SURREY
COUNTY COUNCIL

Agenda and Reports

for the meeting of

THE COUNTY COUNCIL

to be held on

12 FEBRUARY 2013

County Hall
Kingston upon Thames
Surrey

1 February 2013

TO THE MEMBERS OF SURREY COUNTY COUNCIL

SUMMONS TO MEETING

You are hereby summoned to attend the meeting of the County Council to be held in the Council Chamber, County Hall, Kingston upon Thames, Surrey KT1 2DN, on Tuesday, 12 February 2013, beginning at 10.30 am, for the purpose of transacting the business specified in the Agenda set out overleaf.

DAVID McNULTY
Chief Executive

Note 1:

There will be a very short interval between the conclusion of Prayers and the start of the meeting to enable those Members and Officers who do not wish to take part in Prayers to enter the Council Chamber and join the meeting.

Note 2: *This meeting may be filmed for live or subsequent broadcast via the Council's internet site - at the start of the meeting the Chairman will confirm if all or part of the meeting is being filmed. The images and sound recording may be used for training purposes within the Council.*

Generally the public seating areas are not filmed. However by entering the meeting room and using the public seating area, you are consenting to being filmed and to the possible use of those images and sound recordings for webcasting and/or training purposes.

If you have any queries regarding this, please contact the representative of Legal and Democratic Services at the meeting.

If you would like a copy of this agenda or the attached papers in another format, e.g. large print or braille, or another language please either call Democratic Services on 020 8541 9122, or write to Democratic Services, Surrey County Council at Room 122, County Hall, Penrhyn Road, Kingston upon Thames, Surrey KT1 2DN, Minicom 020 8541 9698, fax 020 8541 9009, or email anne.gowing@surreycc.gov.uk

This meeting will be held in public. If you would like to attend and you have any special requirements, please contact Anne Gowing on 020 8541 9938

1 APOLOGIES FOR ABSENCE

The Chairman to report apologies for absence.

2 MINUTES (Pages 1 - 18)

To confirm the minutes of the meeting of the Council held on 11 December 2012.

(*Note: the Minutes, including the appendices, will be laid on the table half an hour before the start of the meeting).*

3 CHAIRMAN'S ANNOUNCEMENTS (Pages 19 - 20)

The Chairman to report.

A list of Her Majesty's the Queen's New Year's Honours List 2013 is included within the agenda papers.

4 DECLARATIONS OF INTEREST

To receive any declarations of disclosable pecuniary interests from Members in respect of any item to be considered at the meeting.

NOTES:

- Each Member must declare any interest that is disclosable under the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012, unless it is already listed for that Member in the Council's Register of Disclosable Pecuniary Interests.
- As well as an interest of the Member, this includes any interest, of which the Member is aware, that relates to the Member's spouse or civil partner (or any person with whom the Member is living as a spouse or civil partner).
- If the interest has not yet been disclosed in that Register, the Member must, as well as disclosing it at the meeting, notify the Monitoring Officer of it within 28 days.
- If a Member has a disclosable interest, the Member must not vote or speak on the agenda item in which it arises, or do anything to influence other Members in regard to that item.

5 REVENUE AND CAPITAL BUDGET 2013/14 TO 2017/18 / COUNCIL TAX REQUIREMENT / TREASURY MANAGEMENT STRATEGY (Pages 21 - 150)

To approve:

- the level of the council tax precept for 2013/14; and
- the revised treasury management strategy, including the borrowing and operation limits (prudential indicators) for 2013-18, the policy for the provision of the repayment of debt (minimum revenue provision (MRP)), and the treasury management policy.

The report of the meeting of the Cabinet to be held on 5 February 2013 will be circulated separately after that meeting.

6 MEMBERS' QUESTION TIME

The Leader of the Council or the appropriate Member of the Cabinet or the Chairman of a Committee to answer any questions on any matter relating to the powers and duties of the County Council, or which affects the county.

(Note: Notice of questions in respect of the above item on the agenda must be given in writing, preferably by e-mail, to Anne Gowing in Democratic Services by 12 noon on Wednesday 6 February 2013).

7 STATEMENTS BY MEMBERS

Any Member may make a statement at the meeting on a local issue of current or future concern.

(Note: Notice of statements must be given in writing, preferably by e-mail, to Anne Gowing in Democratic Services by 12 noon on Monday 11 February 2013).

8 REPORT OF THE CABINET (Pages 151 - 162)

To receive the report of the meeting of the Cabinet held on 18 December 2012 and 5 February 2013 and to agree one recommendation in respect of the Surrey Minerals and Waste Plans – Adoption of the Aggregates Recycling Joint Development Plan Document.

9 SURREY COUNTY COUNCIL AND EAST SUSSEX COUNTY COUNCIL PARTNERSHIP - SHARED SERVICES (Pages 163 - 164)

To consider and agree whether to accept the delegation of a function from East Sussex County Council, under which Surrey County Council will provide transactional support and IT hosting services to East Sussex County Council under a partnership agreement between the two Councils.

10 ELECTION OF COMMITTEE CHAIRMEN AND VICE-CHAIRMEN

To appoint the Vice-Chairman of Reigate and Banstead Local Committee.

11 CRIMINAL RECORDS CHECKS FOR MEMBERS (Pages 165 - 168)

Following changes to the legislative framework, to agree a policy in relation to criminal records checks for Members.

12 **MEMBER CONDUCT REPORT** (Pages 169 - 172)

To note the decisions of the Member Conduct Panel.

13 **MINUTES OF THE MEETINGS OF CABINET** (Pages 173 - 198)

Any matters within the minutes of the Cabinet's meetings, and not otherwise brought to the Council's attention in the Cabinet's report, may be the subject of questions and statements by Members upon notice being given to the Democratic Services Lead Manager by 12 noon on Monday 11 February 2013.

QUESTIONS, PETITIONS AND PROCEDURAL MATTERS

The Cabinet will consider questions submitted by Members of the Council, members of the public who are electors of the Surrey County Council area and petitions containing 100 or more signatures relating to a matter within the Cabinet's terms of reference, in line with the procedures set out in the Council's Constitution.

Please note:

1. The number of public questions which can be asked at a meeting may not exceed six. Questions which are received after the first six will be held over to the following meeting or dealt with in writing at the Chairman's discretion.
2. Questions will be taken in the order in which they are received.
3. Questions will be asked and answered without discussion. The Leader, Deputy Leader or Cabinet Member may decline to answer a question, provide a written reply or nominate another Member to answer the question.
4. Following the initial reply, one supplementary question may be asked by the questioner. The Leader, Deputy Leader or Cabinet Member may decline to answer a supplementary question.

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COUNTY COUNCIL

COUNCIL MEETING – 11 DECEMBER 2012

MINUTES of the Meeting of the County Council held at the County Hall, Kingston upon Thames on Tuesday 11 December 2012 commencing at 10:30am, the Council being constituted as follows:

Mrs Sealy – Chairman
Mr Munro – Vice-Chairman

*	Mr Agarwal		Mr Ivison
*	Mr Amin		Mrs Kemeny
	Mrs Angell	*	Mrs King
	Mr Barker OBE		Mr Kington
*	Mr Beardsmore		Mr Lake
*	Mr Bennison		Mr Lambell
	Mrs Bowes		Mrs Lay
*	Mr Brett-Warburton		Ms Le Gal
	Mr Butcher	*	Mr MacLeod
	Mr Carasco		Mr Mallett MBE
*	Mr Chapman		Mrs Marks
	Mrs Clack		Mr Marlow
	Mrs Coleman		Mr Martin
	Mr Cooksey		Mrs Mason
	Mr Cooper		Mrs Moseley
	Mr Cosser	*	Mrs Nichols
	Mrs Curran		Mr Norman
*	Mr Elias	*	Mr Orrick
*	Mr Ellwood	*	Mr Phelps-Penry
	Mr Few		Mr Pitt
	Mr Forster		Dr Povey
	Mrs Fraser DL		Mr Renshaw
	Mr Frost	*	Mrs Ross-Tomlin
	Mrs Frost		Mrs Saliagopoulos
	Mr Fuller		Mr Samuels
	Mr Furey		Mrs Searle
	Mr Gimson		Mr Skellett CBE
*	Mr Goodwin		Mrs Smith
	Mr Gosling		Mr Sydney
	Dr Grant-Duff		Mr Colin Taylor
	Dr Hack		Mr Keith Taylor
	Mr Hall		Mr Townsend
	Mrs Hammond		Mrs Turner-Stewart
	Mr Harmer		Mr Walsh
	Mr Harrison		Mrs Watson
	Ms Heath		Mrs White
	Mr Hickman		Mr Witham
	Mrs Hicks		Mr Wood
	Mr Hodge		Mr Young

*absent

96/12 APOLOGIES FOR ABSENCE [Item 1]

Apologies for absence were received from Mr Agarwal, Mr Bennison, Mr Brett-Warburton, Mr Chapman, Mr Elias, Mr Ellwood, Mr Goodwin, Mrs King, Mr MacLeod, Mrs Nichols, Mr Orrick and Mrs Ross-Tomlin.

97/12 MINUTES [Item 2]

The Minutes of the meeting of the County Council held on 16 October 2012, were submitted, confirmed and signed.

98/12 CHAIRMAN'S ANNOUNCEMENTS [Item 3]

The Chairman made the following announcements:

- Urgent item – Frances King

  RESOLVED:

  That Mrs Frances King may continue to be absent from meetings by reason of her ill health, if necessary until May 2013 and looks forward to welcoming her back in due course.

- Remembrance Events – it had been a successful remembrance season with Councillors getting involved in their communities and also with the service at the cathedral.

- She considered that the Olympics and HM Queen’s Diamond Jubilee had resulted in this being a fantastic year for Surrey and for public service. In particular, she mentioned her interest in the disability agenda and the recent Royal visit to Moor House School.

- The importance of the preventative agenda and community safety and working together with other organisations.

- Keith Robson from Surrey Enterprise Park was the lunchtime speaker today.

- That the Chairman’s Christmas reception had been successful and that the Members Christmas lunch was on 13 December 2012.

99/12 DECLARATIONS OF INTEREST [Item 4]

There were none.

100/12 LEADER'S STATEMENT [Item 5]

The Leader made a statement. A detailed copy of his statement is attached as Appendix A.

Members were invited to make comments and ask questions.

101/12 SURREY COUNTY COUNCIL PROGRESS REPORT JULY - DECEMBER 2012 [Item 6]

The Leader introduced the Surrey County Council Progress Report – June - December 2012, the seventh of the Chief Executive's six monthly reports to Members and welcomed the latest report and its findings. He was pleased to report the continued strong progress.

The report had been discussed with the Chief Executive at a recent Members' seminar where the debate had focused on the number of extraordinary events and challenges over the last six months, including the significant task of running a safe and successful Olympics and Paralympics. The report also highlighted a wide range of stories and examples across the council.

Members made the following key points:

- A request for the Leader's plans on the future economic prospects for Surrey.
- That the report illustrated the strength of SCC staff and the political leadership and the scrutiny process.
- That the County Council was effective and worked hard for its residents.
- The importance of investing in early intervention and prevention in Adult Social Care, which could save money in the long term.
- That 61% of residents felt that they could not influence council decisions.
- The roll out of Broadband would shortly begin in earnest and therefore increased use of video links should reduce the need for business travel across the county.
- The importance of strengthening SCC's capacity and capability to innovate.

After the debate, it was:

RESOLVED:

(1) That the report of the Chief Executive be noted.

(2) That the staff of the Council be thanked for the progress made during the last six months.

(3) That the support for the direction of travel be confirmed.

102/12 MEMBERS' QUESTION TIME [Item 7]

Notice of 16 questions had been received. The questions and replies are attached as Appendix B.

A number of supplementary questions were asked and a summary of the main points is set out below:

(Q1) Mrs Watson said that there was no room for complacency as she considered was demonstrated in the Cabinet Member for Children and Learning's response and asked her to comment further. The Cabinet Member disagreed and said that the key driver to school improvement were Headteachers and holding them to account. She quoted statistics from the recent OFSTED inspection outcomes of maintained schools inspected between 1 September 2011 to 31 August 2012 and highlighted nationally accredited Surrey schools such as Esher High, George Abbot and South Farnham Schools.

(Q2) Mr Forster requested that the Cabinet Member for Transport and Environment ensured that the correct signs and legal processes outlined in his answer were available for the next parking reviews, to be considered at local committees in June. This was agreed.

(Q4) Mrs White requested that the Cabinet Member for Children and Families, who agreed, that the presentation of the Peer Review of partnership arrangements in Children, Schools and Families was circulated to all Members.

(Q8) Mr Kington said that the response had not addressed the issue of additional funding and asked the Cabinet Member for Transport and Environment whether he would agree to use part of the £0.5m underspend in the Environment and Infrastructure Directorate to fund his request. The Cabinet Member declined to give this undertaking but agreed to bring this issue to the attention of highways officers and then respond with a timescale for the work, outside the meeting.

(Also, Q8) Mr Mallett asked the Cabinet Member for Transport and Environment about the legality of zigzag lines outside schools that no longer existed and whether he could authorise their removal. The Cabinet Member agreed to provide the legal details for him. He also informed him that officers from the parking team were in the process of visiting all Surrey schools and changes would be made after consultation locally.

(Q9) Mr Colin Taylor asked the Chairman of the Council Overview and Scrutiny Committee for clarification on the timescale for a review of the democratic structures and was advised that it could take place during the first year of the new Administration.

(Q10) Mr Butcher asked the Leader of the Council whether he would welcome an investigation into Members being informed of matters relating to their division. The Leader confirmed that the Cabinet had already agreed a process for communications with Members and cited the work of the Public Value Review and the work being taking forward on the theme – Think Councillor, Think Resident.

(Also Q10) Mrs Frost sympathised with Mr Butcher and welcomed the work being done to improve communications with Members. **Mr Lake** made reference to a protocol concerning Members visiting in other Member divisions.

(Q11) Mrs Watson asked the Leader of the Council for assurance that all options would be considered before a final decision was made about a Magna Carta Visitor Centre. She was advised that the decision taken by the Cabinet was 'in principle' and that officers had been instructed to do further work on this topic and report back to Cabinet.

(Q12) Mr Forster asked the Cabinet Member for Transport and Environment, who confirmed, that in future accurate information was provided to Members in response to questions.

(Q13) Mr Colin Taylor requested a list of the 10 Community Partnered Libraries (CPLs) with the timescales for their implementation programme. The Cabinet Member for Community Services and the 2012 Games said that the timescales had changed. She also said that it was her intention to visit all CPLs to help them deliver their goals. Finally, she offered to circulate the revised timescales to Members and to meet with Mr Taylor outside the meeting to discuss any of his concerns.

(Q14) Dr Povey referred to the option, taken up by the newly elected Police Commissioner, to appoint a Deputy Commissioner and asked the Leader of the Council whether he would agree that residents would rather have extra police officers. The Leader responded by stating that it was important that the Police Commissioner made his own decisions.

(Q16) Mr Lambell made reference to a new fire station in Burgh Heath, which was not mentioned in the written response and Mr Wood asked for confirmation about plans to move an extra pump to Epsom. The Cabinet Member for Community Safety informed Members that the consultation had only just started and no decisions had been made. The Chairman of the Communities Select Communities informed Members that this matter would be discussed at his select committee on 16 January 2013.

103/12 STATEMENTS BY MEMBERS [Item 8]

There were two local Member statements:

- Mr Young in relation to Highways issues in his local area of Cranleigh and Ewhurst.
- Mr Gimson in relation to a fatal accident on A31 (Hogs Back) close to the villages of Puttenham and Wanborough in his division. (Appendix C)

104/12 ORIGINAL MOTIONS [Item 9]

ITEM 9(i)

Under Standing Order 12.3, the Council agreed to debate this motion.

Under Standing Order 12.1, Mrs Mary Angell moved the motion which was:

‘Following the recent Ofsted Inspection of SCC's arrangements for the protection of children, this Council:

1. Congratulates the Children’s Service on the result of the inspection that children at risk of harm in Surrey are responded to quickly and effectively;

2. Welcomes this result against the backdrop of a tougher inspection regime and an increased level of public concern regarding the safety of vulnerable children;

3. Recognises the Service’s good strategic leadership and the hard work of its staff, as acknowledged by the inspection; especially in the context of the ever- rising demands placed upon it;

4. Celebrates the many valued aspects of the Service which impressed the inspectors, particularly in the context of the difficulty of recruiting qualified and experienced social workers;

5. Accepts the need for a continued focus on improved partnership working, both internally and externally, and

6. Urges Members to support the Service by working with it to establish “early-help” for children and communities in Surrey where prevention would be better than cure.’

Mrs Angell began by saying that a brand new methodology had been used by Ofsted and to date four authorities had been inspected under this tougher regime – Surrey had been judged as ‘adequate’ and the other three, ‘inadequate’. She said that the Inspectors had highlighted many good points but acknowledged that there was more work to be done. However, Surrey County Council already had an action plan in place for all the areas identified for improvements and the actions would be completed within three months.

She also referred to the large number of referrals from the Police that had been received by the contact centre. Finally, she said that Ofsted had highlighted a number of strengths, in particular, that Children were safe in Surrey and that the Council showed a real understanding of their needs. Overall, she was proud of the staff that worked in these challenging areas and commended the motion to Members.

The motion was formally seconded by Mr David Hodge.

Mrs Fiona White tabled an amendment at the meeting (formally seconded by Mrs Watson) which was:

‘Insert the following new 1 and 2 after *“...for the protection of children, this Council:”*

1. Notes that Ofsted judged the overall effectiveness of Surrey County Council’s arrangements to be “Adequate”,

2. Aspires to improve the service as soon as possible to attain a rating of “Good” as a first step to progressing to “Outstanding”,

Renumber existing paragraphs 1 – 6 so that the **Motion as amended reads:**

Following the recent Ofsted Inspection of SCC's arrangements for the protection of children, this Council:

1. Notes that Ofsted judged the overall effectiveness of Surrey County Council’s arrangements to be “Adequate”,

2. Aspires to improve the service as soon as possible to attain a rating of “Good” as a first step to progressing to “Outstanding”,

3. Congratulates the Children’s Service on the result of the inspection that children at risk of harm in Surrey are responded to quickly and effectively,

4. Welcomes this result against the backdrop of a tougher inspection regime and an increased level of public concern regarding the safety of vulnerable children,

5. Recognises the Service’s good strategic leadership and the hard work of its staff, as acknowledged by the inspection; especially in the context of the ever- rising demands placed upon it,

6. Celebrates the many valued aspects of the Service which impressed the inspectors, particularly in the context of the difficulty of recruiting qualified and experienced social workers,

7. Accepts the need for a continued focus on improved partnership working, both internally and externally, and

8. Urges Members to support the Service by working with it to establish "early-help" for children and communities in Surrey where prevention would be better than cure.

Mrs White made the following points:

- That the original motion had many good points which she did not want to detract from, however, the Ofsted report did list areas for improvement which needed to be resolved before the next inspection.
- She did acknowledge the difficulties of recruiting social workers.
- The amendment was not a criticism of the services but she considered that clear timescales for the action plan were needed.

Ten Members spoke on the amendment, with the following points being made:

- An over reliance on locum staff
- A widespread lack of understanding of social care thresholds and performance management was inconsistent.
- A desire that Members support the need to move from 'adequate' to 'outstanding'.
- A reminder that all Members were corporate parents and the care of children was an important issue.
- A concern for those people not in the system, such as the homeless with babies/small children.
- Congratulations to staff for their achievements.
- A large number of staff, including those in partner organisations, were involved in working constructively with families, often in difficult circumstances.

The amendment was put to the vote, with 14 Members voting for and 40 Members voting against it. There was one abstention.

Therefore the amendment was lost.

Returning to the original motion, on which a further five Members spoke, making the following points:

- A request to vote on each recommendation separately.
- Improvements can only be achieved by stronger partnership working. There was already a cross party Member steering group set up to develop this.
- Thanks to staff and the Cabinet Member for Children and Families for the achievements to date.
- The increased caseload of social workers was noted. Also, reference was made in relation to locum staff, it was considered preferable to use them to fully meet the needs of the service.

- Budgetary constraints.
- That Ofsted may not award any local authority a ‘good’ rating due to the ‘baby P’ effect.
- That this Administration was committed to doing the best it could for the children and the Inspection was only part of it.
- That the Children Services team was highly motivated and staff went the extra mile.
- An invitation for any Member to discuss the report further with the Cabinet Member for Children and Families.

Mrs Marks requested a recorded vote and ten Members stood in support of this request.

The following Members voted in support of the motion:

Mrs Angell, Mr Barker, Mr Butcher, Mrs Clack, Mrs Coleman,
Mr Cosser, Mrs Curran, Mr Few, Mrs Fraser, Mr Frost, Mrs Frost, Mr Fuller,
Mr Furey, Mr Gimson, Mr Gosling, Dr Grant-Duff,
Dr Hack, Mr Hall, Mrs Hammond, Mr Harmer, Mr Harrison,
Ms Heath, Mr Hickman, Mrs Hicks, Mr Hodge, Mr Ivison,
Mrs Kemeny, Mr Kington, Mrs Lay, Ms Le Gal, Mr Mallett,
Mrs Marks, Mr Marlow, Mr Martin, Mrs Mason, Mrs Moseley,
Mr Munro, Mr Norman, Dr Povey, Mr Renshaw, Mrs Saliagopoulos, Mr Skellett, Mr Sydney, Mr Keith Taylor, Mr Townsend, Mrs Turner-Stewart, Mr Walsh, Mr Witham and Mr Young.

The following Members abstained:

Mr Cooksey, Mr Cooper, Mr Forster, Mr Lambell, Mrs Searle,
Mrs Smith, Mr Colin Taylor, Mrs Watson, Mrs White and Mr Wood.

Therefore, it was:

RESOLVED:

That following the recent Ofsted Inspection of SCC's arrangements for the protection of children, this Council:

1. Congratulates the Children’s Service on the result of the inspection that children at risk of harm in Surrey are responded to quickly and effectively;

2. Welcomes this result against the backdrop of a tougher inspection regime and an increased level of public concern regarding the safety of vulnerable children;

3. Recognises the Service’s good strategic leadership and the hard work of its staff, as acknowledged by the inspection; especially in the context of the ever- rising demands placed upon it;

4. Celebrates the many valued aspects of the Service which impressed the inspectors, particularly in the context of the difficulty of recruiting qualified and experienced social workers;

5. Accepts the need for a continued focus on improved partnership working, both internally and externally, and

6. Urges Members to support the Service by working with it to establish “early-help” for children and communities in Surrey where prevention would be better than cure.

ADJOURNMENT

The meeting adjourned for lunch at 12.50pm and resumed at 2.10pm, with all those present who had been in attendance in the morning except for Mr Barker, Mr Butcher, Mr Carasco, Ms Heath, Mrs Hicks, Mr Lake, Mrs Moseley, Mr Pitt, Mr Samuels, Mrs Saliagopoulos, Mr Walsh, Mr Wood and Mr Young.

