal and external communications that will aid access to services and the efficiency of services.
 - paragraph 5.5.9: We will implement the Consultation Strategy to form a detailed corporate framework for learning from our community.

7.4 Communications Strategy Action Plan:-

"Review the need for a full-time individual with responsibility for communicating the Council's strategic objectives both internally and externally".

8. UNISON Comments

8.1 UNISON comments as follows on the proposals:-

"Clearly, there is a need for this function to be undertaken and it must be adequately resourced. Therefore, UNISON accepts the proposal to create a post dedicated to the role of Communications Officer, particularly if the burden on existing staff who carry out parts of the new role already is reduced.

With regard to the designation of existing staff as 'Communications Champions', UNISON would like to emphasise, as it has done in the past, that any member of staff who agrees to take on this additional role must be properly trained and supported and fully appreciative of what the role would entail. In addition, the role should be included on their individual job description".

9. Resource Implications

9.1 If it were possible to appoint an Officer to take up the post in October 2004, a supplementary estimate would be required for half of the full year's revenue costs, which on a scale of MM2, adding employers' costs, would amount to £19,700.

9.2 There may be modest benefits resulting from the removal of pressure from other posts currently performing communications duties. However no dedicated support is proposed for the communications post, and this would therefore have to come from existing staff. It is therefore unlikely that there will be a major freeing up of staff time for other duties. Indeed it

should be recognised that other elements of the proposed strategy, such as the creation of communications champions in each department, may in some cases result in more staff time being spent on this issue.

- 9.3 While there may be some efficiency savings possible from the current spend on printing and distribution, these are unlikely to be substantial and may be outweighed by new initiatives which the Council might undertake – not because having a communications resource automatically generates such demands, but because of the increasing need to respond to communications requirements. One example of this is the growing need for public and stakeholder consultation, as a result both of Government guidance and the Council's own policy decisions.
- 9.4 The Council has a target of achieving a net reduction of £1m in its recurring annual revenue spend (as against the 2002/3 budget) by the end of 2005/6. So far approximately £500,000 of savings has been firmly identified and included in budgets. Proposals for approximately a further £250,000 appear realistic to bring forward in the near future. Work is continuing to identify the remainder. Any new recurring spend such as that proposed for this post will require additional savings to be made in order to meet the target.
10. Conclusion
- 10.1 The following factors all point towards the need for a dedicated communications resource:-
- i) the increasing range of communication demands both internally and externally;
 - ii) the difficulty of making communication effective without proper co-ordination of method, direction and style;
 - iii) the fact that the majority of other authorities now accept the need for such a resource.
- 10.2 The Working Group's proposal is for a single full-time post. Many District Councils have two or more staff engaged for this purpose.
- 10.3 It is for the Committee to balance the need for the post against its financial costs. Should its conclusion be that an appointment is not justified, the Working Group will need to consider further how best to meet the issues outlined in the Council's recent CPA report and elsewhere within existing resources, and whether it will be necessary to seek and formalise a greater allocation of existing staff time in order to come some way towards meeting the main issues.

WORKING GROUP'S RECOMMENDATION that –

- i) a post of Communications Officer be established in the Department of Administration and Leisure with effect from 1 October 2004 on a salary within Runnymede scale MM2, but in the event that this should prove insufficient to make an appointment, the Director of Administration and Leisure be authorised to revise the scale to MM2/MM1 with the consent of the Chairman; and**
- ii) a supplementary estimate of £19,700 be approved accordingly.**

(TO RESOLVE)

Background Papers

Report of Messrs Luther Pendragon on a corporate Communications Strategy for Runnymede Borough Council, and Minutes of the deliberations of the Communications Strategy Member Working Group

10. REVIEW OF SALARIES 2004 (CEO)

1. Purpose of Report

1.1 **The purpose of this report is to recommend the level of adjustment to salaries of staff subject to the Runnymede pay scales with effect from 1 July 2004.**

2. Background Information

2.1 In 1987 Runnymede established its own salaries and conditions of service together with a strategic aim 'to achieve upper bracket limits that are in the upper quartile of salaries paid by employers of comparable size and in comparable market segments in the West London Counties'. In order to facilitate the transfer of staff to the new local conditions, the Council gave the assurance that 'the annual adjustment of salary grades will, subject to individual satisfactory performance, be no less than the level of NJC and JNC awards'. This is incorporated in individual contracts of employment.

2.2 During 1996 a Members' Working Group reviewed the Runnymede employment package and, inter alia, recommended reaffirmation of the commitment to the strategic aim originally set in the 1987 Salary Policy.

2.3 Staff turnover during the period May 2003 to April 2004 was 13.92%, representing a 1.92% increase on the figure reported in the Annual Personnel Report for 2003. However, staff turnover during the first part of the year has risen sharply showing an annualised figure based on the period January - April 2004 of 17.37%. Reasons for leaving during this period are various and do not indicate any particular patterns. The quality and quantity of applicants remains good in most cases, but with high housing costs the catchment area is restricted generally to those living within commuting distance of the Borough. Certain posts in areas of national skills shortage remain difficult to fill.

3. Report

3.1 The Surrey Districts' twice yearly comparison of a basket of mid range posts shows that for this group Runnymede salaries are currently in the upper quartile (January 2004).

3.2 The South East Employers Pay and Benefits Survey (March 2004) shows Runnymede as being in the upper quartile for most posts surveyed.

3.3 The National Management Salary Survey 2004 places Runnymede salary scales for Management posts in the upper quartile.