ITEM 9(ii)

Under Standing Order 12.3, the Council agreed to debate this motion.

Under Standing Order 12.1, Mr Stephen Cooksey moved the motion which was:

‘This Council notes that:

i) reducing speed limits on roads where appropriate reduces the number and severity of road traffic accidents

and

ii) only three 20mph speed limit schemes have been implemented in Surrey since May 2006

Council requests the Cabinet to amend the Council’s speed limit policy to make it easier for local committees to introduce 20mph limits, using terminal and repeater signs (rather than physical traffic calming measures), where evidence says they are required and they are supported by local residents.’

In support of this motion, Mr Cooksey said that: (i) the County Council had approved a reduction in speed limits in May 2006 and further research had confirmed that reducing the speed limit from 30 to 20 mph reduced fatalities, (ii) that only three 20 mph speed limits had been introduced since 2006, (iii) over 40 local authorities now had a significant programme for introducing 20mph speed limit, including Kingston which had an extensive network, (iv) insurance premiums were less in 20 mph speed limit areas, (v) there was popular support from residents and many Members would like more 20 mph speed limits introduced, (vi) this motion was a genuine means to improve road safety.

The motion was formally seconded by Mr Will Forster who said that new rules and guidance had meant that it was now easier to introduce 20 mph speed limits. He said that there were an increasing number of these schemes throughout the UK and that high traffic speeds made pedestrians unsafe. He believed that local committees should have the discretion to implement the speed limits in their areas if it was the appropriate. He cited the figures for road traffic fatalities and injuries on UK roads.

Key points made during the debate, in which six Members spoke were:

- Roads need to be safe for all road users – pedestrians, cyclists and motorists.
- The current speed limit policy was put in place after debate and agreed at full Council and the power had been delegated by the Leader to local committees.
- Reducing speed limits doesn't always work as people can lose concentration and multi-task when driving at 20mph.
- Localism applies to Surrey and 20mph speed limits were within the remit of the local committee, in consultation with highways officers and police. They also needed the support of local residents.
- To ensure any reduction in speed limit did not heighten the risk for road users.
- A proliferation of signs and traffic calming measures could be confusing.
- The main concern was the speed limits outside schools and the congestion at drop off and pick up times.
- A reference to the large number of 20 mph speed limits in London Boroughs.
- Concern that the 20mph speed limit could not be enforced by local police.
- Casualty reduction had been reduced as a result of car design and also safety awareness such as Safe Drive, Stay Alive campaigns.
- 20mph speed limits could be divisive, contentious and the benefits not proven.

Mrs Fraser requested that 'the question be now put'. this request was agreed by the Chairman and twenty Members stood in support of this request.

Mr Cooksey responded to the points made in the debate and the motion was put to the vote, with 18 Members voting for and 30 Members voting against it. There were no abstentions.

Therefore, the motion was lost.

ITEM 9(iii)

Under Standing Order 12.3, the Council agreed to debate this motion.

Under Standing Order 12.1, Mr Peter Lambell moved the motion which was:

'This Council recognises the importance of providing respite care for families with disabled children to support them in carrying out their caring role.

Council requests that:

i) the document "Shorts Breaks Statement for parents and carers of disabled children and young people in Surrey, October 2012" be amended to include clear eligibility criteria to clarify which families are entitled to different forms of respite care

and

ii) that information provided by Surrey County Council for parents about the availability of respite care services for disabled children, whether provided by the County Council or external providers, is more accessible and comprehensive

and

iii) geographical coverage of residential respite care should, as far as is reasonable, be equitable to minimise journey times for children and parents.

Council calls on the Cabinet to provide respite care for more Surrey families of disabled children and to review its policy that "no child under 10 years of age should be accessing residential short break provision except in exceptional circumstances.'

Mr Lambell began by stating that his motion had been prompted by the proposed closure of The Beeches respite centre in Surrey, which provided respite for complex cases. He said that this centre provided much needed care and cited the difficulties, including transport issues, that the proposed closure would cause. He mentioned the eligibility criteria and requested that the Cabinet reconsider its policy on respite care for children under 10 years old.

Mrs Hazel Watson formally seconded the motion.

The Cabinet Member for Children and Families responded, and made the following points:

- That Surrey County Council had a commitment to support families with disabled children and referred to the funding in last year's Budget package, which had been protected.
- A reference to Section 17 of the Children's Act 1989 and confirmation that the Council fully complied with the guidance.

- That every child and their needs was unique and that each child went through a full assessment to ensure that their needs and those of the wider family were understood. It was not possible to have a simple tick list.
- Referring to the geographical coverage of residential respite care, she said that there were 7 facilities, that had all been inspected by Ofsted and these were graded ‘good’ or ‘outstanding’.
- She said that it was easy to request respite care for more Surrey families and disabled children. The number of child protection cases had increased by 47% but she gave an assurance that, regardless of budget pressures, any family who had been assessed as needing support would receive it because the welfare of the child was paramount.
- The provision of respite care for under 10 year olds was good practice not a policy and she believed most children’s needs were best met within their family environment with support.
- Finally, she thanked Children’s Services officers for their excellent work.

The motion was put to the vote with 9 Members voting for and 33 Members voting against it. There was one absention.

Therefore, the motion was lost.

ITEM 9(iv)

Under Standing Order 12.3, the Council agreed to debate this motion.

Under Standing Order 12.1, Mrs Fiona White moved the motion which was:

‘The UK Living Wage is an hourly rate, reviewed annually, that is calculated nationally (except for London, where the GLA sets a London Living Wage) by the Centre for Research in Social Policy in association with a charity known as ‘the Living Wage Foundation’.

The Living Wage ensures low paid workers earn enough to provide for themselves and their families.

Surrey County Council recognises the cost of living has risen significantly in the last few years, without an accompanying national wage increase for employees. This has hit those on the national minimum wage disproportionately.

Council agrees that:

Surrey County Council will commit to ensuring that no county council employee will be paid less than the UK Living Wage, which is currently £7.45 per hour. Those performing work on behalf of the council should likewise ensure that none of their employees are paid less than the living wage and future contracts will reflect this.’

Mrs White defined what is meant by a living wage and made the following points in support of her motion: (i) that the County Council should be paying workers enough to live on, (ii) this made good business sense and would assist with staff retention rates, (iii) the motion didn't request making London's Living Wage, (iv) that the council should pay all contractors enough to live on.

Mr Will Forster formally seconded the motion and reaffirmed the points made by Mrs White.

During the debate in which 4 Members spoke, the following points were made:

- A reference to People, Performance and Development Committee (PPDC) where this would be discussed at their next meeting.
- With effect from April 2013, 25,970 out of 26,000 staff would be on the living wage.
- This motion would restrict the ability of the County Council to appoint to apprenticeships and internships.

The motion was put to the vote with 11 Members voting for and 26 Members voting against it. There was one absention.

Therefore, the motion was lost.

ITEM 9(v)

Under Standing Order 12.3, the Council agreed to debate this motion.

Under Standing Order 12.1, Mrs Hazel Watson moved the motion which was:

'Council notes that Surrey County Council is a party to the High Court proceedings by Europa Oil and Gas to quash the Planning Inspector's decision to dismiss the appeal to allow oil and gas exploration at Bury Hill Wood in Coldharbour.

Council instructs the County Council's officers and legal team to proactively defend the arguments raised by the Planning Inspector including protection of the Green Belt in support of the Planning Inspector and the Treasury Solicitors defence of the Planning Inspector's decision to dismiss the appeal.'

Mrs Watson provided Members with the background to the 2009 planning application to allow oil and gas exploration at Bury Hill Wood in Coldharbour. She considered that the County Council should support the views of the Planning Inspector and be supportive of local residents.

Mr Stephen Cooksey formally seconded the motion.

The Leader of the Council made a statement in which he stated that the Conservative Group would not be supporting the motion.

The motion was put to the vote with 8 Members voting for and 29 Members voting against it. There were no absentions.

Therefore, the motion was lost.

105/12 REPORT OF THE CABINET [Item 10]

The Leader presented the reports of the Cabinet's meetings held on 23 October and 27 November 2012.

(1) Statements / Updates from Cabinet Members

The Cabinet Member for Adult Social Care introduced his statement in relation to the Adult Social Care Local Account which had been included in the agenda. He thanked Adult Social Care staff.

(2) Recommendations on Policy Framework Documents

A School Organisation Plan 2012 – 2021

Members had an opportunity to ask questions and comment on the Plan. It was considered very comprehensive and was well received.

The Cabinet Member for Children and Learning reminded Members that they had all received a copy of the Plan. She also said that the Chairman of the Education Select Committee had requested that all local committees considered the Plan at their local meetings and advise officers of any refinements or changes required. She thanked officers from the School Commissioning Team for their work. She also agreed to respond to Mrs White outside the meeting in relation to her question on whether the effects of major developments close to but outside the county boundary had been addressed in the Plan.

RESOLVED:

That the School Organisation Plan 2012- 2021 be approved.

B Supporting the Economy through Investment in Transport and Infrastructure 2012 – 2019

The Cabinet Member for Transport and Environment due attention to the new funding and financing sources from the Government and how the County Council bid for it. He also said that the County Council had also been successful in attracting £20m of funding through the Local Sustainable Transport Fund and that as schemes go forward, there would be input from the local and select committees.

Members commented on the schemes in their divisions.

RESOLVED:

(1) That the revised list of Surrey County Council Major Schemes, as laid out in Annexes 1 and 2 of the submitted report, be endorsed.

(2) That the choice of Major Schemes to be progressed in any given year to be taken by the Strategic Director Environment and Infrastructure in consultation with the Cabinet Member for Transport and Environment.

(3) That the “New Homes Bonus” funding be used to provide for that proportion of the preparatory work relating to the schemes, which is not recoverable from capital funding. The estimated cost of this for the 2012-15 period is c. £1.2m.

(4) That the Cabinet be provided with a high-level update on the Major Schemes programme every 2 years, except where significant developments require immediate referral.

(5) That support continues to be given to Highways Agency (HA) and National Rail (NR) schemes in Surrey as detailed in their programmes, in Annexes 3 and 4 of the submitted report.

(6) That delegated authority be given to the Strategic Director for Environment and Infrastructure in consultation with the Leader and Cabinet Member for Transport and Environment to approve changes to the list of schemes where these are individually valued at less than £5 million.

(3) Reports for Information / Discussion

The following reports were received and noted:

- Public Value Review Programme Closing Report
- One County, One Team – Strengthening the Council’s Approach to Innovation

RESOLVED:

That the report of the meeting of the Cabinet held on 23 October and 27 November 2012 be adopted.

106/12 APPOINTMENT OF INDEPENDENT PERSON [Item 11]

The Vice-Chairman of the Council introduced the report, which was in two parts:

(a) The Recruitment of the Independent Person

This report summarised the outcome of the recruitment process and recommended the following appointment.

RESOLVED:

That Professor Michael Joy OBE be appointed as the Independent Person for Surrey County Council for a period of four years, ending on 11 December 2016

(b) The Interim Report of the Independent Remuneration Panel

Mr Harrison (in the absence of Mr Frost) proposed an amendment to the recommendation of the Independent Remuneration Panel which was to propose that a sentence is added at the end of the current recommendation as follows:

'Travel expenses should be based on those applicable to Members as laid down in the Guide to Members' Allowances and Expenses applicable at the time the expense is incurred.'

Members agreed the amendment. Therefore, it was:

RESOLVED:

(1) That the Independent Person be paid travel expenses only in relation to their work with the Member Conduct Panel, but that this position be reviewed after one year once the workload and responsibility of the role has been established.

(2) Travel expenses should be based on those applicable to Members as laid down in the Guide to Members' Allowances and Expenses applicable at the time the expense is incurred.

The Leader of the Council proposed a further amendment to recommendation (1) – to insert £1000 pro-rata so that recommendation (1) now reads:

'That the Independent Person be paid £1000 pro-rata and travel expenses in relation to their work with the Member Conduct Panel, but that this position be reviewed after one year once the workload and responsibility of the role has been established.'
The majority of Members voted for the amendment but three Members voted against it. Therefore, it was:

RESOLVED:

(1) That the Independent Person be paid £1000 pro-rata and travel expenses in relation to their work with the Member Conduct Panel, but that this position be reviewed after one year once the workload and responsibility of the role has been established.
(2) Travel expenses should be based on those applicable to Members as laid down in the Guide to Members' Allowances and Expenses applicable at the time the expense is incurred.

107/12 AMENDMENTS TO THE SCHEME OF DELEGATION - FIRE AND RESCUE SERVICE [Item 12]

RESOLVED:

That the amendment to the Scheme of Delegation in relation to the Fire and Rescue Service agreed by the Leader be noted.

108/12 MINUTES OF THE MEETINGS OF CABINET [Item 13]

No notification had been received from Members wishing to raise a question or make a statement on any of the matters in the minutes, by the deadline.

[Meeting ended at: 4.10pm]

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Chairman

HER MAJESTY THE QUEEN'S NEW YEAR HONOURS LIST 2013

Surrey resident and LOCOG chairman Lord Sebastian Coe received a special honour when he was made a member of the Order of the Companions of Honour for services to the London 2012 Olympic and Paralympic Games.

See below for the full list of Surrey residents recognised in the New Year Honours List 2013.

MBE -Members of the Order of the British Empire

- Amanda Heslop, of Godalming, headteacher at The Wharf Nursery School and Children's Centre in Godalming - for services to education.
- Joy Hunter, of Guildford - for services to Age UK Surrey and to charity.
- Kathleen Mary Masters, of Godalming - for services to Conquest Art in Godalming.
- Hilary Whittaker, of Thames Ditton, chief executive at Beating Bowel Cancer, Surrey - for services to bowel cancer awareness.
- Phelim John Joseph Brady, of Guildford, deputy principal at Farnborough College of Technology - for services to further education.
- David Cherry, of Hinchley Wood, composer and arranger for Boys' Brigade Marching Bands - for services to children and young people.
- Mel Mehmet, chief executive of easitNETWORK - for services to business and sustainable transport.
- Michael Arthur, of Epsom - for services to the community in Epsom and Ewell.
- Paul Nickson, of Windlesham, head of arrivals and departures for LOCOG - for services to the London 2012 Olympic and Paralympic Games.
- Nana Abrah Nyarko, bus station controller - for services to London's Buses.
- Joann Rose Marie Sharpley, of Woking - for services to the community in Woking.
- Colin Michael John Sutherland, of Banstead - for services to the community in Banstead.
- Francis Christopher Bourne, of Cobham, lately non-executive director, Trinity House and chairman of Joint Strategic Board for the General Lighthouse Authorities - for services to the maritime industry.
- Hamish Donaldson, of Haslemere - for services to the community in Haslemere.
- Councillor David Fraser, of New Malden - for services to health and to the community in the London Borough of Kingston-upon-Thames.

OBE - Officers of the Order of the British Empire

- Jennifer Anne Evans, of Weybridge, head of region for Eurasia, Latin America and the Caribbean, Tearfund - for services to international humanitarian aid.

- Peter William Hutley MBE, of Guildford - for charitable services and services to Christian understanding.
- Audrey Therese Ardern-Jones, of Epsom, associate lecturer at The Royal Marsden NHS Foundation Trust - for services to cancer genetics nursing care.
- Sunaina Mann, of Great Bookham, principal at North East Surrey College of Technology - for services to further education.
- Therese Miller, of Cranleigh, General Counsel LOCOG - for services to the London 2012 Olympic and Paralympic Games.
- Teresa Sienkiewicz, of Epsom, director at KPMG - for services to the accountancy and pensions professions.
- Antony George Sims, of Staines, director of 2012 Delivery at UK Trade and Investment, Department for Business, Innovation and Skills - for services to industry through the British Business Embassy.

BEM - Medallist of the Order of the British Empire

- Shirley Daisy West, of Guildford, volunteer at British Heart Foundation - for services to charity.
- Joanna Hoad, of East Molesey, chair of the Blue Badge 2012 Committee - for services to tourism and to the London 2012 Olympic and Paralympic Games.
- Howard James Potter, of Guildford - for services to the community in Shere.
- Stacey Brown, 53, a property officer for Surrey Police in Guildford.
- Margaret Charlwood, of Horley, coach at Medau Society - for services to exercise.
- David Alfred William Brazier, of Banstead, chair of the ground committee at Woodmansterne Sports Club - for services to sport.
- Hilda Muriel Holyman, of Banstead - for services to the Diamond Riding Centre in Carshalton and to the community in Banstead.
- Eunice Smith, of Epsom, head of constituency finance at Conservative Central headquarters - for political service.

CBE - Commanders of the Order of the British Empire:

- Dr Steven Robert Boorman, of Farnham, consultant in Occupational Health - for services to occupational medicine.
- Professor Joanna Dorothy Haigh, Professor of Atmospheric Physics at Imperial College London - for services to physics.
- Anthony John Smith, director of UK Border Agency Olympics Programme at the Home Office - for services to the security of the London 2012 Olympic and Paralympic Games.
- Philip Smith, of Farnham, national secretary at the Association of Conservative Clubs - for political service.
- John Francis Mathieson Tesh, lately deputy director at Civil Contingencies Secretariat, Cabinet Office - for services to UK civil resilience and the development of the National Risk Assessment.

SURREY COUNTY COUNCIL

COUNTY COUNCIL

DATE: **12 FEBRUARY 2013**

REPORT OF: **MR DAVID HODGE, LEADER OF THE COUNCIL**

LEAD OFFICER: **SHEILA LITTLE, CHIEF FINANCE OFFICER AND DEPUTY DIRECTOR FOR CHANGE & EFFICIENCY**

SUBJECT: **REVENUE AND CAPITAL BUDGET 2013/14 TO 2017/18, COUNCIL TAX REQUIREMENT AND TREASURY MANAGEMENT STRATEGY**

SUMMARY OF ISSUE

To approve:

- the level of the council tax precept for 2013/14; and
- the revised treasury management strategy, including the borrowing and operation limits (prudential indicators) for 2013-18, the policy for the provision of the repayment of debt (minimum revenue provision (MRP)), and the treasury management policy.

RECOMMENDATIONS

The Cabinet recommends that the County Council:

1. Notes the Chief Finance Officer's statutory report on the robustness and sustainability of the estimates and the adequacy of the proposed financial reserves (Annex 2).
2. Notes that dispensation has been sought for all county councillors to ensure their eligibility to vote on the recommendations in this report without any risk of non-compliance with the Localism Act 2011.
3. Approves the council tax requirement for 2012/13 is set at £550.4m; (Annex 3, paragraph 3.5)
4. Approves the 2013/14 council tax increase be fixed at 1.99%;
5. Approves the basic amount for 2013/14 council tax at Band D is set at £1,172.52 (Annex 3, paragraph 3.7);
6. Approves the council tax for each category of dwelling in its area be as in Annex 3 paragraph 3.8.
7. Approves that the payment for each billing authority including any balances on the collection fund will be as set out in Annex 3, paragraph 3.9.
8. Approves that the payment for each billing authority including any balances on the collection fund to be made in ten equal instalments on the dates, already agreed with billing authorities and set out in Annex 3, paragraph 3.10.
9. Agrees to maintain the Council Tax rate set above and delegate powers to the Leader and Chief Finance Officer to finalise detailed budget proposals

following receipt of the Final Local Government Finance Settlement.

10. Approves the County Council budget for 2013/14.
11. Agrees the capital programme proposals specifically to:
    - fund essential schemes over the five year period, schools and non-schools, to the value of £695m including ring-fenced grants;
    - seek to secure capital receipts over the five year period to 2017/18 of £50m; and
    - make adequate provision in the revenue budget to fund the capital programme.
12. Requires Strategic Directors and Senior Officers to maintain robust budget monitoring procedures that enable Cabinet to monitor the achievement of efficiencies & service reductions through the monthly budget monitoring Cabinet reports, the quarterly Cabinet Member accountability meetings and the monthly scrutiny at the Council's Overview & Scrutiny Committee.
13. Requires an approved business case for all revenue invest to save proposals and capital schemes before committing expenditure.
14. Notes the Cabinet will begin the process of reviewing the revenue budget and capital programme set out in the MTFP (2013-18) immediately after the first quarter of 2013/14.
15. Notes that the final detailed MTFP (2013-18) will be considered and approved by Cabinet on 26 March 2013, following scrutiny by Select Committees.

Treasury management and borrowing:

16. Approves the Treasury Management Strategy for 2013/14 and approve that their provisions have immediate effect. This strategy includes:
    a. the investment strategy for short term cash balances;
    b. the prudential indicators (Annex 1, section B, Appendix B1);
    c. the treasury management policy (Annex 1, section B, Appendix B8);
    d. the minimum revenue provision policy (Annex 1, section B, Appendix B7).

<u>REASON FOR RECOMMENDATIONS</u>

This meeting of the Full County Council is to agree the summary budget and set the council tax increase for 2013/14, on the advice of the Cabinet. The reasons underpinning the recommendations Cabinet has made include:

- to ensure the Council maintains its financial resilience and protects its long term financial position;
- to enable the Council to meet the expectations of Surrey's residents as confirmed in their responses to the in depth consultation exercise;
- to provide adequate finances for key services such as school places, highways, adults social care and protecting vulnerable people.

DETAILS

Introduction

1. This report summarises the Cabinet's decisions about Surrey County Council's overall financial planning, sets the council tax rate for 2013/14 and agrees the treasury management strategy and key control parameters.

2. It also summarises for the five financial years 2013-18 the Council's:

   - revenue and capital budgets;
   - financial and funding strategies; and
   - treasury management and borrowing proposals.

Revenue and capital budget

Revenue budget

3. The Local Government Finance Act 2012 brings significant changes to the system of local government finance operating from financial year 2013/14, in particular:

   - local retention of business rates; and
   - localisation of council tax support.

4. These changes bring a welcome shift to link local funding more closely to local economic growth and prosperity. However, the changes are complex and implementation brings increased volatility and uncertainty about actual levels of funding that will be generated locally. The ongoing challenging national economic outlook exacerbates these features.

5. The above make prudent financial planning more critical and complex. After allowing the changes to settle, Cabinet proposes to review the MTFP 2013-18 at the end of the first quarter of 2013/14.

6. The Council's current medium term financial plan (MTFP 2012-17) set out a sustainable budget based on a council tax rise limited to 2.5% each year and delivery of £206m service reductions & efficiencies. Surrey is the most dependent of all shire counties on council tax for its funding (i.e. it receives the lowest proportion of grant) as illustrated in Figures 1 and 2 below. This makes the level of council tax particularly important in determining the long term financial stability of the Council.

Figure 1 Spending power – Surrey County Council

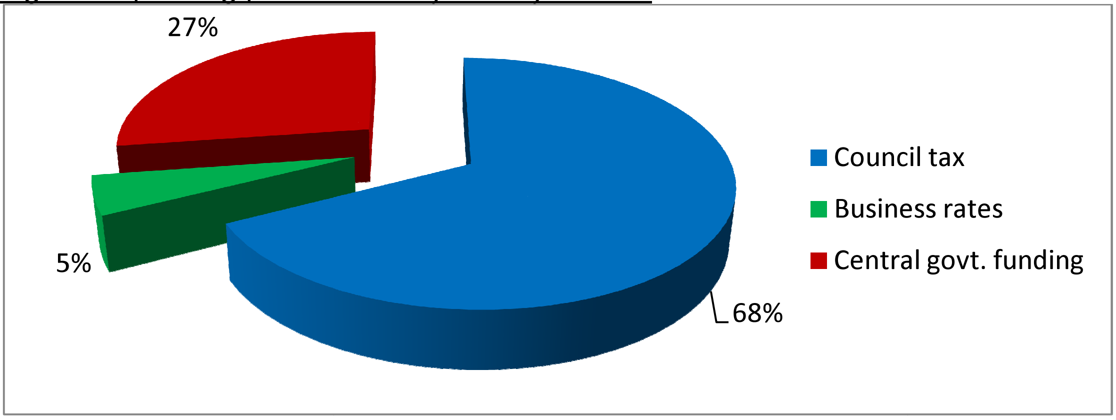
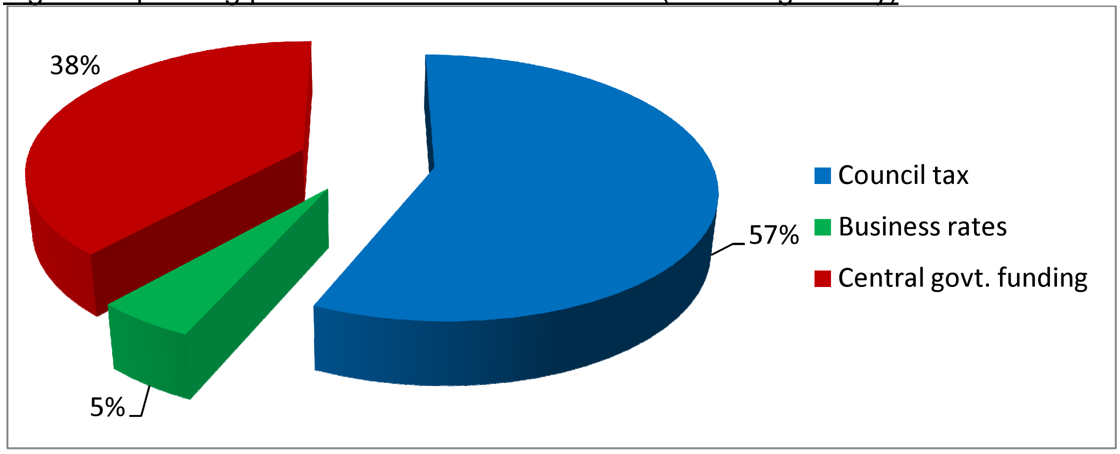


Figure 2 Spending power – shire counties with fire (excluding Surrey)



7. The decision as to what council tax rate to set for 2013/14, should be made in the context of the following parameters:

   - **Council tax freeze grant 2013/14**
     Offered by Government at the rate equivalent to a 1% rise, payable for two years to councils that freeze or reduce their council tax in 2013/14.
   - **Excessive council tax rise threshold 2013/14**
     Set by Secretary of State, Eric Pickles at 2% (in the Provisional Local Government Financial Settlement), above which a council must hold a referendum using a prescribed format to determine whether it has local residents' support for the rise proposed.

8. After due challenge, scrutiny and deliberation, Cabinet proposes a below inflation council tax rise of 1.99% in 2013/14, reverting to the current MTFP strategy of a council tax rise limited to 2.5% each year after that up to 2017/18.

9. Figures 3 and 4 overleaf show over the four years (2010 to 2014) the demand for services within the Council are up £204m. Over the same period the Council has seen government grant reduce by £48m, adding £252m pressure to the budget. During the same period, the Council has responded by delivering £194m of on-going service reductions & efficiencies and secured £37m additional funding through council tax rises. Having achieved these substantial savings, the shortfall in 2013/14 is proposed to be funded through use of the Council's balances, specifically set aside in recent years in anticipation of needing to smooth achievement of efficiencies over financial years.

Figure 3 Change in pressures and savings 2010 to 2014

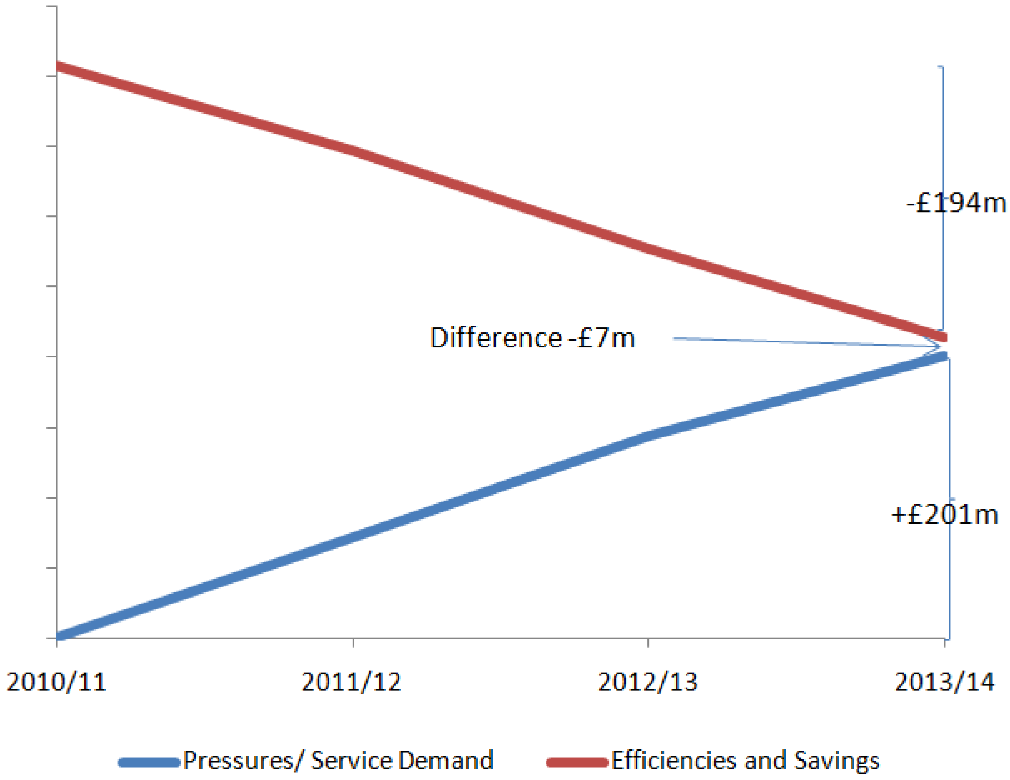
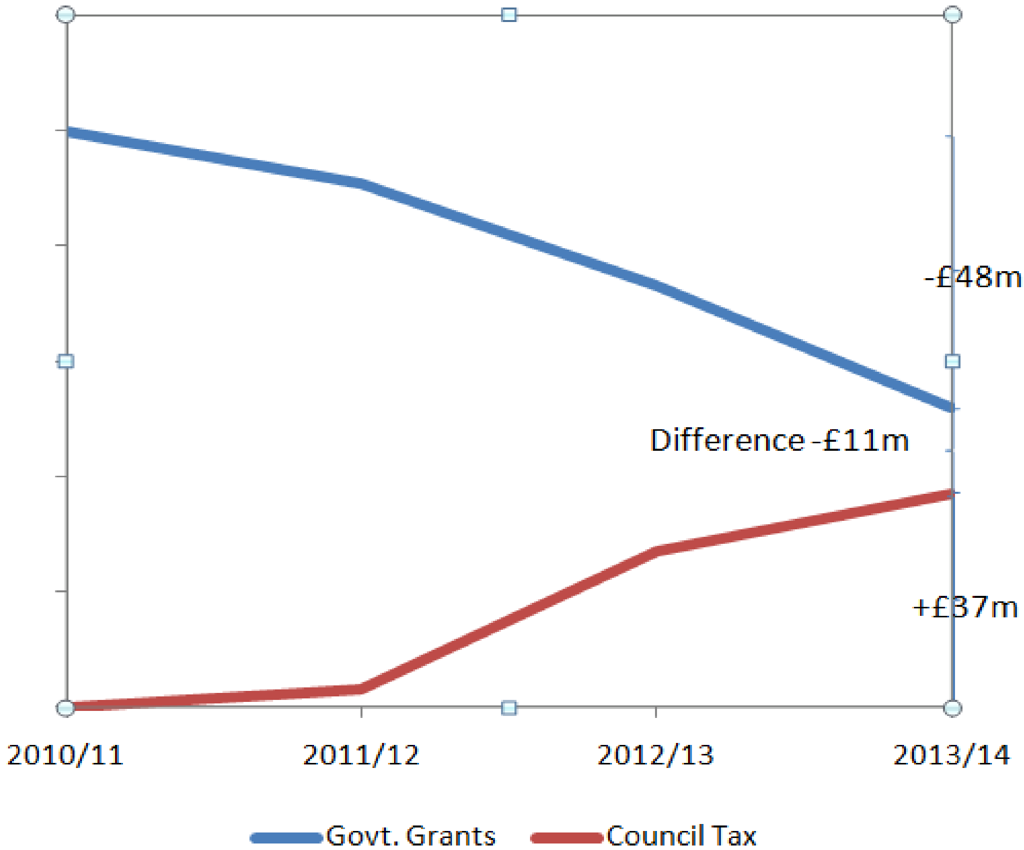


Figure 4 Change in funding 2010 to 2014



10. The forecast increase in service demand is expected to continue, meaning the Council's financial position is expected to remain challenging and could worsen. Spending pressures arise mainly from increases in demand volumes for adult social care, school places and children's services.

11. In addition, the Council will start to address a £400m maintenance backlog on a highways network that is among the most heavily used in the country and other work to enable Surrey businesses to sustain, grow and thrive. Surrey's business base is a major contributor to the UK economy[1], second only to London and bigger than Birmingham, or Leeds and Liverpool combined, meaning that the Council's action to support Surrey's economy significantly benefits not just the local population, but the whole UK.

<u>Capital programme</u>

12. The Council has a substantial capital programme, approved as part of the MTFP 2012-17, and the Cabinet proposes to the Full County Council that this increases to reflect the following changes:

    - recognise the additional demand for school places (from 8,000 to 12,000) by adding £45m to the programme;
    - add £25m over five years to partially address the backlog of highways repairs;
    - roll the annual recurring programme of property and highways maintenance forward into 2017/18.

13. This programme is funded from a combination of: Government capital grants, capital receipts, third party contributions, revenue reserves and borrowing.

14. During 2012/13, the Council has reviewed the funding of this capital programme as follows.

    - In view of generally depressed property prices in the economy, asset disposals will only be completed where the Council cannot redevelop or reuse property to deliver value for money.
    - Third party contributions are expected to grow over the next five years following the introduction of the community infrastructure levy (CIL).
    - The level of funding through revenue contributions and borrowing is constrained by affordability of borrowing costs within revenue resources. This report sets out an up-dated minimum revenue provision policy and borrowing strategy aimed at most effectively linking the assets' useful lives with funding.

15. Finally, the level of government grant available to fund this capital programme remains unclear; over half of the anticipated government grants for 2013/14 have, at the date of this report, yet to be announced by Government and will not be known for future years until the next financial settlement. In view of this uncertainty the Cabinet proposes to review the capital programme once more details of government funding are known.

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[1] Surrey contributed £5.8bn in income tax and £28.3bn gross value added (GVA) to the UK economy in 2009. More GVA than Birmingham (£20.1bn) or Liverpool (£8.6bn) and Leeds (£17.8bn)

16. Annex 1A, from paragraph A67 and Appendix A4 provide further details of the Council's capital programme.

Treasury management and borrowing strategy

17. Each year the Full County Council is required to update and approve its policy framework and ongoing strategy for treasury management in order to reflect changed market conditions, changes in regulation, and other changes in the Council's financial position. It is a statutory requirement that the policy framework and strategy are approved by the Full County Council before the beginning of the financial year. Annex B sets out updated versions of the County Council's treasury management policy statement and treasury management strategy.

18. The treasury management strategy since 2009/10 has followed an extremely cautious approach as a direct result of the Council's Icelandic bank experience. Moving forward into 2013/14, several changes are proposed to the treasury management strategy reflecting the current economic climate and Council's risk appetite.

19. The changes are detailed in Annex 1B, and are summarised below.

    i. To maximise the benefit of current unprecedented low interest rates and high cash balances and set a minimum cash balance of £49m.
    ii. To expand the current counterparty list of institutions to which the Council will place short term investments to reflect market opinion and formal rating criteria. This means that Barclays Bank, whose rating change in 2012 reduced and effectively removed them from the eligible list, are now eligible again.
    iii. To increase the monetary limit for the two instant access accounts (Lloyds and RBS) from £40m to £60m since both have nationalised status and therefore minimum risk.
    iv. To adjust the Council's Minimum Revenue Provision policy.

CONSULTATION:

20. The Council conducted a public engagement campaign in November and December 2012 to understand residents' service priorities and views on spending. A budget consultation modelling tool (called SIMALTO) was used to ensure this process was robust and statistically sound. There were 701 participants (155 face-to-face, 546 via the web) which represents a statistically significant sample.

21. The key findings are as follows:

    - the Council's current spending closely reflects the spending priorities of Surrey's residents;
    - the Council understands its residents;
    - a majority of residents (58%) would be willing to see a slight increase in council spending and their council tax in return for current service levels being maintained and specific investments and improvements being made;
    - residents attach value to the Council's services and reductions will cause dissatisfaction.

22. In addition, the Leader and Chief Finance Officer have held face to face meetings with representatives of Surrey's business community, voluntary sector and trade unions in October 2012 and January 2013.

RISK MANAGEMENT AND IMPLICATIONS:

23. The Council maintains an integrated risk framework to manage the significant challenges it faces and the associated emerging risks. The specific risks and opportunities facing the Council and recorded in the Leadership Risk Register are:

- erosion of the Council's main sources of funding (council tax and government grant)
- delivery of the major change programmes and associated efficiencies;
- delivery of the waste infrastructure; and
- changes to health commissioning.

24. The Chief Finance Officer is satisfied the proposed budget, including increased risk contingency, general balances & reserves are sensible to address these risks.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

25. All the documented budget targets have been subject to a thorough value for money assessment.

SECTION 151 OFFICER COMMENTARY

26. As required by legislation, the Chief Finance Officer has written a separate report, which is attached at Annex 2.

LEGAL IMPLICATIONS – MONITORING OFFICER

27. A dispensation has been sought for all county councillors to avoid any risk that they have a disclosable pecuniary interest which could affect their eligibility to vote on the recommendations in this report.

28. In view of the uncertainty highlighted in paragraph 15 of this report the Council has been asked to delegate powers to the Leader and the Chief Finance Officer to finalise detailed budget proposals to maintain the council tax rate it sets, should the Final Local Government Finance Settlement necessitate any late changes. If any such proposals cannot be accommodated without changes to the capital or borrowing strategies approved by Council a further report will need to be presented to Full Council in due course.

EQUALITIES AND DIVERSITY

29. In approving the budget and the Council tax precept, the Cabinet and Full County Council must comply with the Public Sector Equality Duty in section 149 of the Equality Act 2010. Some management actions to meet the spending targets may have an equalities impact. Strategic Directors will consider these as they develop their detailed implementation plans, completing equality assessments as relevant and reporting their findings before the Cabinet sets detailed budgets on 26 March 2013.

30. In approving the overall budget and precept at this stage, the Cabinet and Full County Council will be mindful of the specific references in this report to the impact on people with protected characteristics under the Equality Act 2010 - particularly the intention to improve services for vulnerable adults and children, supporting children and young people not in education, training or employment, and enabling elderly people to live independently.

OTHER IMPLICATIONS:

31. The potential implications for the following council priorities and policy areas have been considered. There were no areas where the impact is potentially significant, as indicated below.

Area assessed:	Direct implications:
Corporate Parenting / Looked After Children	No significant implications arising from this report.
Safeguarding responsibilities for vulnerable children and adults	No significant implications arising from this report.
Public Health	No significant implications arising from this report.
Climate change	No significant implications arising from this report.
Carbon emissions	No significant implications arising from this report.

WHAT HAPPENS NEXT:

32. The Leader and Chief Finance Officer will finalise the budget in the light of the Final Local Government Finance Settlement, in advanced .

Contact Officer:
Sheila Little, Chief Finance Officer and Deputy Director of Change & Efficiency
Tel 020 8541 9223

Consulted:
Cabinet, Select Committees, all County Council Members, Chief Executive, Strategic Directors, Surrey's business community, voluntary sector, residents and trade unions.

Annexes:

Annex 1 – Section A	Revenue & capital budget report
Annex 1 – Section B	Treasury management strategy report
Annex 2	Chief Finance Officer Statutory Report (Section 25 report)
Annex 3	Council tax requirement

Appendices:

Appendix A.1	National economic outlook and public spending
Appendix A.2	Spending Review 2013 including details of provisional

	government grants for 2013/14
Appendix A.3	Revenue budget proposals
Appendix A.4	Capital programme proposals
Appendix A.5	Reserves & balances policy
Appendix A.6	SIMALTO results
Appendix A.7	Earmarked reserves
Appendix B.1	Prudential indicators - summary
Appendix B.2	Prudential indicators – details
Appendix B.3	Global economic outlook and the UK economy
Appendix B.4	Treasury management scheme of delegation
Appendix B.5	Institutions
Appendix B.6	Approved countries for investments
Appendix B.7	Annual minimum revenue provision (MRP) policy statement
Appendix B.8	Treasury management policy

Sources and background papers:

- DCLG revenue and capital provisional financial settlement papers from the DCLG web-site
- Budget working papers
- Various government web sites detailing provisional financial settlement details
- CIPFA Prudential Code for Capital Finance
- CIPFA Treasury Management in the Public Services: Code of Practice
- Investment guidelines under section 15(1)(a) of the Local Government Act 2003
- Audit Commission: Risk & Return: English Local Authorities and the Icelandic Banks

Revenue and capital budget

Introduction

A.1. This report proposes the medium term financial plan (MTFP) 2013-18 that Cabinet has developed at its workshops beginning in July 2012 and concluding in January 2013. Throughout this period, Members have had opportunities to influence the MTPF's development through all Member seminars and select committee scrutiny. The proposed MTFP period (2013-18) rolls forward 1 year the current MTFP (2012-17) approved by Full County Council on 7 February 2012. It covers five years, matched to the corporate strategy.

A.2. This report:

- presents integrated revenue and capital strategies for the five-year period 2013/14 to 2017/18;
- presents the Chief Finance Officer's report to the Full County Council on the robustness and sustainability of the estimates and the adequacy of the reserves the budget provides; and
- proposes a Band D council tax requirement of £1,172.52 for 2013/14 and a 1.99% rise (44p a week for band D) in the level of council tax precept to fund this.

A.3. Following the agreement of a budget by the Full County Council on 12 February 2013, detailed service budgets will be prepared and submitted to the Cabinet on 26 March 2013 for approval. These will link to directorates' strategic plans that will also be approved at the 26 March 2013 Cabinet meeting.

A.4. The Provisional Local Government Finance Settlement announced from 19 December 2012 outlined the key grants and financial factors for the first two years of the new system of local government finance that will apply from April 2013. While most elements of the settlement have now been announced, some important factors are still unknown and several new factors are inherently more volatile. All of this makes the uncertainty in the figures proposed in the medium term financial plan relatively high and subject to change as the financial environment becomes clearer. Also, at the time of writing this report the Final Financial Settlement has not been announced, adding yet further uncertainty around the proposals.

A.5. In view this high level of uncertainty Cabinet proposes to review the Council's financial position and the MTFP 2013-18 at the end of the first quarter of 2013/14.

Summarised relevant strategies influencing the revenue and capital budget

Corporate strategy

A.6. The Council's ***One County One Team Corporate Strategy*** sets out a vision to be the most effective council in England by 2017. It includes the priorities and key areas the Council is focusing on to achieve this: investing smartly to support future economic growth, protecting those residents who need most help, and transforming the way the council works with residents, businesses and partners. A robust medium term financial plan is critical to delivering these ambitions and goals and ensuring excellent value for money for residents.

Financial and funding strategy update

Financial strategy

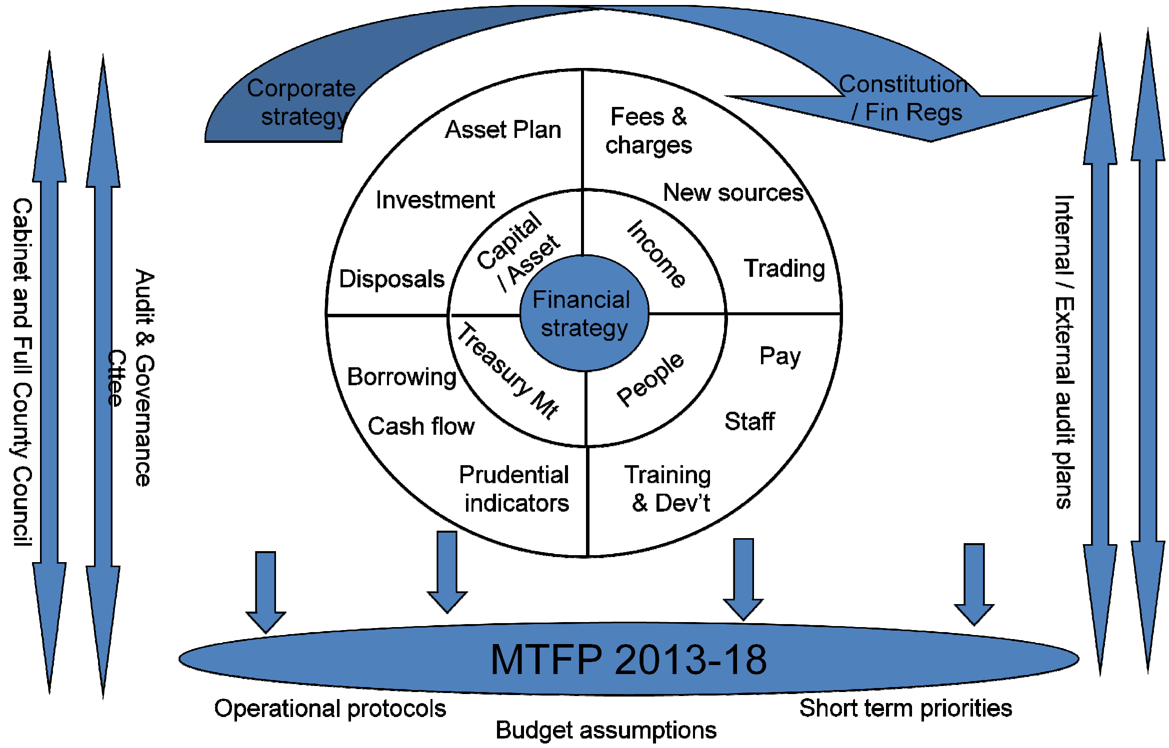
A.7. The Council's financial strategy originally set out in the 2012-17 MTFP, remains applicable and provides the strategic framework and overarching corporate financial policy document for managing the Council's finances and ensuring sound governance and compliance best practice.