3.4 Negotiations on the National Local Government pay award for 2004 remain unresolved. The Staff Side have rejected the Employers' offer of a three year deal worth 7%.

3.5 Surrey Local Authorities on local conditions have so far agreed awards for 2004 between 2.25% and 3.75%. The current headline settlement for Local Authorities in the South East on local pay stands at an average of 3%.

3.6 Median settlements in the whole economy in the period up to January 2004 range between 3% and 3.2% (source Local Government Employers Organisation).

3.7 The increase in the Retail Price Index for April 2004 is 2.5% compared to April 2003.

3.8 An adjustment of at least the level of the National award is required in order to comply with the Authority's policy and contractual requirement to pay no less than the National award. Taking into account the various indices and survey data, and to maintain Runnymede's competitive position, an award of 3% is recommended. If the National award exceeds this figure, the local award will need to be adjusted accordingly.

4. UNISON Consultation

4.1 The Runnymede Branch of UNISON is content with the proposals contained within the report, but is concerned that staff turnover is on the increase again. A significant factor is the

cost of living. House prices in the South East are prohibitively high for a large number of staff to either get onto the property ladder or maintain their current position to meet mortgage payments. Inevitably, this situation is likely to continue with further losses of quality staff from the authority.

5. Legal Implications

- 5.1 The Council in its Local Pay Policy (and in individual contracts of employment) states that 'the annual adjustment of salary grades will, subject to individual satisfactory performance, be no less than the level of NJC and JNC awards'.

6. Resource Implications

- 6.1 A 3% pay award in July will add £249,500 (including employer's costs) to the Council's expenditure in the 2004/5 financial year, of which £223,900 will fall on the General Fund and £25,600 on the Housing Revenue Account. There is a provision in the budget for a 3% award. Therefore no supplementary budgetary provision will be required.

OFFICERS' RECOMMENDATION that -

- i) with effect from 1 July 2004, subject to the performance related criteria being met, individual salaries for staff on the local contract be adjusted by 3%; and**
- ii) if the National award exceeds 3% for 2004, the Runnymede local award be adjusted accordingly and appropriate supplementary budgetary provision be approved.**

(TO RESOLVE)

Background Papers

South East Employers' Pay and Benefits Survey
National Management Salary Survey
South East Employers' Pay and Trends Bulletin
Local Government Employment Digest
Surrey Districts Salary Survey

11. REFERENCES FROM OTHER COMMITTEES (DAL)

(a) ECONOMIC DEVELOPMENT COMMITTEE – 13 MAY 2004

Civic Offices Reprovision - Options

At its meeting on 13 May 2004, the Economic Development Committee received and considered a detailed report reappraising the options for the redevelopment and refurbishment of the Civic Offices. The Committee reaffirmed the earlier decisions that the Offices are in need of refurbishment or redevelopment and that this should be achieved by the provision of a new facility as part of a phased redevelopment of the existing site. It was noted that in order to move the project forward, initial consultancy support would be required to advise on effective working arrangements, civic/political requirements and the relationship of services to enable their most effective public delivery. This Committee is asked to approve a supplementary revenue estimate of £30,000 for the purpose.

ECONOMIC DEVELOPMENT COMMITTEE'S RECOMMENDATION that -

a supplementary revenue estimate of £30,000 be approved in order to engage consultants to advise on optimum working patterns, workflow, co-location and other matters necessary to inform a Project Managers brief in respect of the reprovision of the Civic Offices.

(TO RESOLVE)

Background Papers

None.

(b) LEISURE AND ENVIRONMENT COMMITTEE – 20 MAY 2004

Grounds Maintenance Contract - Computer System

At its meeting on 20 May 2004, the Leisure and Environment Committee approved a request to this Committee for a Capital sum of up to £25,000 for the purchase of a computer based system and a supplementary revenue estimate up to a maximum of £8,500 for the ongoing maintenance costs and Capital Charges.

The Committee noted that the Grounds Maintenance Contract was currently managed using a traditional paper based system. Members agreed that this was unsatisfactory as it was both time consuming to administer and difficult to obtain useful management information. The Parks Best Value Continuous Improvement Plan, approved by the Leisure and Environment Committee in March 2002, included a commitment to the investigation of suitable computer based systems for the control of grounds maintenance operations.

The Committee considered six potential software packages which were also due to be evaluated by the Member I.T. Working Group. Once that Group has met, a further report will be brought to this Committee to seek approval for purchasing one of the software packages.

LEISURE AND ENVIRONMENT COMMITTEE'S RECOMMENDATION that -

a Capital sum of up to £25,000 for the purchase of a computer based system and a supplementary revenue estimate up to a maximum of £8,500 for the ongoing maintenance costs and Capital Charges, be approved.

(TO RESOLVE)

Background Papers

None.

12. EXCLUSION OF PRESS AND PUBLIC

OFFICERS' RECOMMENDATION that -

the press and public be excluded from the meeting during discussion of the following report under Section 100A(4) of the Local Government Act 1972 on the grounds that the report in question would be likely to involve disclosure of exempt information of the description specified in paragraph 7 of Schedule 12A to Part 1 of the Act.

(TO RESOLVE)

PART II

Matters involving Exempt or Confidential Information in respect of which reports have not been made available for public inspection

	<u>Para</u>
a) <u>Exempt Information</u>	
13. WRITE-OFFS	7
b) <u>Confidential Information</u>	

(No reports to be considered under this heading)