A.8. The specific long term drivers of the financial strategy pertinent to the MTFP 2013-18 proposals are as follows.

- Keep any additional call on the council taxpayer to a minimum through continuously driving the efficiency agenda.
- Develop a funding strategy to reduce the Council's reliance on council tax and government grant income. The Council is heavily dependent on these sources of funding, which are under threat of erosion.
- Balance the Council's 2013/14 budget by reducing general balances to £16m and provide an increased risk contingency of £13m in the revenue budget. This reflects the present uncertainty and volatility of funding sources and spending pressures.
- Continue to maximise our investment in Surrey to:
    - improve direct services for vulnerable adults and children;
    - maintain and improve transport infrastructure to support business;
    - develop the workforce and Members and;
    - wherever possible, aim to invest in assets to generate annual income streams.

A.9. The financial strategy links a number of other strategies and essential governance arrangements as illustrated overleaf in Figure 1.

Figure1: Financial strategy in context



A.10. The financial strategy also links directly to the six components of One County, One Team Corporate Strategy established in 2012 and still relevant, as summarised below.

1. **Residents:**
Over the medium term, the Council's strategy is to minimise the tax levels on both residents and businesses, encouraging individual philanthropy and social responsibility. The Council strives to enable informed and effective engagement in its financial planning through timely conversations and other interactions with residents, businesses and other interested stakeholders.

2. **Public value:**
The Council will ensure it understands activity levels as well as the cost base, cost drivers and income potential of its functions, to inform cost reduction and charging policies. The Council will share its understanding transparently with operational managers and key stakeholders. Familiarity with benchmarking, trend performance and opportunities to improve, will help the Council to focus on cost reduction and good, long term planning. The Council will invest in the future and promote economic growth through innovation and constant challenge in services delivery.

3. **Partnerships:**
The Council will co-operate and work effectively with other public bodies, including the voluntary sector, through agreeing clear objectives, responsibilities and accountabilities that are understood and recorded by all parties. The Council will implement community budgets where appropriate.

4. **Quality:**
   The Council will maintain the highest standards of financial governance, in terms of both policy and practice. The Council will maintain its financial reporting and financial management practices to ensure an unqualified audit opinion and value for money conclusion on its accounts each year.

5. **People:**
   The Council will determine clear objectives for employees and Members underpinned by investment in appropriate financial training. This will help employees and Members achieve the financial objectives. The Council will ensure that employees' skills and equipment keep pace with the financial challenges faced.

6. **Stewardship:**
   The Council will continue to produce a balanced and sustainable budget where income equals expenditure and that assures an appropriate level of financial resilience. The Council will make adequate provision to cover financial risks and ensure key assumptions are 'stress tested' (for public benefit, political acceptability and practical achievability).

A.11. The financial strategy will remain largely stable to 2018. Within this, budget assumptions, operational protocols and financial drivers may alter in the short term and each will be reflected in the annual budget planning process through the MTFP as relevant. These actions will make the MTFP the practical means to translate this strategy into reality.

Funding strategy

A.12. During 2012 the Council has developed a funding strategy further to position the Council to deliver diversified sources of funding that reduce the Council's reliance on council tax revenue and increase its resilience against future financial challenges.

A.13. Several drivers have created a pressing need to deliver this vision:

- the need to mitigate the effect of erosion of core sources of funding (council tax and government grant), jeopardising the Council's future financial resilience and prohibiting it from pursuing its long term financial strategy;
- the desire to develop a culture that focuses equally on funding sources as on spending pressures;
- the aim to address the mis-match between the size of the Council's budget and the relatively low level of income from fees and charges; and
- the need to provide a direct link to the financial strategy objectives, in particular:
  - to keep to a minimum any additional call on the council taxpayer through continuously driving the efficiency agenda; and
  - to continue to maximise our investment in Surrey to support business and wherever possible, aim to invest in assets to generate annual income streams.

A.14. The funding strategy is being delivered using a robust programme management framework to scope and plan a series of work streams, which will be delivered over a number of years.

A.15. The main work streams can be grouped into three themes.

- **Protecting the existing funding base**
  - localisation of business rates
  - localisation of council tax support;
  - schools funding.

- **Developing alternative sources of funding;**
  - economic stream (including Community Infrastructure Levy, New Homes Bonus and Local Enterprise Partnerships);
  - grants;
  - return on investments (treasury management);
  - fees and charges;
  - partnership opportunities;
  - assets (property).

- **Improving financial awareness, training and reporting;**
  - staff awareness, communications and engagement;
  - funding reporting in the medium term financial plan (MTFP);
  - financial reporting.

A.16. A number of dependencies are associated with the funding strategy, as outlined below:

- strong political appetite to lead the focus on funding and income actively;
- increased collaboration with district and borough colleagues and Surrey Leaders;
- embedding the drive for a commercial focus into individuals' roles to achieve the required ownership; and
- achieving buy-in and engagement throughout the whole organisation.

A.17. Progress against the strategy will be reported through quarterly performance reporting for the Change & Efficiency Directorate.

Revenue budget

Forecast Revenue Budget Outturn 2012/13

A.18. The revenue forecast outturn for 2012/13 at the end of December 2012 projects an underspend of £8.9m. The Cabinet will receive details of this in a separate report on this agenda.

A.19. It is proposed that this forecast underspend be carried forward to smooth spending across financial years, as part of the long term financial planning, and further consideration on use of balances and reserves will be necessary as the level of government grants receivable for future years becomes clearer (when the Final Financial Settlement is known).

Scenario planning 2013/14 to 2017/18

A.20. In setting the MTFP 2012–17, the Council assessed the remaining impact of the public expenditure constraints of 2010's Comprehensive Spending Review (CSR 2010) covering the period 2010-14 and details released in the annual local government finance settlement. The Council also made financial projections related to the changes proposed to the system of local government funding to localise retention of business rates and council tax support due to be implemented from April 2013. After including estimated budget pressures over the five years 2012/13 to 2016/17, the Council set itself a target of reducing annual revenue expenditure by £206m over the same period.

A.21. Appendix A1 summarises the national economic outlook, which highlights how the relevant economic outlook and future forecasts have changed in the last year.

A.22. The basic assumptions reflected in the MTFP (2012-17) have been assumed as remaining valid in moving this MTFP forward one year to cover 2013-18, except where emerging changes to the new funding arrangements and assumptions about growth in service pressures have changed. Cabinet members and senior officers rigorously reviewed, probed, assessed and validated the assumptions to determine the predicted scenario for medium term financial planning purposes. 80mIn developing the MTFP 2013-18, the Council has shared the stages of its medium term financial planning process more widely than previously. Cabinet members, senior officers and select committees participated in workshops and several financial planning update briefings have been provided for all members and other interested stakeholders.

A.23. The Council also conducted a robust, open, consultation and engagement process with stakeholders as outlined below from paragraph A.92 and detailed in Appendix A.6.

Budget planning assumptions

A.24. The Council's annual detailed service budget setting started in July 2012. This involved revisiting the assumptions, pressures and savings included in the MTFP 2012-17 and projecting forward a further year to 2017/18. Table 1 shows the key cost, pressure and savings assumptions used to prepare the illustrative budgets.

Table 1 Budgetary assumptions 2013-18

Descriptor	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**
Pay inflation	1.5%	2.0%	2.0%	2.0%	2.0%
General, non-pay inflation	2.1%	2.1%	2.2%	2.2%	2.2%
Remainder of MTFP 2012-2017 saving programme	-£50m	-£33m	-£25m	-£27m	
Extra savings to meet new service funding and spending pressures	-£18m	-£39m	-£7m	-£8m	-£33m
Allowances for central pressures:					
• Revenue impact (borrowing) of the capital programme 2013-18	£1m	£2m	£6m	£8m	£9m
• Risk contingency	£13.0m	£8.0m	£8.0m	£8.0m	£8.0m

Note:

- differing percentages apply to contractual inflation
- new service funding and spending pressures includes statutory, contractual and demographic changes.

Service expenditure 2013-18

A.25. Table 2 summarises the Council's revenue expenditure budget for the five years 2013-18 and compares it to 2012/13's budget by main services.

Table 2 Revenue Expenditure Budget 2013-18

	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m
Adults Social Care	332	341	352	369	387	411
Children, Schools & Families	289	288	296	301	298	307
Schools Delegated Budgets	519	522	516	514	514	514
Customer & Communities	71	70	72	75	73	75
Environment & Infrastructure	126	129	134	131	134	138
Public Health	0	23	29	32	35	39
Change & Efficiency	85	84	84	85	87	90
Chief Executive Office	14	15	14	14	14	14
Central Income & Expenditure	77	68	73	70	74	67
Additional savings to be found			-46	-55	-62	-79
Total expenditure	**1,513**	**1,540**	**1,524**	**1,536**	**1,554**	**1,576**

Service budget commentaries

A.26. Services are continuing to develop and test a range of proposals that will enable the Council to meet its budget reduction targets for 2013/14 and beyond. Appendix A3 contains a summary of the proposals for each budget category, with a brief commentary by services on the proposal evidenced by a summarised income and expenditure statement and expenditure by service.

A.27. Cabinet will receive the final detailed budget proposals for approval on 26 March 2013 after review by the appropriate Select Committees of detailed budget changes.

Funding 2013-18

Central Government Funding

A.28. From 2013/14, The Local Government Finance Act 2012 has fundamentally changed the local government funding system: to one based on partial retention of local business rates and localisation of council tax benefit support.

A.29. The Provisional Local Government Settlement for 2013/14 set out local authorities' "start up" funding related to the new local government financing system. Start up funding is equivalent to funding from the following sources:

- formula grant
- council tax freeze funding
- council tax support funding
- early intervention funding
- lead local flood authority funding
- learning disability & health reform funding

A.30. Table 3 shows actual level of funding included in the Provisional Financial Settlement compared to the assumptions made, illustrating that the total start up funding is close to that predicted, although there are variations within the individual areas. This demonstrates the increased uncertainty, and therefore risk, in forecasting long term planning going forwards.

Table 3 Provisional start up funding compared to expectations

	Expected funding £m	**Provisional settlement £m**
Council tax freeze grant 1	14	14
Council tax support	38	38
Early intervention grant	27	25
Local lead flood authorities' grant	0	0
Learning disabilities & health reform grant	60	68
Total grants rolled in	139	145
Formula funding	114	107
Share of returned topslice (safety net) etc.	0	2
Total start-up funding	253	254

A.31. The Council's plan is to balance its budget in 2013/14 and over the medium term of five years through a combination of service transformation mechanisms, earlier implementation of planned budget reductions & efficiencies and use of reserves. Table 4 outlines the revenue funding proposals.

Table 4 Revenue funding for 2013-18 MTFP

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	£m	£m	£m	£m	£m	£m
Council tax	-580	-550	-572	-586	-603	-622
Retained business rates	0	-44	-45	-47	-48	-49
UK Government grants	-916	-923	-907	-903	-903	-905
Use of reserves and balances	-17	-23				
Total funding	**-1,513**	**-1,540**	**-1,524**	**-1,536**	**-1,554**	**-1,576**

Schools' funding

A.32. The Council is required by legislation formally to approve the total Schools Budget. The Schools Budget includes schools' delegated budgets and other funding allocated to maintained schools, plus expenditure on a range of school support services specified by legislation, irrespective of the source of funding.

A.33. The Schools Budget (and the total County Council budget) excludes funding for academies.

A.34. Table 5 analyses the proposed total Schools Budget for 2013/14 is £621.5m, of which £600.7m is funded by Dedicated Schools Grant (DSG), £19.3m by Education Funding Agency (EFA) sixth form grants and £1.5m by County Council funding. The Schools Budget is a significant element of the Children, Schools and Families proposed total budget of £810m.

Table 5 Analysis of total Schools Budget for 2013/14

	Schools Delegated Budgets £m	Centrally Managed Services £m	Total £m
DSG 2013/14	482.2	111.6	593.8
DSG brought forward from previous years	5.8	1.1	6.9
	488.0	112.7	600.7
EFA sixth form grant	19.3		19.3
County Council contribution		1.5	1.5
Total Schools Budget	507.3	114.2	621.5

A.35. Centrally managed services include the cost of placements for pupils with special educational needs in non maintained special schools and independent schools, three year olds taking up the free entitlement to early education and childcare in private nurseries, part of the cost of alternative education (including part of the cost of pupil referral units), additional support to pupils with special educational needs and a range of other support services including school admissions

A.36. The County Council contribution is to fund part of the anticipated increase in new responsibilities for post 16s with lifelong learning difficulties and disabilities (LLDD).

A.37. DfE has required local authorities to simplify and standardise their formulas for funding schools in 2013/14, as a first step towards the aspiration of a national funding formula. Thus, major changes have been needed to Surrey's formula, which mean significant long term gains and losses to individual schools. In 2013/14 these gains and losses have been limited by a 1.5% maximum loss per pupil (the Government's Minimum Funding Guarantee) and a 1% maximum per pupil increase (or ceiling) which is required to pay for the guarantee.

A.38. Schools will also receive pupil premium funding, based on: the number of pupils on free school meals at some time in the past six years, the number of looked after children and the number of pupils from service families (or who qualified as service children at some time within the last three years, or are in receipt of a war pension).

A.39. Funding for some support services for schools has now been transferred from general grant to a new education services grant. This grant is divided between the Council and individual Surrey academies in proportion to pupil numbers in each.

<u>Other grants</u>

A.40. There are a number of government grants that are newly included in plans. These reflect new areas of responsibility, meaning the funding will be matched by an increase in the council's need to spend. The most material of these are:

- Public health £23m
- Education Services Grant (estimate) £17m
- Bid funding from the Local Sustainable Transport Fund £2m
- Social Fund £1m
- Troubled families grant £1m
- Business rates retention system top slice refund (estimate) £1m

A.41. More minor sums totalling £1m will be received for responsibilities connected with the community right to challenge, the local reform & community voices funding, the Special Education Needs pathfinder project and the south-east protected landscape funding.

A.42. The Health and Social Care Act 2012 transfers substantial public health improvement duties to local authorities from 2013/14, funded by a ring-fenced specific grant based on estimates of historic spending from NHS Surrey. The budget is drafted in accordance with the £23.2m grant allocation.

A.43. This ring-fenced specific grant is designed to cover all the services transferring from the Primary Care Trust and allow for some growth. However, the Department of Health has recognised that £3.3m of genito-urinary medicine (GUM) services have been excluded incorrectly from the grant and allocated to the NHS. Discussions are on-going with the Council's health partners for this funding and a final budget position will be set within the resources available when the outcome is known.

A.44. Historic public health funding in Surrey has been below the level of our assessed need. Government stated policy is to rectify this underfunding. In the medium term the Council expects its public health grant to increase by 10% each year, which will assist the service to deal with the growing need for public health services.

Localisation of council tax support

A.45. From 2013/14, the Department for Work & Pensions will no longer have a national scheme of council tax benefit. At the same time, central government has imposed funding reductions requiring councils to make choices about changes to eligibility and levels of support. District & borough councils must implement their own local support schemes from 1 April 2013. The County Council has worked alongside Surrey districts & boroughs as they developed their schemes, with a view to:

- preserving the current high council tax collection rate,
- avoiding unintended cost consequences for council services, and
- avoiding detrimental impacts on frontline policing.

A.46. With these objectives in mind, the Council has made available up to £1m to fund the first year deficits that the Police, districts & boroughs would otherwise incur.

A.47. At the same time and to allow councils to mitigate some of the above funding reductions, the Government has localised some council tax exemptions and discounts. District & borough councils have been able to make local decisions about the level of these or whether to withdraw them altogether.

A.48. There are several direct impacts of the new arrangements:

- A reduction in council tax income. The central government subsidy previously paid into districts' & boroughs' collection funds will no longer exist. The County Council will bear its share of this loss (approximately 75%) estimated at approximately £45m.
- A new grant for council tax support (to partially compensate for the cessation of subsidy). The County Council's grant is confirmed as £38m and will be received as part of its baseline funding allocation.
- An increase in council tax yield from changes to discounts and exemptions. The approximate impact on the Council is an increase of £5m.
- A reduction in the council tax base (reflecting eligibility to council tax support).

A.49. These impacts are on-going and imply a number of newly assumed risks, namely the future levels of central government grant funding is uncertain and the cost of local support schemes will be subject to price (council tax rises) and volume (numbers of claimants) changes.

A.50. Although the Department for Communities & Local Government (DCLG) has identified the discrete council tax support scheme funding that has been included in the 2013/14 settlement, this will not be identifiable from 2014/15: making it more difficult to demonstrate how this has changed from year to year.

A.51. Changes in the volume and make-up of the claimant population will need to be monitored given different funding implications. Pensioner claimants are fully protected from localisation changes (in effect remaining on the 'old' national scheme) so any increase in their volume or proportion of caseload could have material implications.

A.52. The changes to the council tax base arising from localisation will also need to be closely monitored. This reduction has an on-going impact since it reduces authorities' ability to raise council tax and increases central dependency.

Local retention of business rates

A.53. The new business rates retention system (BRRS) will replace formula grant as the core funding for local authorities from 2013/14. This represents a major change and is the culmination of nearly two years' development. Under the current funding system, the proceeds from business rates are collected locally and paid into a national pool. Central government then distributes the pool together with revenue support grant (RSG) via the 'four block' model for formula grant. RSG is supplementary central funding to make the total available to local government up to the planned total spend on local government. RSG is received by individual local authorities as a non ring fenced grant.

A.54. The new funding system will see district & borough councils holding back half of the business rates income collected, to share locally with their county councils (80:20 in the districts' & boroughs' favour).

A.55. The remaining half represents central government's share of the amount collected, which it redistributes back to local authorities. The central share is combined with a number of existing specific grants which have been rolled into the business rates retention system.

A.56. These are allocated to each authority as a baseline funding allocation and an RSG allocation. Table 6 shows the Council's allocations as part of the national totals.

Table 6 Surrey County Council's start up funding

	2013/14	2014/15	SCC change	National change
RSG	£151.171m	£135.024m	-10.7%	-16.9%
Baseline funding	£100.570m	£103.654m	3.1%	3.1%
Start-up funding	£251.741m	£238.678m	-5.2%	-8.5%

A.57. Under the new system, central government establishes a baseline funding level for each local authority. In effect this is the local authority's portion of the "local share" (i.e. 50% of the estimated net business rates collected). This is the key figure that determines whether an authority will pay a tariff to central government or receive a top-up.

A.58. If an authority has a business rates baseline (government estimate of its business rates income) that is higher than its baseline funding level, the difference is paid to central government as a 'tariff'. All the Surrey districts are tariff authorities. Where the business rates baseline is less than its baseline funding level (as is the case for this council), an authority receives a 'top-up'. All county councils receive a top-up. Tariffs and top-ups are inflated annually by RPI to maintain their value in real terms.

A.59. Table 7 shows the calculation of the County Council's top-up funding.

Table 7 Surrey County Council's top up funding 2013/14 and 2014/15

	2013/14	**2014/15**
Funding baseline	£100.570m	£103.654m
less Business rates baseline	£43.863m	£45.208m
Top-up	£56.707m	£58.446m

A.60. The new funding system will alter the nature of the funding risks borne by the Council. Under the existing funding system, formula grant allocations are confirmed annually by the local government finance settlement. These are fixed allocations that do not vary in-year.

A.61. The Council's medium term financial planning makes the following assumptions for the new funding system:

- **Revenue support grant**
  Allocations will not change in-year, although there is a risk that the government may adjust annual control totals between years.

- **Business rates top-up grant**
  This will be fixed and predictable, being up rated by RPI annually.

- **Business rates income**
  This is uncertain and potentially volatile:
  - Budget figures reflect estimated rather than actual sums, since the latter are not known. Under the existing system, the forecasting risk was borne centrally, but under the BRRS this will be born locally as well.
  - The key drivers of volatility are the volume and value of successful valuation appeals, as these will reduce expected business rates income. At the start of the new system, the full billable sum for any outstanding appeals will have been charged to rate-payers and paid into the central pool. Any appeals that succeed after the start of the new system will have to be refunded at the expense of the local authorities concerned (i.e. the district & borough councils

and counties) and central government, in proportion to their shares of business rates income.

- In view of this, billing authorities will have had to make assumptions about the value of successful appeals in their estimates of business rates income. The County Council will bear 10% of any appeals losses across the county (districts & boroughs 40% and central government 50%).
- There are also vulnerabilities associated with the loss of large site business ratepayers from the county area.
- It is an anomaly of the system that there is no incentive upon the Valuation Office Agency (which undertakes business rates valuations) to reduce the number and value of successful appeals against their valuations, since any adverse financial consequences rest only with local and central government.

Council tax funding

A.62. The MTFP 2012-17 assumes council tax yield will increase by 2.5% annually through either an increase in the level of the tax or a compensating Council Tax Freeze Grant payment.

A.63. The Chancellor of the Exchequer announced the availability of a third Council Tax Freeze Grant to those authorities that freeze or reduced their band D council tax in 2013/14. The grant offered is equivalent to 1% of an authority's council tax, payable in 2013/14 and 2014/15.

A.64. In introducing the Provisional Local Government Settlement, the Secretary of State for Communities & Local Government set the council tax excessiveness principles (i.e. the maximum increase a council can set without a referendum) at 2.0%.

A.65. Members have received several financial planning update briefings outlining the impact on the 2013/14 budget and 2013-18 MTFP of accepting or declining Council Tax Freeze Grant and of increasing council tax at different rates. Cabinet has explored the options in depth in workshops.

A.66. The MTFP includes proposals to increase council tax by 1.99% in 2013/14 and to revert to council tax increases of 2.5% for the remaining years of the MTFP 2013-18.

Capital budget

Capital budget planning

A.67. The Council set a five year capital programme totalling £679m in the MTFP 2012-17. A significant element of this related to the supply of new school places, which totalled £244m and the recurring programme of transportation and highways maintenance totalling £150m.

A.68. For the MTFP 2013-18, the capital programme is reviewed and the new year of 2017/18 is included. The review has focused on the continuing forecast growth in school pupil numbers and the importance residents place on good roads.

A.69. In 2012/13 the council approved funding of £244m for the first five years of a ten year capital programme to provide an additional 16,000 school places by 2022. In compiling the 2013-18 capital programme it was recognised that the number of school places required was nearer 20,000 over the ten year period. This 4,000 increase in school places is largely due to the increasing birth rate and inward migration to the County. In order to address this issue effectively a formal review of the revised capital programme will be undertaken in the next six months.

A.70. For 2013/14 the capital funding for school places has increased from £42m to £72m. Overall an additional £45m has been added to the existing school place capital budget for new schemes starting in 2013/14. The existing and revised budget for the capital programme includes target procurement efficiency savings on capital schemes of 40% for primary schools and 20% for secondary schools on average.

A.71. Surrey has some of the most heavily used roads in the country and their up keep and maintenance play an important part of the county's economic success and prosperity. With a back log of £400m of repairs, the council is allocating a further £5m per year, or £25m, over the next five years.

Capital position 2012/13

A.72. The forecast in-year variance on the 2012/13 capital budget is an underspend of £7.3m against the approved revised budget of £147.9m. The principal reason for the underspend is the reprofiling of project spend.

A.73. To complete these projects, the Council will need to carry forward the funding for these schemes to future years. This decision is proposed as part of the budget outturn report and if approved, the amounts will be added to the capital budget for 2013–18.

Capital funding

A.74. Government departments have announced some, but not all, capital grants for 2013/14 and even fewer for 2014/15 in the provisional financial settlement. It is common for government departments to announce additional government grants during the financial year, so the Council includes a forecast for these. Table 8 shows the grants that have been announced for 2013/14 and those the Council still expects.

A.75. Central government provides capital grants to local authorities in two categories: 'ring-fenced' grants that are paid to local authorities for specific projects or to achieve an agreed outcome; and 'non ring-fenced' grants, which although awarded for a general purpose, can be used to fund local priorities. This is often referred to as the 'single capital pot'.

Table 8 Government capital grants 2013/14

Capital grants confirmed	**Provisional settlement**
Ring-fenced grants	
Walton bridge 2013/14	£4m
Local Sustainable Transport Fund (large)	£4m
Broadband Delivery UK (BDUK) broadband grant	£1m
Non ring-fenced grants	
Integrated transport block	£7m
Highways maintenance	£14m
Highways maintenance Autumn Statement	£3m
Local Sustainable Transport Fund	£1m
Community capacity capital grant	£2m
Fire capital grant	£1m
Total confirmed grants	**£37m**
Capital grants yet to be confirmed	**Estimate**
Ring-fenced grants	
Devolved formula capital (devolved to LA schools)	£2m
Safe cycling grant	£1m
Non ring-fenced grants	
Schools places	£15m
Schools capital maintenance	£14m
Total grants yet to be confirmed	**£32m**

A.76. In the 2012 Autumn Statement, the Chancellor of the Exchequer announced funding to all highways authorities for road maintenance. For Surrey County Council, this amounted to £2.6m and is a non ring-fenced grant. The Council will use this to fund its highways maintenance programme.

A.77. Capital grants are not known for future years and an estimate is made for each year. This estimate is reviewed annually and equivalent adjustments will be made to the capital programme.

A.78. Capital receipts, or income from the sale of assets, are an important part of funding the capital programme. In 2012 the Council set a target of £69m over the five year term of the financial plan from asset sales. During the year, the Council has reviewed its strategy towards asset sales in the light of generally lower property prices in the economy. Sales will only occur when property cannot be redeveloped or reused by the Council. While this will reduce the amount of asset sales over the next five years, those that are continuing have generated higher receipts.

A.79. The Council also funds its capital programme from contributions from third parties, such as developers and its own revenue budget. The part of the programme that cannot be funded by the above four sources is done so through borrowing. Table 9 shows the estimated capital funding for the period 2013-18.

Table 9 Capital funding 2013/14 to 2017/18

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m
Government grants	69	77	71	72	55
Capital receipts	14	26	5	5	0
Revenue reserves	1	4	3	2	4
Third party contributions	2	4	11	13	14
Borrowing	102	61	52	28	0
Total	188	172	142	120	73

Capital expenditure

A.80. Table 10 summarises the Council's capital programme for the five years of this medium term financial plan. This is shown in more detail in Appendix A4. Inclusion of a project in the approved capital programme is not authority for the scheme to commence. A detailed and robust business case is required before the project is approved.

Table 10 Summary of capital programme

Scheme Category	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m
School places	72	80	61	48	0
Recurring programmes	63	66	65	63	65
Strategic capital projects	53	26	16	9	8
Total	188	172	142	120	73

Risk management arrangements

A.81. The Council's integrated risk framework enables identification and escalation of key risks. The Risk and Resilience Steering Group, chaired by the Assistant Chief Executive, brings together all elements of risk to provide a clear approach to managing risk and strengthening resilience across the council. The group consists of risk practitioners, directorate risk leads and specific service representatives. The Council's Risk and Resilience Forum, comprising of service risk and resilience representatives, focuses on the operational side of risk and develops risk registers, business impact analyses and continuity plans.

A.82. The Leadership Risk Register contains the Council's strategic risks. It cross-references these strategic risks to strategic directors' risk registers and shows clear lines of accountability for each risk at both senior management and Cabinet Member levels. The Risk and Resilience Steering Group reviews the Leadership Risk Register monthly prior to review by the Corporate Board as part of performance, finance and risk monitoring.

A.83. Cabinet receives the Leadership Risk Register as part of the quarterly business report. Audit & Governance Committee also reviews the Leadership Risk Register at each meeting and refers any issues to the appropriate Select Committee.

A.84. Significant financial and reputational risks and opportunities facing the Council and recorded in the Leadership Risk Register include:

- erosion of the Council's main sources of funding (council tax and government grant)
- delivery of the major change programmes and associated efficiencies
- delivery of waste infrastructure
- changes to health commissioning.

A.85. Senior management and Members regularly monitor and manage these risks through the specific project boards, steering groups and partnerships to ensure that opportunities are exploited and the resulting risks are controlled to a tolerable level.

Reserves & balances

A.86. In recent years it has been considered prudent to maintain a minimum level of available general balances of between 2.0% to 2.5% of the net budget requirement, i.e. between £15m to £19m. This is normally sufficient to cover unforeseen circumstances and the risk of higher than expected inflation. Going into 2012/13 the Chief Finance Officer recommended that the level of general balance was increased, to a maximum of £30m, in recognition of the unprecedented austerity agenda and anticipated future high level of service reductions & efficiencies likely to be required in future years.

A.87. In fact the Council's available general unallocated balances at 1 April 2012 were £28.8m. Going into 2013/14 the Chief Finance Officer recommends that the level of general balances is reduced to £16.8m by using £12m to support the 2013/14 revenue budget on a one-off basis. While significant service reductions & efficiencies remain to be delivered, this approach is considered to be prudent when combined with the proposal to increase the risk contingency within the revenue budget from £8m to £13m to mitigate in the base budget against the risk of non-delivery of service reductions & efficiencies in 2013/14.

A.88. Earmarked reserves are funds set aside for specific purposes and agreed by the Cabinet. The forecast total balance for all earmarked reserves at 31 March 2013 is £99.7m, down from £112.1m on 31 March 2012.

A.89. The MTFP (2013-18) includes the creation of a new reserve. To plan for future reductions in government grants and to help minimise council tax increases in future, the Council is creating a Revolving Investment & Infrastructure Fund to provide the revenue costs of funding initiatives that will deliver savings and enhance income in the longer term. This reserve will be set up with £20m, which is funded from combining the former Financial Investment Reserve of £9.5m and the Investment Fund of £5.0m. The balance will be made up from the surplus on the council tax collection fund.

A.90. The budget also includes planned contributions to and from the earmarked reserves. The Budget Equalisation Reserve holds the carried forward underspending from the previous year. This is currently forecast to be £11m and is planned to support the 2013/14 revenue budget.

A.91. In line with the MTFP (2012-17), there is a planned contribution of £2.1m to the Economic Downturn Reserve; created to allay the risks of erosion in the council's tax base due to the impact of the localisation of council tax benefit, business rate retention and any further downturn in the economy. The revenue budget also includes provision for interest payments to support the borrowing in line with the capital programme. However, there is a risk that if interest rates or other borrowing conditions change, then it would be better value for money in the medium to long term of borrowing in advance. An Interest Rate Risk Reserve of £3.7m would allow the flexibility for the council to borrow funds early if the circumstances changed. The balance of this reserve would be reviewed annually. Appendix A7 summarises the level and purpose of each of the Council's earmarked reserves, while Appendix A5 sets out the Council's policy on reserves and balances.

Engagement and consultation

A.92. The Council conducted a public engagement campaign in November and December 2012 to understand residents' service priorities and views on spending. A budget consultation modelling tool (called SIMALTO) was used to ensure this process was robust and statistically sound. There were 701 participants (155 face-to-face, 546 via the web) which represents a good sample. There are further details on the methodology and results in Appendix A6. The summary headlines were as follows:

- **The Council's current spending closely reflects the spending priorities of Surrey's residents:**
  A majority of residents would leave the allocation of current spend as it is now, altering the existing budget only slightly through increased investment in highways services, with corresponding reductions to the opening hours of libraries and recycling centres.

- **The Council understands its residents:**
  The research company who ran the exercise reported that the similarity

between the council's current spending and residents' preferences was notable and not typical for councils.

- **A majority of residents (58%) would be willing to see a slight increase in council spending and their council tax in return for current service levels being maintained and specific investments and improvements being made in the following areas:**
  Highways maintenance, supporting young people into education, employment or training (including more apprenticeships), and supporting more older people to live independently

- **Residents attach value to the Council's services and reductions will cause dissatisfaction:**
  If service levels were scaled back to the most basic level that was presented in the budget survey, 96% of respondents indicated they would complain to the council.

A.93. The Leader and Chief Finance Officer have also held a series of face-to-face meetings with key partners and stakeholder groups, including local businesses, the voluntary, community and faith sector, and trade unions. The feedback from engagement and consultation activities was incorporated into the Council's budget scenario planning workshops and briefing sessions.

This Annex is supported by seven appendices:

Appendix A1	National economic outlook and public spending
Appendix A2	Settlement 2013 including details of provisional government grants for 2013/14
Appendix A3	Revenue budget proposals
Appendix A4	Capital programme proposals
Appendix A5	Policy statement on reserves and balances
Appendix A6	SIMALTO results
Appendix A7	List of earmarked reserves

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Treasury management strategy statement and prudential indicators 2013/18

Key issues and decisions

To set the Council's prudential indicators for 2013/14 to 2017/18, approve the minimum revenue provision (MRP) policy for 2013/14 and agree the treasury management strategy for 2013/14.

Introduction

B.1. Each year the County Council is required to update and approve its policy framework and ongoing strategy for treasury management in order to reflect changed market conditions, changes in regulation, and other changes in the Council's financial position. It is a statutory requirement that the policy framework and strategy are approved by the Full County Council before the beginning of the financial year. This annex sets out updated versions of the Council's treasury management policy statement and Appendix B.8 sets out the Council's treasury management strategy.

B.2. Since 2009/10 the Council's treasury management strategy has followed an extremely cautious approach as a direct result of the Council's experience with Icelandic banks. Moving forward into 2013/14, several changes are proposed to the treasury management strategy reflecting the current economic climate and Council's risk appetite. The changes are detailed below but can be summarised as follows.

- Maximise the benefit of current unprecedented low interest rates and our high cash balances by reducing the minimum cash balance from £135m to £49m. (paragraph B.26)

- Slightly expand the current counterparty list of institutions with which the Council will place short term investments to reflect market opinion as well as formal rating criteria. This means that Barclays Bank, whose rating change in 2012 reduced and effectively removed them from the eligible list is now eligible again. (paragraph B.45 to B.48 and Appendix B5)

- Increase the monetary limit for the two instant access accounts from £40m to £60m since both have nationalised status and therefore minimum risk. (paragraph B.43)

- Adjust the Council's minimum revenue provision policy to match the useful lives of the assets created or acquired. (paragraph B.77 and Appendix B7)

Background

B.3. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

B.4. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

B.5. CIPFA defines treasury management as:
"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

Reporting requirements

B.6. The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actual:

- treasury management policy, strategy statement and prudential indicators report
    - the capital plans (including prudential indicators);
    - a minimum revenue provision (MRP) policy, stating how residual capital expenditure is charged to revenue over time;
    - the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
    - an investment strategy (the parameters on how investments are to be managed).
- mid year treasury management update reports
    - update of progress on treasury and capital position
    - amendment of prudential indicators where necessary
    - view on whether the treasury strategy is on target or whether any policies require revision.
- an annual treasury management outturn report
    - details of the actual prudential and treasury indicators and actual treasury operations compared with the estimates within the strategy.

Treasury management strategy for 2013/14

B.7. The strategy for 2013/14 covers two main areas:

- capital issues:
    - the capital plans and the prudential indicators;
    - the minimum revenue provision (MRP) strategy.
- treasury management issues:
    - the current treasury position;
    - treasury indicators which limit the treasury risk and activities of the Council;
    - prospects for interest rates;
    - the borrowing strategy;

- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

B.8. These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the Communities and Local Government (CLG) MRP Guidance, the CIPFA Treasury Management Code and the CLG Investment Guidance.

Treasury management consultant

B.9. The Council uses Sector as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

B.10. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

Training

B.11. Officers and members involved in the governance of the Council's treasury management function are required to participate in training. Officers are also expected to keep up to date with matters of relevance to the operation of the Council's treasury function. Officers continue to keep abreast of developments via the CIPFA Treasury Management Forum as well as through local authority networks. Sector provides daily, weekly and quarterly newsletters and update meetings are held with Sector twice a year.

B.12. The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsibe for scrutiny. Training will be arranged as required. The training needs of treasury management officers are periodically reviewed.

Capital prudential indicators 2013/14 to 2017/18

B.13. The Prudential Code plays a key role in capital finance in local authorities. The Prudential Code was developed as a professional code of practice to support local authorities in their decision making processes for capital expenditure and its financing. Local authorities are required by statutory regulation to have regard to the Prudential Code when carrying out their duties under Part 1 of the Local Government Act 2003.

B.14. The Council's capital expenditure plans are the key driver of treasury management activity. The framework of prudential indicators aims to ensure that an authority's capital investment plans are affordable, prudent and sustainable. As part of the strategic planning process, authorities are required, on a rolling basis, to calculate a range of indicators for the forthcoming budget year and two subsequent years. Authorities are also required to monitor performance against indicators within the year as well as preparing indicators based on the statement of accounts at each year end. Indicators relate to capital expenditure, external debt and treasury management.

B.15. Members are asked to approve the prudential indicators set out in Appendix B1. Details and explanations of all prudential terms are set out in Appendix B2.

Borrowing

B.16. The capital expenditure plans set out in Appendix A4 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of approporiate borrowing facilities. The strategy covers the relevant treasury and prudential indicators, the current and projected debt positions and the annual investment strategy.

B.17. Table B1 summarises the Council's treasury portfolio position at 31 March 2012, with forward projections. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the capital financing requirement or CFR), highlighting any over or under borrowing. The authority has adopted a treasury management strategy that favours fixed rate borrowing to provide certainty over borrowing costs and rates of interest.

Table B1: Current portfolio position

External debt	2011/12 Actual £m	2012/13 Projected £m	2013/14 ← - - - £m	2014/15 £m	2015/16 Estimated £m	2016/17 £m	2017/18 - - - → £m
Debt at 1 April	320	315	320	328	362	385	383
Expected change in debt	3	14	21	44	33	8	-17
Other long-term liabilities (OLTL)							
Expected change in OLTL	-8	-9	-13	-10	-10	-10	-13
Actual gross debt at 31 March	315	320	328	362	385	383	353
Capital financing requirement	**541**	**555**	**644**	**688**	**721**	**730**	**713**
Under/(over) borrowing	**-226**	**-235**	**-316**	**-326**	**-336**	**-347**	**-360**

B.18. Within the prudential indicators, there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the capital finance requirement (CFR) in the preceding year plus the estimates of any additional CFR for 2013/14 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

B.19. The Chief Finance Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

Prospects for interest rates

B.20. The Council has appointed Sector as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Table B2 provides the Sector central view on interest rates. Appendix B3 sets out a summarised report on global economic outlook and the UK economy.

Table B2: Prospects for interest rates

Annual average	Bank rate %	PWLB borrowing rates (including certainty rate adjustment) 5 year %	25 year %	50 year %
December 2012	0.50	1.50	3.70	3.90
March 2013	0.50	1.50	3.80	4.00
June 2013	0.50	1.50	3.80	4.00
September 2013	0.50	1.60	3.80	4.00
December 2013	0.50	1.60	3.80	4.00
March 2014	0.50	1.70	3.90	4.10
June 2014	0.50	1.70	3.90	4.10
September 2014	0.50	1.80	4.00	4.20
December 2014	0.50	2.00	4.10	4.30
March 2015	0.75	2.20	4.30	4.50
June 2015	1.00	2.30	4.40	4.60
September 2015	1.25	2.50	4.60	4.80
December 2015	1.50	2.70	4.80	5.00
March 2016	1.75	2.90	5.00	5.20

B.21. The economic recovery in the UK since 2008 has been the worst and slowest recovery in recent history, although the economy returned to positive growth in the third quarter of 2012. Growth prospects are weak and consumer spending, the usual driving force of recovery, is likely to remain under pressure due to consumers focusing on the repayment of personal debt, inflation levels eroding disposable income, the general malaise about the economy and employment fears.

B.22. The primary drivers of the UK economy are likely to remain external. Some 40% of UK exports go to the Eurozone, so the difficulties in this area are likely to continue to hinder UK growth. The US, the main world economy, faces similar debt problems to the UK and has appeared to resolve the difficulties of the fiscal cliff now that the the Presidential elections are out of the way. US fiscal tightening and continuing Eurozone problems will continue to depress UK growth and we are likely to see the UK deficit reduction plans slip.

B.23. This challenging and uncertain economic outlook has several key treasury management implications.

- The Eurozone sovereign debt difficulties provide a clear indication of high counterparty (a counterparty is the opposite party participating in a financial transaction) risk. This continues to require the use of higher quality counterparties for shorter time periods.
- Investment returns are likely to remain relatively low during 2013/14 and beyond.
- Borrowing interest rates continue to be attractive and may remain relatively low for some time. The timings of future borrowing will need to be monitored carefully.
- There will remain a cost of carry: any borrowing undertaken that results in an increase in the investment portfolio will incur a revenue loss between the borrowing cost and the investment return.

Borrowing strategy

B.24. The Council is currently maintaining a significantly under-borrowed position. This means that the capital borrowing need (the capital financing requirement) has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. At 31 March 2012, the level of under-borrowing amounted to £175.4m. This strategy is prudent and has proved to be extremely effective as investment returns are at a historic low and counterparty risk remains relatively high.

B.25. The question remains as to how much longer this under-borrowing strategy will be appropriate and relevant. The Council's current policy of funding external borrowing from internal reserves, thus saving the difference between the cost of capital and the investment return available in the money markets will not hold permanently. At some point in the medium term, the Council will be required to reverse this policy and fund its position from external sources as long term gilt yields and interest rates will eventually rise, thus impacting on the Public Work Loans Board (PWLB) rates.

B.26. The Council is faced with a loan repayment of £68m in September 2013. How this loan will be replaced and how the current internal borrowing gap will be eventually bridged will depend on market projections over 2013/14 and officers will take advice from the Council's treasury consultant (Sector) as to the future directions of the market over the next year. In the current low interest rate and low gilt yield environment, which is not expected to change in the short term, the Council is well placed to take advantage of this repayment in terms of funding it from reserves, and then refinancing it at the optimum time over the medium term future. To facilitate this, it is therefore recommended that the full County Council agree to reduce the minimum cash level from £135m to £49m.

B.27. There will be an optimal opportunity to take advantage of financing for the long term at historically low rates, just prior to those long term rates rising upwards. The Council must be strategically poised to take advantage of this opportunity and will assess the timing carefully in order to take full advantage. It is expected that the return to external borrowing will take place on a gradual basis in order to reduce the impact of reverse movements in the market to those anticipated. This underlines the Council's need to maintain a cautious and low risk approach and monitor on a daily basis the economic position against the Council's existing treasury position.

B.28. Against this background and the risks within the economic forecast, a level of continued caution will be adopted with the 2013/14 treasury management operations. The Chief Finance Officer's staff will continually monitor interest rates in financial markets and adopt a pragmatic approach to future changing circumstances.

B.29. There are two possible risks in 2013/14:

- The risk of an additional fall in long and short term rates (e.g. due to a marked increase of risks around a further relapse into recession or of risks of deflation). In this case, long term borrowings will be postponed, and potential debt rescheduling from fixed rate funding into short term borrowing will be considered.
- The risk of a rise in long and short term rates, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks. In this case, the portfolio position will be reappraised with the likely action that fixed rate funding will be drawn whilst interest rates are still relatively cheap.

B.30. With regard to the latter risk, the UK is currently benefitting from a "safe haven" status outside the Eurozone, which has supported UK gilt prices and maintained historically low gilt yields (which underpin PWLB borrowing rates). Whilst the UK inflation position has improved significantly, and is expected to return to the Bank of England's Monetary Policy Committee's (MPC's) target of 2%, any deterioration of the UK inflation outlook may have a negative impact on the financial markets view of gilt prices, with a consequent rise in gilt (and therefore PWLB) interest rates. Whilst this outcome is not expected, it remains an outside possibility and highlights the higher risks in the longer term fixed interest rate economic forecasts.

B.31. Any decisions will be reported to the appropriate decision making body at the next available opportunity.

Treasury management limits on activity

B.32. There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive, then they will impair the opportunities to reduce costs and improve performance. The indicators are as follows:

- **Upper limits on variable interest rate exposure**
  This identifies a maximum limit for the level of debt (net of investments) taken out at variable rates of interest.

- **Upper limits on fixed interest rate exposure**
  This is similar to the previous indicator and covers a maximum limit on fixed interest rates.

- **Maturity structure of borrowing**
  These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

B.33. Cabinet is asked to recommend the Council approves the treasury indicators and limits in Table B3.

Table B3: Treasury indicators and limits

	2013/14 to 2017/18		**2012/13 year end projection**	
Upper limits on fixed interest rates	100%			
Upper limits on variable interest rates	25%			
Maturity structure of external borrowing	Lower	Upper	£m	
Under 12 months	0%	50%	84	26%
12 months to 2 years	0%	50%	0	0%
2 years to 5 years	0%	50%	0	0%
5 years to 10 years	0%	75%	10	3%
10 years and above	25%	100%	228	71%
Total external borrowing			**322**	**100%**

Policy on borrowing in advance of need

B.34. The Council will not borrow more than or in advance of its needs purely in order to benefit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved capital finance requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Debt rescheduling

B.35. As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (significant premiums can be incurred).

B.36. The reasons for any rescheduling to take place will include:

- the generation of cash savings or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhancing the balance of the portfolio (amend the maturity profile or the balance of volatility).

B.37. Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

B.38. All rescheduling will be reported to the Audit & Governance Committee at the earliest meeting following its action

Annual investment strategy

Investment policy

B.39. The Council's investment policy has regard to the CLG's Guidance on Local Government Investments (the Guidance) and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (the CIPFA TM Code). The Council's investment priorities will be security first, liquidity second, then return as the third priority.

B.40. In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on its lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three rating agencies (Fitch, Moody's and Standard & Poor's (S&P)). Using the Sector ratings service, potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

B.41. Furthermore, the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings. Other information sources used will include the financial press (Financial Times), share prices and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

B.42. The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk. The intention of the strategy is to provide security of investment and minimisation of risk.

B.43. Current investment counterparties identified for use in the financial year using currently approved rating criteria are listed in Appendix B5 under the 'specified' and 'non-specified' investments categories. Counterparty monetary limits are also set out in this appendix. There is only one proposed change with regard to the monetary limits and that is to increase the maximum amount to the Council's two instant access accounts from £40m to £60m. This will increase revenue by £200,000 per annum at current interest rate levels. Both of these counterparties are partly nationalised and this increase should only apply whilst each counterparty has nationalised status. A new category included within the schedule is pooled corporate bonds, a relatively new treasury investment category which will be further explored by the Chief Finance Officer. No further changes to limits and criteria are recommended, given the Council's desired prudent risk level.

B.44. The Chief Finance Officer, under delegated powers, will undertake the most appropriate form of investments depending on the prevailing risks and associated interest rates at the time. All investments will be made in accordance with the Council's treasury management policy and strategy, and prevailing legislation and regulations. If the list of counterparties and their time or value limits need to be revised, amendments will be recommended to the Audit & Governance Committee.

Creditworthiness policy

B.45. The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure it:

- maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security (this is set out in the specified and non-specified investment sections below); and
- has sufficient liquidity in its investments, for this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed (these procedures also apply to the Council's prudential indicators covering the maximum principal sums invested).

B.46. The Chief Finance Officer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria determine an overall pool of counterparties considered to be high quality. It does not define the types of investment instruments to be used.

B.47. The minimum rating criteria uses the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies with one meeting the Council's criteria and the other not, the institution will fall outside the lending criteria. Credit rating information is supplied by Sector, our treasury consultants, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notifications of likely changes), rating outlooks (notification of possible longer term changes) are provided to officers almost immediately after they occur and this information is considered before dealing.

B.48. The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) is summarised in Appendix B5.

- Banks (1): good credit quality. The Council will only use banks which:
  - are UK banks; or
  - are non-UK and domiciled in a country which has a minimum sovereign long term rating of AAA.

  and have, as a minimum, the following Fitch, Moody's and S&P's credit ratings (where rated):
  - Short term: F1/P1/A1
  - Long term: A-/A3/A-
  - Viability/financial strength: BB+/C (Fitch and Moody's only)
  - Support: 3 (Fitch only)

- Banks (2): part nationalised UK banks, Lloyds Banking Group and Royal Bank of Scotland. These banks can be included if they continue to be part nationalised or they meet the ratings in Banks 1 above.

- Banks (3): The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.

- Bank subsidiaries: The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.

- Building societies: The Council will use all societies which meet the ratings for banks outlined above.

- Money market funds: AAA rated via all three rating agencies. Up to total £100m. £20m per fund.

- UK Government (including gilts and the DMADF)

- Local authorities, parish councils etc

- Supranational institutions

- Corporate bonds pooled funds

Country and Sector Considerations

B.49. Due care will be taken to consider the country, group and sector exposure of the Council's investments. In part, the country selection will be chosen by the credit rating of the sovereign state in Banks 1 above. In addition,

- no more than £50m will be placed with any non-UK country at any time;

- AAA countries only apply as set out in Appendix B6;
- limits in place above will apply to a group of companies;
- sector limits will be monitored regularly for appropriateness.

Use of additional information other than credit ratings

B.50. Additional requirements under the Prudential Code require the Council to supplement credit rating information. Whilst the above criteria rely primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example credit default swaps, negative rating watches or outlooks) will be applied to compare the relative security of differing investment counterparties.

Time and monetary limits applying to investments

B.51. All investments will be limited to 364 days years. Further internal restrictions may be applied on recommendations from Sector.

B.52. The proposed criteria for specified and non-specified investments are shown in Appendix B5 for approval.

Country limits

B.53. The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AAA from all three rating agencies. This restriction does not apply to the UK, should it lose its AAA status.

In-house funds

B.54. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Instant access funds

B.55. The Council will seek to maximise its return on investments by retaining call account deposits in part nationalised banks (Lloyds and RBS) which pay a premium due to their weakened financial strength but remain supported by the UK Government. In addition, the council will utilise money market funds (up to the value of £100m).

Local authorities

B.56. Loans will be offered to local authorities that seek to borrow cash from alternative sources to the PWLB.

Investment returns expectations

B.57. The Bank Rate is forecast by Sector to remain unchanged at 0.5% before starting to rise from quarter 4 of 2014. Sector’s Bank Rate forecasts for financial year ends (March) are:

2012/13	2013/14	2014/15	2015/16
0.50%	0.50%	0.75%	1.75%

B.58. There are downside risks to these forecasts (i.e., the start of increases in Bank Rate is delayed even further) if economic growth remains weaker for longer than expected. However, should the pace of growth pick up more sharply than expected there could be upside risk, particularly if the Bank of England inflation forecasts for two years ahead exceed the Bank of England's 2% target rate. It should be noted that some city predicitons put the Bank Rate at 0.5% until the year 2020.

B.59. The suggested budgeted investment earnings rates for returns on investments placed for periods up to three months during each financial year for the next three years are as follows:

2013/14 0.50%

2014/15 0.60%

2015/16 1.50%

Investment treasury indicator and limit

B.60. This indicator concerns the total principal funds invested for greater than 364 days. This limit is set with regard to the Council's liquidity requirements and to reduce the need for early liquidation of an investment, and based on the availability of funds after each year end.

B.61. The Council is asked to approve the treasury indicator and limit:

Table B4: Maximum principal sum invested >364 Days

	2013/14 % of portfolio	**2014/15 % of portfolio**	**2015/16 % of portfolio**
Principal sums invested > 364 days	0	0	0

B.62. This means that no investments should be for longer than 364 days. This keeps the strategy within the Council's desired level of prudent risk.

B.63. For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated overnight deposits.

Icelandic bank investments

B.64. The Council placed £20m of deposits with two failed Icelandic banks: Glitnir and Landsbanki. Of this £20m, the Council's exposure is £18.5m with the balance attributable to the Police and Crime Commissioner for Surrey. The Audit & Governance Committee receives regular reports on the prospects for recovery of the deposits that are at risk and the efforts being made by the Local Government Association (LGA) and its legal advisors in this regard.

B.65. In order to be prudent, the Council has previously earmarked a balance of £9.5m on the assumption that a proportion of the deposits will not be recovered with the proviso that this write off may be revised based upon latest estimates and the guidance from CIPFA.

B.66. On 28 October 2011, the Supreme Court of Iceland upheld the District Court judgment in favour of local authority depositors, deciding by a 6-1 majority that local authorities' claims are deposits that qualify in full for priority in the bank administrations. These decisions are now final and there is no further right of appeal.

B.67. The current position is that 50% of the Landsbanki deposit and 84% of the Glitnir deposits have been repaid, with expected recovery rates now at 100% in respect of both banks (subject to exchange rate fluctuations). The balance owed on each deposit is shown in the Table B5.

Table B5: Balances owed on Icelandic bank deposits

Counterparty	Period (days)	Principal £000	Rate %	Principal repaid £000	Principal outstanding £000
Glitnir	364	5,000	6.25%	4,192	808
Glitnir	366	5,000	6.20%	4,193	807
Landsbanki	732	10,000	5.90%	4,992	5,008
		20,000		13,377	6,623

B.68. Previous provision has been made within the Council's accounts for an irrecoverable amount regarding the Icelandic bank debt. Given the Supreme Court of Iceland decision, it is now felt prudent to cut the provision in its entirety in order to reflect the confidence in recovering the full outstanding deposit, albeit paid back in instalments over a yet unknown period of time.

Investment risk benchmarking

B.69. A development in the revised Code on Treasury Management and the CLG consultation paper, as part of the improvements to reporting, is the consideration and approval of security and liquidity benchmarks. Whereas yield benchmarks are currently widely used to assess investment performance, security and liquidity benchmarks are new reporting requirements. These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or annual report.

Security

B.70. The Council's maximum security risk benchmark for the current portfolio, when compared with these historic default tables, is:

- 0.05% historic risk of default when compared to the whole portfolio

Liquidity

B.71. The Council currently restricts deposits with each counterparty to term deposits only, the length of which is based upon individual assessment of each counterparty. The amount of available cash each day should never fall below £15m. A minimum core cash has recently been set at £49m by Cabinet. This provides a safety margin, to help ensure the Council need not borrow to fund daily expenditure. In respect of its liquidity, the Council seeks to maintain the following.

- Bank overdraft: £100,000.
- Liquid short term deposits of at least £15m available with a day's notice.
- Weighted average life benchmark is expected to be three months, with a maximum of one year.

Yield

B.72. The Council benchmarks the return on deposits against the 7-Day LIBID (London Interbank Bid Rate), and reports on this as part of the treasury monitoring reports.

Performance indicators

B.73. The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy and effectiveness of the treasury management function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking. The performance indicators to be used for the treasury management function are:

- borrowing: actual rate of borrowing for the year less than the year's average rate relevant to the loan period taken; and
- investments: internal returns above the 7-day LIBID rate.

B.74. These indicators will be reported to the Audit & Governance Committee in the quarterly and half yearly reports, due after 30 September 2012, and the Treasury Management Annual Report for 2013/14.

End of year investment report

B.75. At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Management Report.

External fund managers

B.76. The Council does not currently employ an external fund manager.

Minimum revenue provision

B.77. The Council's policy on minimum revenue provision (MRP) is shown in Appendix B7.

Lead or contact officer:

Treasury	Phil Triggs, Strategic Manager, Pension Fund & Treasury 020 8541 9894
Capital	Wai Lok, Senior Accountant 020 8541 7756

Appendices:

Appendix B.1	Prudential indicators - summary
Appendix B.2	Prudential indicators – details
Appendix B.3	Global economic outlook and the UK economy
Appendix B.4	Treasury management scheme of delegation
Appendix B.5	Institutions
Appendix B.6	Approved countries for investments
Appendix B.7	Annual minimum revenue provision (MRP) policy statement

Sources and background papers:

CIPFA Prudential Code for Capital Finance

CIPFA Treasury Management in the Public Services: Code of Practice

Investment guidelines under section 15(1)(a) of the Local Government Act 2003

Audit Commission: 'Risk & Return: English Local Authorities and the Icelandic Banks

Local Government Act 2003: Section 25
Report by the Chief Finance Officer

Introduction

2.1. The Local Government Act 2003 (Section 25) requires that when a local authority is agreeing its annual budget and precept, the Chief Finance Officer must report to it on the following matters:

- the robustness of the estimates made for the purposes of the calculations
- the adequacy of the proposed financial reserves.

2.2. The authority must have due regard to the report when making decisions on the budget and precept.

2.3. The Chief Finance Officer for the County Council is Sheila Little (in the post of Chief Finance Officer and Deputy Director for Change & Efficiency Directorate).

2.4. In expressing her opinion, the Chief Finance Officer has considered the financial management arrangements that are in place, the level of reserves, the budget assumptions, the overall financial and economic environment, the financial risks facing the County Council and its overall financial standing.

2.5. Preserving the Council's financial resilience is a key long-term driver in the council's financial strategy that has been reflected in the current Medium Term Financial Plan (MTFP) (2012-17) and which continues as a core principle as the council moves forward to the next 5 year MTFP (2013-18).

2.6. Although the Council has successfully delivered significant efficiency savings & service reductions in each of the last two financial years (2010/11 £68m, 2011/12 £61m, and is forecast to deliver further savings for 2012/13 of £66m, the budget assumptions for the next MTFP (2013-18), includes significant further savings of £240m, making a total of around £435m over the eight year period. The level of savings delivered so far retain a balance of approximately an 80:20 split between meeting the austerity agenda through a combination of service efficiencies and tax increases, similar to central government's strategy for addressing the national fiscal deficit. However, continuing this level of further savings year on year is becoming harder for services to deliver, therefore increasing the risk in the MTFP (2013-18).

2.7. Further significant risk exists due to the following.

- The continuing unprecedented level of economic uncertainty: austerity seems likely to continue for at least the next 5 years.
- The introduction of the revised basis of local government funding. The changes to council tax benefit localisation support and the local retention of business rates increases the uncertainty around the level of actual funding the Council will receive in the future.

2.8. The Council is correctly focused on long term financial resilience and is proactively planning to apply one-off general reserves & balances totaling £18m to achieve a balanced budget in 2013/14 (as set out in paragraphs A86 to A91) plus a further £5m from balances to increase the risk contingency for 2013/14. The Council recognises that existing long term strategies are required to address this additional shortfall from 2014/15 and the plans to review the revenue and capital programme after the first quarter of 2013/14 will cover this.

2.9. Taken together, all of these risks will require careful consideration as to the prudent level of balances to be maintained and a review of the level of the risk contingency within the revenue budget. In recent years the Council has had a risk contingency within the revenue budget of £8m, principally to mitigate against non-delivery of service reductions & efficiencies and to facilitate smoothing of spend across financial years. For the first time, it is expected that around £5m of the £8m risk contingency will be required in 2012/13 indicating, as anticipated, that it is getting harder to deliver and sustain this year on year high level of new efficiencies. To mitigate against these risks, the Council proposes to increase the risk contingency to £13m for 2013/14 using balances.

2.10. The above risks apply where the Council continues with its long term MTFP strategy of annual council tax increases of 2.5% annually (except for 2011/12 where the Council accepted the first council tax freeze grant offer and 2012/13 where the Council increased council tax by 2.99%). However, accepting the Government's offer of a grant to compensate councils for not increasing council tax in 2013/14 with a grant equal to 1% council tax increase for each of two years (making a total grant over two years of £11.6m) for this Council, would mean it would be unable to sustain its MTFP plans without either:

- imposing significant council tax increases in 2014/15 and subsequent years; and/or
- developing alternative long term strategies to address reducing government grant funding and limited increases in council tax; and/or
- making additional reductions to front line services.

2.11. The forward assumption of increasing council tax by 2.5% for each of the subsequent MTFP years beyond 2013/14, is potentially optimistic in view of government's stated strategy to maintain zero council tax increases for the remainder of the current parliament and the prescriptive guidance set out in the Localism Act 2011 on how an authority must conduct a referendum if triggered. Together with the high level of service reductions & efficiencies required in the remaining four years of the MTFP beyond 2013/14, the Chief Finance Officer recommends that the Cabinet review the plans to deliver these efficiencies early in 2013/14 to be assured that these plans are sustainable and will not lead to the erosion of the Council's financial resilience.

Financial management arrangements

2.12. In 2012 the Council was an award winner in the transparency category for its quarterly close process: a rarity within the public sector. This positions the Council well to achieve a smooth annual audit. An unqualified opinion on the 2011/12 financial statements and an unqualified conclusion on the council's arrangements for securing value for money was achieved in 2011/12. The 2012/13 external audit will be the first under the newly appointed auditor, Grant Thornton. The Chief Finance Officer is working closely with the new auditors to ensure a smooth transition.

2.13. The Council has maintained a robust system of budget monitoring and control evidenced by the continuation of timely monthly reports to Cabinet. Where over-spends or under-spends have arisen, prompt management actions have been identified to minimise effect and to enable early corrective action to be put in place where relevant.

2.14. The system for monitoring the progress on the implementation of efficiency savings has been enhanced during 2012/13 in recognition of the increased risk due to the continued high efficiency targets year on year: increased focus on efficiencies by the chief executive and senior officers before onward reporting and scrutiny by the Leader and Cabinet as well as Overview Scrutiny Committee. This will continue during 2013/14 alongside the on-going monitoring of the delivery of the efficiencies identified as part of the Public Value Review (PVR) programme, completed during 2012.

2.15. Throughout 2012/13 the Council Overview Scrutiny Committee, comprising the Chairmen of all other Select Committees, continued to scrutinise all Cabinet budget monitoring reports following presentation to Cabinet. The capital monitoring was enhanced during 2012/13, with more focused review by the chief executive and senior officers each month, in advance of formal reporting to Cabinet.

2.16. The above approaches will be continued into 2013/14 and progress on the actions needed to achieve the required savings will be tracked. The Chief Finance Officer considers that the financial control arrangements remain sufficiently robust to maintain adequate and effective control of the budget in 2013/14.

Budget process

2.17. The budget planning process, established in 2011, following a 'lean' process review, was developed further for this MTFP (2013-18) process. The main enhancements were:

- introduction of an earlier 'scene setting' phase ahead of scenario planning
- additional face to face engagement with the business & voluntary sector communities, and trade unions
- additional all Member briefings at each phase

- enhancement of resident engagement - through Simalto survey
- further embedding of procurement efficiencies into the process.

2.18. The budget has been constructed by looking at expected activity for the future years rather than the incremental approach. This applies a consistent approach to preparing budget proposals across all services. The assumptions, calculations and proposals in this budget are the result of challenge and scrutiny by the Leader of the Council, Members of the Cabinet and Select Committees throughout the summer and autumn of 2012 and into January 2013, guided by advice from the Chief Executive, Strategic Directors and Chief Finance Officer

MTFP (2013-18) Budget assumptions

2.19. Table 2.1 below shows the main budget assumptions together with an assessment of their robustness and the risk they pose to the Council's financial position and strategy.

Table 2.1 Main budget assumptions 2013/14 to 2017/18

	Assumption	**Comments**
Pay inflation	2013/14 *1.5%* 2014-18 *2.0%*	These proposals follow a three year pay freeze.
General price inflation	2013-15 2.1% 2015-18 2.2%	General inflation relates to non service specific budgets only. Specific inflation allowances have been included in individual services budgets reflecting the assessment of Strategic Directors and the Head of Procurement of the likely cost increases.
Council tax benefit support localisation and business rate retention	N/A	The impact of the local government funding review has been central to developing the MTFP 2013-18. Consultation with government has been extensive throughout 2012 and a range of likely outcomes modeled in the Council's scenario planning.
Interest rates	Minimal changes in base rates during 2012/13	All existing debt is fixed interest and so not subject to interest rate variation. MTFP allows for new borrowing at on average 5%, but rates between 4.4% and 5.6% over the 5 year MTFP period. Interest on cash balances is assumed as 0.7% Sector, our treasury management advisers, forecast minimal changes in rates until at least mid 2014 and then gradual, low increases.

	Assumption	Comments
Capital receipts	£50m (to fund programme over 5 years 2013-18)	The list of proposed disposals includes only assets that do not fit with the capital strategy of investing in the Council's estate either to meet service needs or develop an income stream. Any shortfall on receipts would be funded from other available capital reserves.
Demand led pressures	Demand pressures in Children, Schools & Families and Adults Social Care	Both Children, Schools & Families and Adults Social Care are experiencing increasing demand on services over the MTFP period reflecting: • increases in Surrey's population aged +80, dementia care in particular; • increases in Surrey's school age population; • legislative changes affecting vulnerable adults' entitlement and eligibility for support from the council; • increases in the number of looked after children and in particular those with a care protection plan. There is an increasing risk that these demand pressures may be understated, leading directly to the need to sustain an increased risk contingency of £13m in 2013/14.
Efficiency and other service savings	£240m	Efficiency & service reductions identified by Strategic Directors who confirm that actions have been identified to deliver savings and the targets included in budget proposals are realistic and achievable, albeit these are going to be very challenging to implement. In addition there is a further £79m in savings and reductions to be identified and implemented by 2017/18.

2.20. It is the Chief Finance Officer's opinion that the general assumptions are realistic but that the proposed efficiency and other service savings are ambitious and there is substantial risk that they will not all be achieved within the required timescale. To mitigate this risk, the contingency sum built into the revenue budget has been increased from £8m to £13m for 2013/14.

2.21. In recognition of the need to invest to deliver some of the efficiencies & service reductions required, the invest to save fund created in 2010/11 against which services will be required to produce full business cases before any resources are actually released, will continue in 2013/14. As in 2012/13, this reserve will require services to 'repay' the investment released to them over an agreed period – thereby ensuring that this fund is replenished over time and available for future investment initiatives.

Level of Reserves and Balances

2.22. The final accounts for 2011/12 show available general balances at 31 March 2012 of £28.8m: a deliberate increase from previous years in anticipation of smoothing spending over the MTFP period. The latest budget monitoring position for 2012/13, as at the December 2012, forecasts that this level will remain at this level at 31 March 2013 and as detailed above, £12m of these general balances and £11m of carry forward reserves will be applied to the budget as one-off funding for 2013/14. Other adjustments to earmarked reserves, as set out in Annex 1A – Appendix A7, are recommended to preserve the Council's future long term financial resilience. This is particularly critical as government grants are expected to continue to reduce at the same time as local government funding becomes increasingly uncertain and service demand levels become increasingly volatile.

Financial Standing

2.23. The Council has complied fully with the requirements of the *Prudential Code for Capital Finance in Local Authorities*. The formal recommendation to the Council sets out the prudential indicators, which the Council must adhere to. The Chief Finance Officer is satisfied that the level of borrowing assumed in the indicators is affordable and sustainable. The MTFP (2013-18) makes provision for the financing of all proposed borrowing and assumes an extension of the strategy to borrow internally unless external factors (i.e. interest rates and or capping limits) alter and make early borrowing appropriate.

2.24. The Council had £18.6m placed on deposit with two Icelandic banks, which has been at risk following the administration of these banks in October 2008. The Audit & Governance Committee has received regular updates on the progress in, and prospects of, recovery of the deposits that are at risk. The Council has now received repayment of £13.4m (84% for Glitnir and 50% for Landsbanki bank) and legal rulings have concluded that the remaining funds will be received in due course. The Chief Finance Officer therefore advises that it is acceptable to close the Financial Investments Reserve of £9.5m set up to mitigate against possible losses.

2.25. The County Council maintains a number of other earmarked reserves. This includes existing funds to smooth the cost of replacing vehicles and IT equipment, to provide a source of funds for internal investment, to protect against interest rate changes and the impact of an economic downturn, together with a new reserve to facilitate long term investment aimed at maximising long term financial resilience. There are sufficient funds in these reserves to meet expenditure likely to fall on them during 2013/14 and are available for other uses in case of emergency.

Risk Assessment

2.26. The Council has recently been shortlisted for a national award for its corporate governance arrangements, which recognises improvements made.

In response to the significant challenges that the Council is facing and the associated emerging risks, an integrated risk framework comprising the separate disciplines of risk management is well established in the Council and will be maintained. This has seen several changes to the risk governance arrangements embedded in the Council and the close link between risk registers and business impact analyses and continuity plans has been sustained throughout 2012/13 and will continue into 2013/14. Similarly the Leadership Risk Register remains in place and will continue to be monitored monthly by the chief executive and senior officers, and reviewed by Cabinet quarterly in 2013/14.

2.27. The specific risks and opportunities facing the council and recorded in the Leadership Risk Register are:

- erosion of the Council's main sources of funding (council tax and government grant)
- delivery of the major change programmes and associated efficiencies;
- delivery of the waste infrastructure; and
- changes to health commissioning.

2.28. The Chief Finance Officer is satisfied that the proposed budget, including increased risk contingency, general balances and reserves sufficiently address these risks Additional resilience has been assured over the long term through the creation of new earmarked reserve for long term investment and infrastructure initiatives.

<u>Future years</u>

2.29. The proposed budget addresses the estimated reduction in funding over the next five years and sets out a plan to ensure that the Council can deliver budgets within estimated available resources. The plan will require close monitoring and, in view of the increased uncertainty around government funding, council tax and business rates, as well as volatile service demands, it is likely that adjustments will be required during 2013/14 to take account of unforeseen events and changes in the underlying assumptions. However, it sets a clear direction for the future and places the Council in a sensible position to meet the challenges ahead.

2.30. Given the scale of the financial challenges facing the public sector, the Chief Finance Officer must emphasise the high likelihood that the next comprehensive spending round will introduce further government grant cuts, meaning any changes to services over the MTFP (2013-18) period must be sustainable in the long term.

<u>Conclusion</u>

2.31. The Chief Finance Officer considers that the budget proposals recommended by the Cabinet are robust and sustainable. However, there are considerable risks associated with the increased uncertainty in a number of areas:

- the achievement of efficiencies & service reductions year on year;
- the transfer of uncertainty regarding the level of funding to local authority as result of the local government funding changes introduced from April 2013;
- the volatility implicit in the level of service demands; and
- the current economic situation and expected long term austerity faced by the country.

2.32. The above means a review of the MTFP (2013-18) is recommended after quarter one 2013/14 to validate assumptions and timescales.

Council tax requirement

3.1. The Cabinet, has considered the information in the Officer reports and the feedback and representations from the public, the business community, voluntary sector and employees, proposes and recommends a balanced and sustainable revenue and capital budget for the next five years to the County Council on 12 February 2013. This is set out in the Council Budget Report 2013- 2018 and annexes.

3.2. The Local Government Finance Act 2012 changed how districts and boroughs calculated administered council tax support. These changes affect the number of taxable properties (tax base). Further information about these changes is within Annex 1 – section A, paragraphs A45-52.

3.3. In past years, districts and boroughs have provided the County Council tax base figures well before the legislative deadline of 31 January and in time for the Cabinet meeting. However the recent legislative changes meant districts and boroughs provided the County Council with estimates for the Cabinet meeting and revised some figures afterwards. These changes altered the council tax requirement by £8,952.40. Furthermore, the council tax collection fund balance was unconfirmed at the time of the Cabinet meeting. The collection fund balance is the difference between the estimated council tax and that actually collected. The council tax collection fund balance is confirmed at £5,008,179.21. This will be held in reserves and balances.

3.4. The basic amount of council tax is the council tax requirement divided by the tax base.

3.5. The council tax requirement for 2013/14 is based on:

		£
Gross expenditure		1,683,224,661.04
Other income		-142,936,987.84
Budgeted revenue expenditure		**1,540,286,673.20**
Council tax collection fund balance	-5,008,179.21	
Applied from reserves and balances	-17,947,820.79	
Reserves and Balances including council tax collection fund		**-22,964,512.65**
Budgeted net expenditure		**1,517,322,160.55**
Business rates income		-43,863,000.00
Business rates retention system		-210,275,700.00
Other Government grant		-712,763,000.00
COUNCIL TAX REQUIREMENT		**550,420,460.55**

3.6. The tax base is the number of Band D equivalent properties for precepting purposes is as follows:

Billing authority	Number of Band D equivalent properties
Elmbridge	60,327.00
Epsom & Ewell	30,807.69
Guildford	53,401.22
Mole Valley	38,651.00
Reigate & Banstead	56,697.00
Runnymede	31,075.00
Spelthorne	36,514.25
Surrey Heath	35,840.22
Tandridge	35,853.50
Waverley	51,534.90
Woking	38,731.97
Total	**469,433.75**

3.7. Therefore the basic amount of council tax is

£550,420,460.55 ÷ 469,433.75 = £1,172.52

3.8. The County Council's level of council tax for each category of dwelling in its area will be as follows:

Valuation band	£
A	781.68
B	911.96
C	1,042.24
D	1,172.52
E	1,433.08
F	1,693.64
G	1,954.20
H	2,345.04

3.9. The payment for each billing authority including any balances on the collection fund will be as follows:

Billing authority	**£**
Elmbridge	72,006,449.04
Epsom & Ewell	36,475,032.68
Guildford	62,826,924.47
Mole Valley	45,734,318.52
Reigate & Banstead	67,241,707.44
Runnymede	36,534,059.00
Spelthorne	42,621,728.41
Surrey Heath	42,836,092.97
Tandridge	42,424,545.82
Waverley	60,868,055.95
Woking	45,859,725.46
TOTAL	**555,428,639.76**

3.10. Each billing authority's payments to be made in ten equal instalments on the following dates, already agreed with relevant authorities:

29 April 2013	18 October 2013
24 May 2013	22 November 2013
28 June 2013	3 January 2014
2 August 2013	11 February 2014
6 September 2013	14 March 2014

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National economic outlook and public spending

A.1.1. The Council's financial and service planning takes place within the context of the national economic and public expenditure plans. This appendix explores that context and identifies the broad national assumptions within which the draft budget and MTFP have been framed.

The economy

A.1.2. One of the Government's self imposed targets is to tackle the national budget deficit. After taking into account cyclical or temporary effects it seeks to balance the current budget at the end of a rolling five year period, currently up to 2017/18. The Office for Budget Responsibly (OBR) recently assessed this target in their December 2012 report and forecast that in 2017/18 the cyclically adjusted current budget (CACB) will be in surplus by 0.9%. Table A1:1 summarises OBR's forecast.

A.1.3. The amount of money the Government borrows each year, Public Sector Net Borrowing (PSNB), is also due to fall to 1.6% of Gross Domestic Product (GDP) by 2017/18 compared with 7.9% in 2011/12. Furthermore, OBR expects the Government's cumulative borrowing or total amount of debt owed, Public Sector Net Debt (PSND), to peak at 79.9% of GDP in 2015/16 before falling in the years thereafter.

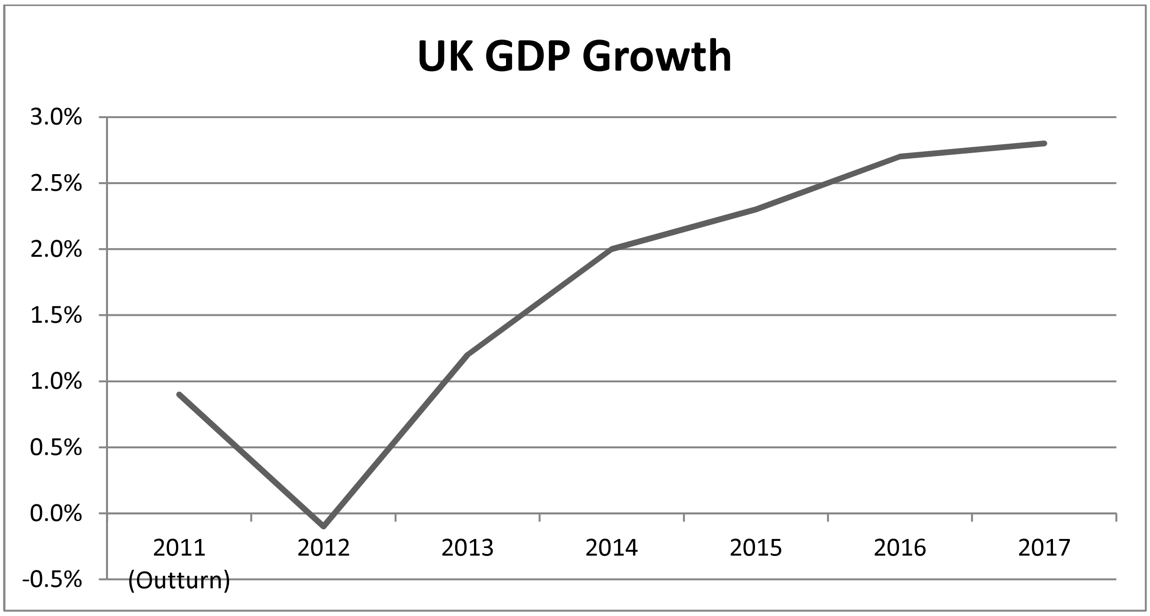
Table A1:1: UK borrowing levels as a per cent of GDP between 2011/12 and 2017/18.

	Per cent of GDP						
	Outturn	**Forecast**					
	11/12	**12/13**	**13/14**	**14/15**	**15/16**	**16/17**	**17/18**
Cyclically adjusted surplus on current budget	**-4.3**	-3.6	-2.2	-1.4	-0.8	0.4	0.9
Public Sector Net Borrowing	**7.9**	5.1	6.1	5.2	4.2	2.6	1.6
Public Sector Net Debt	**66.4**	74.7	76.8	79.0	79.9	79.2	77.3

Source: Office for Budget Responsibility, Economic and Fiscal Outlook December 2012

A.1.4. The economy has performed less strongly in 2012 than OBR forecast in March 2012. This is a result of: weakness in net trade with other countries, weaker productivity and concerns over the Euro-area crisis depressing investment confidence. As such, OBR has lowered its economic growth forecasts for the UK to a 0.1% contraction in 2012 and 1.2% growth in 2013. The preliminary estimate from the Office for National Statistics is that the economy shrank by 0.3% in quarter four of 2012. Graph A1:1 shows OBR's growth figures for the next five years.

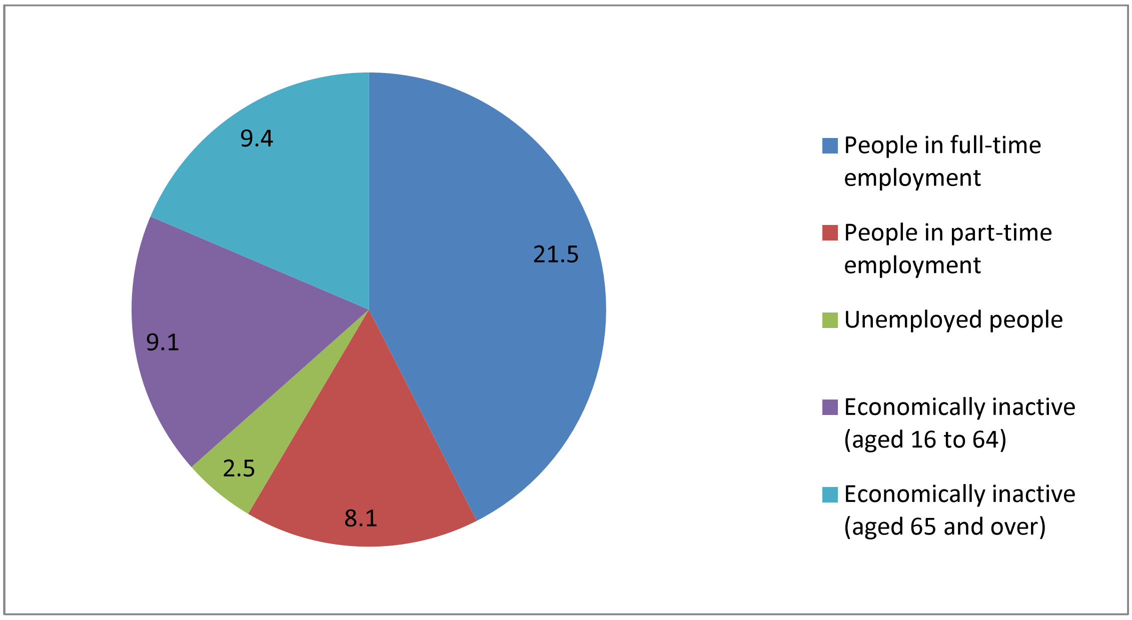
Graph A1: UK GDP growth:



Source: Office for Budget Responsibility, *Economic and Fiscal Outlook December 2012*

A.1.5. National unemployment is declining and the number of unemployed people fell by 82,000 between the two periods of May to July 2012 and August to October 2012. Figures for the three months up to October 2012 are 29.6 million people employed and 2.5 million people unemployed actively seeking work. The South East has the joint highest level of employment at 74.7% along with the East of England and the South West.

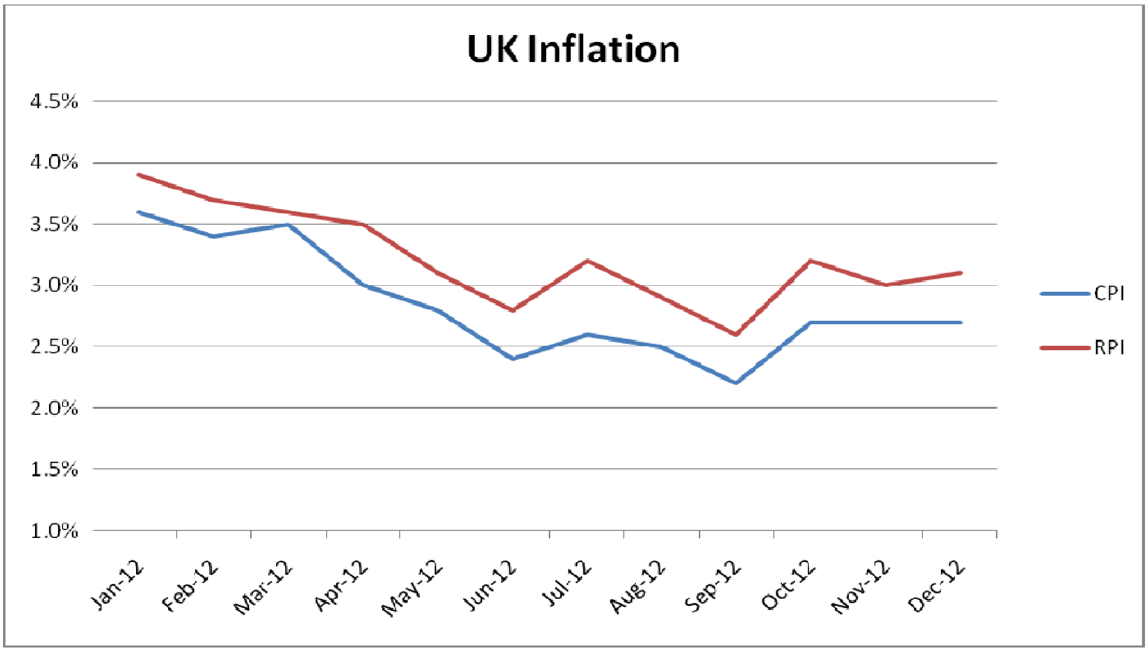
Graph A1:2 UK Labour Market August to October 2012 (millions)



Source: Office for National Statistics, *Summary of Labour Market Statistics December 2012*

A.1.6. CPI in the year to December 2012 showed an increase of 2.7% (a rate unchanged since October 2012). The largest price increase was in bills for gas and electricity but all increases were offset by downward pressures such as air fares rising at a slower rate than last year. The Retail Price Index (RPI) annual inflation stood at 3.1% (up 0.1 percentage points on November 2012). The main contributors to the rise were utility bills going up.

Graph A1:3: UK annual inflationary measures of CPI and RPI between January 2012 and December 2012.



Source: Office for National Statistics, *Consumer Price Indices October 2012.*

A.1.7. The Bank of England (BoE) is responsible for monetary and financial stability in the UK. The main tool at its disposal is to control the price of money through setting interest rates via the BoE base rate. The BoE responded to the recession with successive interest rate cuts in 2008 and 2009 and by March 2009 it was down to 0.5% where it has remained ever since. Many economic analysts are predicting that the rate will have to stay at this historic low for some time until the recovery is well established and growth levels are sustainable, with many independent forecasts not predicting an increase in the BoE base rate until 2014.

Public spending

A.1.8. On 5th December 2012 the Chancellor George Osborne presented the Autumn Statement to Parliament and in response to the economic environment the Government will continue to pursue its deficit reduction. The planned austerity programme will be extended by an additional year to 2017/18 and is an eighth year of cuts. A £6.6bn package of savings will be delivered from welfare, international development and departmental current spending. This will include a 1% reduction for the majority of departmental budgets in 2013/14, increasing to 2% in 2014/15. £5.5bn of the revenue savings will be re-invested in infrastructure as capital expenditure and provide support for long-term private investment, including science infrastructure and schools.

A.1.9. The Institute for Fiscal Studies (IFS) states that given the protection status of the NHS, schools and the aid budgets, spending on other public services will have to fall by around 3% in 2015/16. Local government will be exempt from a 1% budget reduction in 2013/14, but will be required to find 2% savings in 2014/15. For Surrey County Council (SCC) this is estimated to be a further savings requirement of between £6m and £10m.

A.1.10. Welfare spending is a significant call on central government spending, so the Government is implementing a package of welfare reforms aiming to reduce overall expenditure. These include:

- the introduction of universal credit
- the introduction of a benefits cap
- changes to housing benefit
- changes to the social fund
- the abolition of the Disability Living Allowance
- localisation of council tax support
- changes to child maintenance

A.1.11. The Government aims to make £3.7bn savings through cuts to benefits by 2015/16. Most working age benefits and tax credits will be up-rated by 1% for three years from April 2013 (below the rate of inflation). Disability and carers benefits will be up-rated by price inflation. The above changes will have both direct and indirect impacts on the council, some of which are outlined in other parts of this report. In consequence, through a cross service group, the county council is looking to anticipate and identify these and manage any service impacts arising.

A.1.12. The Government has set a target of 2% for the underlying rate of inflation as measured by the Consumer Price Index (CPI). The annual rate of inflation has been running higher than this for the entirety of 2012 but is on a downward trend and significantly below the 5.2% peak in September 2011. This has been ascribed to lower energy prices and a fall in the price of imports in quarter two of 2012. The Bank of England (BoE) predicts inflation will stay above target in the first half of 2013 but move closer to 2% in the latter half as increased productivity and the easing of external prices such as commodities lower the pressure on companies' costs.

Budget assumptions					
	2013/14 **£000s**	2014/15 **£000s**	2015/16 **£000s**	2016/17 **£000s**	2017/18 **£000s**
Business rates retention grants					
Revenue support grant and business rates top-up	**210,276**	**196,206**	**189,798**	**183,487**	**177,856**
Dedicated schools grant	**600,732**	**592,405**	**590,405**	**590,405**	**590,405**
Other government grants					
ACL, Skills Funding Agency	2,446	2,446	2,446	2,446	2,446
Area of ONB grant	137	137	137	137	137
Asylum Seekers	1,640	1,640	1,640	1,640	1,640
Bikeability	240	240	240	240	240
Community right to challenge	9	9	9	9	9
Education Funding Agency (ex YPLA)	19,331	19,331	19,331	19,331	19,331
Education services grant (ESG)	16,600	16,600	16,600	16,600	16,600
Extended rights to free travel & sustainable travel	835	835	835	835	835
Fire pensions	6,769	8,341	10,967	9,351	10,579
Fire revenue grant	379	405	405	405	405
GUM services	0	3,630	3,993	4,392	4,832
Lead local flood authorities	375	375	375	375	375
Local Sustainable Transport Fund	750	630	0	0	0
Local Sustainable Transp. Fund (large bid)	1,725	2,009	0.000	0.000	0
Local Reform and Community Voices DH revenue grant	700	700	700	700	700
Music Grant	1,043	1,061	1,061	1,061	1,061
New Homes Bonus	2,825	3,825	5,825	7,825	9,825
NHB-returned topslice	855	855	855	855	855
Private Finance Initiative	11,900	11,900	11,900	14,900	14,900
Public health	23,237	25,561	28,117	30,928	34,021
Pupil Premium	15,049	15,049	15,049	15,049	15,049
Registration service	21	21	21	21	21
Right to Control Trailblazers	165	0	0	0	0
SEN pathfinder	165	165	165	165	165
Social care reform grant	1,865				
Social fund (incl. administration)	1,162	1,145	1,145	1,145	1,145
South-east protected landscape	33	33	33	33	33
Troubled families	879	644	0	0	0
Youth Justice Board	896	896	896	896	896
Total other government grants	**112,030**	**118,482**	**122,744**	**129,338**	**136,099**
Total government grants	**923,038**	**907,093**	**902,947**	**903,230**	**904,360**

note: any minor casting anomalies are due to roundings.

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2013 – 18 Revenue budgets

A.3.1. This appendix contains the overall budget position for the council, then by category. Each budget is prefaced by a commentary outlining the 13/14 budget position, future issues affecting the directorate over the subsequent four years and how the directorate is going to manage the situation

A.3.2. The categories are in order:

- Adults Social Care
- Children, Schools & Families with Delegated Schools
- Customer & Communities
- Environment & Infrastructure
- Public Health (New for 13/14)
- Change and Efficiency
- Chief Executive Office
- Central Income & Expenditure

A.3.3. The revenue budgets have been rebased on the funding reporting strategy workstream recommendation from a Net Revenue expenditure position to a gross revenue expenditure position. All expenditure is gross rather than netted off for non government grant and council tax income (fees & charge). Funding is now inclusive of all government grants and local taxation (business rates surplus and council tax). However, to allow comparison with past years, both presentations of the budget are shown.

A.3.4. This appendix outlines the draft 2013/18 revenue budget by:

- income and expenditure type ; and
- total income and service expenditure

Surrey County Council

Chief Executive Officer: David McNulty

Chief Finance Officer and Deputy Strategic Director for Change & Efficiency: Sheila Little

Draft Income & Expenditure category

	2012/13 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s
Funding						
Local taxation - Council Tax	(580,026)	(550,420)	(571,834)	(585,935)	(603,536)	(621,646)
Local taxation - Business rates surplus	0	(43,863)	(45,208)	(46,655)	(47,821)	(49,303)
Local taxation	(580,026)	(594,283)	(617,042)	(632,590)	(651,357)	(670,949)
UK Government grants	(915,935)	(923,039)	(907,094)	(902,948)	(903,232)	(904,361)
Other bodies grants	(13,170)	(17,219)	(17,274)	(17,330)	(17,388)	(17,446)
Fees & charges	(74,671)	(79,355)	(80,083)	(81,089)	(82,117)	(82,342)
Property income	(3,880)	(4,125)	(4,387)	(4,483)	(4,582)	(4,683)
Income from investment	(992)	(594)	(222)	(97)	(44)	(5,166)
Joint working income	(12,232)	(15,739)	(15,940)	(16,107)	(16,254)	(16,401)
Reimbursements and recovery of costs	(27,340)	(25,905)	(20,917)	(22,003)	(22,491)	(22,872)
Total funding	(1,628,246)	(1,660,259)	(1,662,959)	(1,676,647)	(1,697,465)	(1,724,219)
Expenditure						
Service staffing	297,569	302,531	306,476	307,003	310,566	314,330
Service non-staffing	828,660	858,838	840,455	855,616	872,871	895,861
Schools - net expenditure	518,856	521,855	516,028	514,028	514,028	514,028
Total expenditure	**1,645,085**	**1,683,224**	**1,662,959**	**1,676,647**	**1,697,465**	**1,724,219**
less non government grant income	(132,285)	(142,937)	(138,823)	(141,109)	(142,876)	(148,910)
Revenue budget	1,512,800	1,540,287	1,524,145	1,535,547	1,554,599	1,575,320
less specific grant and local taxation income	(1,495,961)	(1,517,323)	(1,524,145)	(1,535,547)	(1,554,599)	(1,575,320)
Funded by reserves	**16,839**	**22,965**	**0**	**0**	**0**	**0**

Income & Expenditure by Category

	2012/13 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s
Funding	(1,628,246)	(1,660,259)	(1,662,959)	(1,676,647)	(1,697,465)	(1,724,219)
Budgets						
Adults Social Care	390,632	403,061	414,110	431,292	449,262	473,389
Children, Schools & Families	325,529	324,761	333,871	339,057	336,990	345,790
Schools Delegated Budgets	518,856	521,855	516,028	514,028	514,028	514,028
Customer & Communities	83,976	82,876	85,218	88,008	87,310	89,674
Environment & Infrastructure	135,526	142,804	145,643	143,298	146,751	150,776
Public Health		26,537	29,191	32,110	35,321	38,853
Change & Efficiency	96,704	96,219	97,491	98,039	101,030	104,305
Chief Executive Office	14,311	16,054	14,852	14,350	14,661	14,980
Policy Initiatives	1,508					
Central Income & Expenditure	78,044	69,057	73,152	70,419	74,451	72,297
Additional savings			-46,597	-53,954	-62,339	-79,873
Total	1,645,086	1,683,224	1,662,959	1,676,647	1,697,465	1,724,219
Funded by reserves savings	16,840	22,965	0	0	0	0

Government Grants

13/14 Grants	ASC £'000s	CSF £'000s	Schools £'000s	C&C £'000s	E&I £'000s	PH £'000s	CAE £'000s	CIE £'000s	13/14 £'000s
Core funding									
Business Rates Retention								**210,276**	**210,276**
Dedicated School Grant		107,618	482,177					3,991	**593,786**
Dedicated School Grant - 12/13 c/f		1,119	5,827						**6,946**
Total Dedicated schools grant	**0**	**108,737**	**488,004**	**0**	**0**	**0**	**0**	**3,991**	**600,732**
ACL, Skills Funding Agency				2,446					**2,446**
Area of ONB					137				**137**
Asylum Seekers		1,640							**1,640**
Education Funding Agency (YPLA)			19,331						**19,331**
Pupil Premium		529	14,520						**15,049**
Bikeability					240				**240**
Community right to challenge (£9,000)								9	**9**
Education Support Grant								16,600	**16,600**
Extended rights to travel		567			268				**835**
Fire pensions				6,769					**6,769**
Fire revenue grant				379					**379**
GUM services									**0**
Lead local flood authority					375				**375**
Local Reform and Community Voices Dept Health revenue grant	700								**700**
Local Sustainable Transp. Fund (large bid)					1,725				**1,725**
Local Sustainable Transp. Fund (std)					750				**750**
Music Grant				1,043					**1,043**
New Homes Bonus								2,825	**2,825**
New Homes Bonus - top slice								855	**855**
PFI								11,900	**11,900**
Public health						23,237			**23,237**
Registration Deaths				21					**21**
Right to Control	165								**165**
SEN Pathfinder		165							**165**
Social fund (incl. Administration)							1,162		**1,162**
South East Protected Landscape grant					33				**33**
Troubled Families		879							**879**
Youth Justice Board		896							**896**
Total other grants	**865**	**4,676**	**33,851**	**10,658**	**3,528**	**23,237**	**1,162**	**32,189**	**110,166**
13/14 UK Government grants	**865**	**113,413**	**521,855**	**10,658**	**3,528**	**23,237**	**1,162**	**246,456**	**921,174**
From the Balance Sheet:									
Social Care Reform grant	1,865								**1,865**
Total UK Government grants	**2,730**	**113,413**	**521,855**	**10,658**	**3,528**	**23,237**	**1,162**	**246,456**	**923,039**

Adults Social Care

Strategic Director: Sarah Mitchell
Strategic Finance Manager: Paul Carey-Kent

A.3.5. The Directorate faces pressures of £182m (£186m of movements, some of which are covered by new external funding) over the five year planning period, due mainly to the expected impact of increased numbers of people receiving services (£97m), inflation (£47m), the need to replace one-off savings (£15m) and a prudent view being taken of the possibility of a funding shortfall arising from the Government's planned implementation of reforms following on from the Dilnot Report (£20m). In that context, ASC is grateful for the additional corporate support proposed in 2013-14, which would reduce the savings requirement from £57m (were savings required to match all the pressures identified) to £44.5m in the first year of the strategy. The position remains extremely challenging, as the savings needed in 2013/14 are significantly greater than those required by the previous three years' budgets (£32m + £28m + £28m). However, the Directorate's success in 2010-13 does indicate that substantial savings can be made while the Directorate’s performance continues to improve.

A.3.6. In practice, the main impact of the savings actions planned should be to reduce the effect of those pressures. A whole suite of measures is in place designed to prevent the cost and intensity of care needs from rising: to re-able those who do require help so that long term care is not needed; to review existing packages to ensure that the most cost-effective and personalised care is in place; to minimise the cost of new packages by applying personalisation in a more creative way; and to make the best of partnership working to reduce the Council's costs. Given the scale of the challenge, sharp monitoring mechanisms are being developed at locality and county levels to help see these actions through. It is hoped that inflation can be minimised (as it has been in 2010-13) by developing joint commissioning approaches with our contracting partners. It is also critical to work closely with the NHS to obtain best value from the new structures which come into place from 1 April 2013.

A.3.7. Overall then, it is expected that spending will be considerably less than it would have been had no such actions been in place. Plans will continue to be overseen by an Implementation Board including a wide range of partner organisations and jointly chaired by the Cabinet Member for Adult Social Care and the Chairman of the Surrey Coalition, a consultative approach which has worked well to date.

Adults Social Care

Draft Income & Expenditure category summary

	2012/13 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s
Funding						
UK Government grants	0	(2,730)	(700)	(700)	(700)	(700)
Other bodies grants	(10,161)	(14,297)	(14,297)	(14,297)	(14,297)	(14,297)
Fees & charges	(37,800)	(37,800)	(37,800)	(37,800)	(37,800)	(37,800)
Property income:	0	0	0	0	0	0
Income from investment	0	0	0	0	0	0
Joint working income	(9,361)	(8,439)	(8,439)	(8,439)	(8,439)	(8,439)
Reimbursements and recovery of costs	(1,806)	(1,806)	(1,806)	(1,806)	(1,806)	(1,806)
Total funding	**(59,128)**	**(65,072)**	**(63,042)**	**(63,042)**	**(63,042)**	**(63,042)**
Expenditure						
Service staffing	71,943	73,765	74,072	73,695	73,301	73,167
Service non-staffing	318,689	329,296	340,038	357,597	375,961	400,222
Schools - net expenditure	0	0	0	0	0	0
Total expenditure	**390,632**	**403,061**	**414,110**	**431,292**	**449,262**	**473,389**
Less non government grant income	(59,128)	(62,342)	(62,342)	(62,342)	(62,342)	(62,342)
Revenue budget	**331,504**	**340,719**	**351,768**	**368,950**	**386,920**	**411,047**
Less specific grant income	0	(2,730)	(700)	(700)	(700)	(700)
Net Budget supported by Council Tax and general government grants	**331,504**	**337,989**	**351,068**	**368,250**	**386,220**	**410,347**

Draft service summary

	2012/13 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s
Funding	(59,128)	(65,072)	(63,042)	(63,042)	(63,042)	(63,042)
Expenditure by service:						
Personal Care & Support	291,294	297,980	308,221	325,315	343,196	366,724
Service Delivery	20,256	20,499	20,996	20,598	20,194	19,794
Transformation	2,167	3,135	3,034	3,099	3,162	3,227
Commissioning	75,258	78,753	79,113	79,482	79,860	80,742
Strategic Director	1,657	2,694	2,746	2,798	2,850	2,902
	390,632	403,061	414,110	431,292	449,262	473,389
Adults Social Care	**331,504**	**337,989**	**351,068**	**368,250**	**386,220**	**410,347**

Children, Schools & Families and Delegated Schools

Strategic Director: Nick Wilson
Strategic Finance Manager: Paula Chowdhury

Budget 2013/14

A.3.8. The base revenue expenditure budget for the Children, Schools and Families Directorate in 2012/13 is £289m and in 2013/14 the proposed budget is £288m, giving an overall net reduction of £1m.

A.3.9. This overall budget for 2013/14 includes increased funding of £19.1m for service pressures:

- £10.4m newly defined service requirements for the Directorate eg nursery provision for two year olds; Lifelong Learners with Disabilities and Difficulties (LLDD) transfer and a more defined role for local authorities around school improvement responsibilities.
- £4.1m around specific demand led service pressures, particularly the increase in numbers of children subject to a child protection plan and requiring services. These numbers have increased by 47% since the start of 2011 and have been a significant budget pressure throughout 2012/13, despite the unit costs reducing. The other demand led budgets affected by increasing demographics is around Special Educational Needs.
- £4.6m for general inflation, pay inflation, adjustment of carry forward funding and general demographic growth.

A.3.10. The Directorate also has included in their budget a savings target for 2013/14 of £9.7m. This has been allocated to each of the individual services – Schools and Learning £7m; Children's Services £2.2m and Services for Young People £0.5m.

A.3.11. The 2013/14 Directorate budget of £288m also includes funding reductions of £10.9m, which are mainly as a result of Dedicated Schools Grant delegation of budgets from being centrally managed to schools, plus other grant changes.

A.3.12. The schools delegated base revenue budget in 2012/13 is £519m and in 2013/14 is proposed at £522m. The total Children, Schools and Families budget for 2013/14 is £810m, compared to £808m in 2012/13.

Medium Term Financial Plan 2013-18

A.3.13. Over the five year period of the MTFP, the Directorate is anticipating budget pressures to continue around increasing child protection numbers, increasing pressure on demand led budgets and general demographic increases. Service pressures will be exacerbated as the welfare reforms are introduced and potentially more vulnerable families go into crisis.

A.3.14. School improvement is becoming an increasing issue for local authorities despite the overall funding reducing. In the new framework the old category of "satisfactory" has been replaced by a new designation of "requires improvement". The implication of this is that Surrey now needs to support around 100 schools in making urgent improvements rather than the current 15-20. This is a very significant increase in work and funding of £1.9m has been requested as part of the budget proposals.

A.3.15. The Directorate has made savings of over £41m over the last three years whilst facing the challenge of a further £29m savings over the next five years. It is expected that this target will increase over the period, due to further funding and policy changes from central government. The Directorate has recognised these challenges and has established a Public Value Programme to research and identify efficiency savings and reductions across the Directorate. The focus of this work will be around reviewing - Early Help strategies and strengthening the preventative services; disability services and support for families with complex needs. Part of this work will be about strengthening partnership working with Health, Boroughs and Districts, the Police and the voluntary sector, maximising local resources through joint commissioning, joint working practices and community budgets.

Draft Income & Expenditure category summary

	2012/13 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s
Funding						
Dedicated Schools Grant	(108,721)	(108,737)	(106,237)	(106,237)	(106,237)	(106,237)
Other UK Government grants	(6,498)	(4,676)	(4,441)	(3,797)	(3,797)	(3,797)
Fees & charges	(27,241)	(27,692)	(28,191)	(28,981)	(29,787)	(29,787)
Property income						
Income from investment						
Joint working income						
Reimbursements and recovery of costs	(8,939)	(9,165)	(9,415)	(9,415)	(9,415)	(9,415)
Total funding	**(151,399)**	**(150,270)**	**(148,284)**	**(148,430)**	**(149,236)**	**(149,236)**
Expenditure						
Service staffing	100,561	102,451	104,495	104,404	106,530	108,730
Service non-staffing	224,968	222,310	229,376	234,653	230,460	237,060
Schools - net expenditure						
Total expenditure	**325,529**	**324,761**	**333,871**	**339,057**	**336,990**	**345,790**
Less non government grant income	(36,180)	(36,857)	(37,606)	(38,396)	(39,202)	(39,202)
Revenue budget	**289,349**	**287,904**	**296,265**	**300,661**	**297,788**	**306,588**
Less specific grant income	(115,219)	(113,413)	(110,678)	(110,034)	(110,034)	(110,034)
Net Budget supported by Council Tax and general government grants	**174,130**	**174,491**	**185,587**	**190,627**	**187,754**	**196,554**

Draft service summary

	2012/13 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s
Funding	(151,399)	(150,270)	(148,284)	(148,430)	(149,236)	(149,236)
Expenditure by service:						
Children's Service	83,217	86,338	91,089	93,971	95,881	98,373
Schools & Learning	219,640	214,579	219,237	223,722	227,774	233,615
Services for Young People	17,797	20,652	20,547	18,969	15,397	15,815
Strategy & Central Resources	4,875	3,192	2,998	2,395	-2,062	-2,013
	325,529	324,761	333,871	339,057	336,990	345,790
Children, Schools & Families	**174,130**	**174,491**	**185,587**	**190,627**	**187,754**	**196,554**

Delegated Schools

Income & Expenditure category summary

	2012/13 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s
Funding						
UK Government grants	(518,856)	(521,855)	(516,028)	(514,028)	(514,028)	(514,028)
Total funding	**(518,856)**	**(521,855)**	**(516,028)**	**(514,028)**	**(514,028)**	**(514,028)**
Expenditure						
Schools - net expenditure	**518,856**	**521,855**	**516,028**	**514,028**	**514,028**	**514,028**
Total expenditure	**518,856**	**521,855**	**516,028**	**514,028**	**514,028**	**514,028**
Net Budget supported by Council Tax and general government grants	**0**	**0**	**0**	**0**	**0**	**0**

Customer & Communities

Strategic Director: Yvonne Rees
Strategic Finance Manager: Susan Smyth

A.3.16. The Directorate faces pressures of £8.5m over the five year planning period, predominately due to expected inflation of £7.5m which need to be covered by efficiency actions. There are no significant volume changes expected. In addition there are expected increases in grant funded Fire pension expenditure of £3.5m. Savings of £4.1m are planned over the five year period.

A.3.17. The Fire Service is continuing to implement the Public Safety Plan on a phased basis and the budget has been rebased upon an improved understanding of service pressures and changes to the timing at which savings are assessed as achievable, and to also reflect expected grant funded Fire pension increases. In response to the West Sussex withdrawal from Horley Fire Station, £0.13m has been included to allow for a temporary solution pending the results of the consultation on fire cover within the area. A one off allocation of £0.4m for the innovative contingency crewing pilot and funding of £0.4m over two years for interim arrangements to facilitate property rationalisations have also been added. There are planned savings of £2.4m resulting from property rationalisations linked to capital investment, £0.5m from implementing staff agency arrangements and additional income generation of £0.7m. Contributions to the Fire Vehicle and Equipment Replacement Reserve reduce by £2.0m over a four year period, as a result of expenditure being funded by government grant, which has helped to fund overall pressures.

A.3.18. Across the rest of Customers and Communities, planned savings and increased income of £1.3m from the previous MTFP remain on track as planned. Additional budget of £0.4m has been added to fund a team to aid economic growth building upon the Olympic Legacy. The Community Infrastructure Fund, used to award grants to community groups has been increased by £0.3m in 2013/14.

Customer & Communities

Draft Income & Expenditure category summary

	2012/13 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s
Funding						
UK Government grants	(10,727)	(10,658)	(12,274)	(14,900)	(13,284)	(14,512)
Other bodies grants	(3,009)	(2,922)	(2,977)	(3,033)	(3,091)	(3,149)
Fees & charges:	(9,273)	(9,135)	(9,230)	(9,325)	(9,422)	(9,519)
Property income:						
Income from investment						
Joint working income		(280)	(283)	(286)	(289)	(292)
Reimbursements and recovery of costs	(1,114)	(531)	(554)	(791)	(1,063)	(1,223)
Total funding	**(24,123)**	**(23,526)**	**(25,318)**	**(28,335)**	**(27,149)**	**(28,695)**
Expenditure						
Service staffing	57,043	57,323	58,350	58,310	58,943	59,358
Service non-staffing	26,933	25,553	26,868	29,698	28,367	30,316
Schools - net expenditure						
Total expenditure	**83,976**	**82,876**	**85,218**	**88,008**	**87,310**	**89,674**
Less non government grant income	(13,396)	(12,868)	(13,044)	(13,435)	(13,865)	(14,183)
Revenue budget	**70,580**	**70,008**	**72,174**	**74,573**	**73,445**	**75,491**
Less specific grant income	**(10,727)**	**(10,658)**	**(12,274)**	**(14,900)**	**(13,284)**	**(14,512)**
Net Budget supported by Council Tax and general government grants	**59,853**	**59,350**	**59,900**	**59,673**	**60,161**	**60,979**

Draft service summary

	2012/13 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s
Funding	(24,123)	(23,526)	(25,318)	(28,335)	(27,149)	(28,695)
Expenditure by service:						
Fire Service	45,428	45,751	47,716	49,780	48,332	49,932
Cultural Services	24,932	24,992	25,502	25,999	26,515	27,042
Customer Services	4,159	4,010	4,088	4,172	4,257	4,341
Trading Standards	2,540	2,480	2,531	2,581	2,633	2,687
Community Partnership & Safety	2,758	3,476	3,277	3,330	3,384	3,440
Directorate Support	4,159	2,167	2,104	2,146	2,189	2,232
	83,976	82,876	85,218	88,008	87,310	89,674
Customer & Communities	**59,853**	**59,350**	**59,900**	**59,673**	**60,161**	**60,979**

Environment & Infrastructure
Strategic Director: Trevor Pugh
Strategic Finance Manager: Tony Orzieri

2013/14 budget

A.3.19. Environment & Infrastructure faces pressures and growth of £5.7m in 2013/14 (net of funding changes), primarily inflation of £4.8m across all budgets including waste disposal, highways and local bus contracts. Two additional pressures are anticipated – the cost of replacing bus services previously operated by Countryliner (£0.3m) and costs of operating the concessionary fares travel scheme for the elderly and disabled (£0.3m) due to increased patronage and fares.

A.3.20. These pressures are offset by planned savings of £6.2m in 2013/14 (in addition to £10.6m expected to be made in 2012/13). These include savings from the ongoing "one team" organisational review (£1m), contract reviews (£0.8m), waste disposal (£0.6m) and savings from PVRs and the bus review (£0.4m). In addition a number of one-off savings will be made in 2013/14 while medium term strategies for delivering further sustainable savings are developed. These one off savings include use of accumulated parking income of £2.6m and other one off reductions to spend of £0.6m which includes ensuring that one-off grants are fully utilised against planned expenditure and that the Surrey Growth Fund budget remains at the level budgeted in the current year (2012/13). Where possible the impacts of these reductions will be mitigated through the use of income or developer money.

2013-18 budget

A.3.21. Over the 5 year period to 2017/18 Environment & Infrastructure faces pressures and growth of £19m, primarily inflation of £24m across the Directorate, offset by the reversal of one-off or time-limited grant expenditure and prior year funding. Work is ongoing to finalise the waste disposal contract variation and to take account of waste volume changes, and at this stage financial impacts are unclear and are therefore not reflected in this budget.

A.3.22. Over the same period savings of £7.6m are planned, plus one-off savings of £3.2m during 2013/14 explained above. Savings in Highways will rise to £3.5m by 2017/18 through efficiencies and additional income (including collaboration with SE7 partners, reducing insurance risks, improved management and recycling of waste materials, moving from reactive to planned maintenance). Environment will make savings of £1.7m by 2017/18 including by extracting value from recycled materials, reducing reliance on specialist advisors, reducing spend on waste minimisation and reviewing and reducing countryside expenditure. Savings will also be made through the one team organisational review (£1.8m) and review of bus services (£0.3m) and contract costs (£0.4m).

A.3.23. Further waste disposal efficiencies are planned in the medium term, in collaboration with partners across the Surrey Waste Partnership and SE7, by adopting a more consistent and efficient approach to disposal and recycling and taking advantage of new technologies and business models.

Environment & Infrastructure

Draft Income & Expenditure category summary

	2012/13 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s
Funding						
UK Government grants	(1,033)	(3,528)	(3,692)	(1,053)	(1,053)	(1,053)
Other bodies grants						
Fees & charges		(4,396)	(4,522)	(4,636)	(4,753)	(4,874)
Property income						
Income from investment						
Joint working income		(4,037)	(4,122)	(4,213)	(4,306)	(4,400)
Reimbursements and recovery of costs	(9,944)	(5,448)	(3,245)	(3,819)	(3,906)	(3,994)
Total funding	**(10,977)**	**(17,409)**	**(15,581)**	**(13,721)**	**(14,018)**	**(14,321)**
Expenditure						
Service staffing	22,355	21,203	21,132	21,181	21,487	21,917
Service non-staffing	113,171	121,601	124,511	122,117	125,264	128,859
Schools - net expenditure						
Total expenditure	**135,526**	**142,804**	**145,643**	**143,298**	**146,751**	**150,776**
Less non government grant income	(9,944)	(13,881)	(11,889)	(12,668)	(12,965)	(13,268)
Revenue budget	**125,582**	**128,923**	**133,754**	**130,630**	**133,786**	**137,508**
Less specific grant income	**(1,033)**	**(3,528)**	**(3,692)**	**(1,053)**	**(1,053)**	**(1,053)**
Net Budget supported by Council Tax and general government grants	**124,549**	**125,395**	**130,062**	**129,577**	**132,733**	**136,455**

Draft service summary

	2012/13 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s
Funding	(10,977)	(17,409)	(15,581)	(13,721)	(14,018)	(14,321)
Expenditure by service:						
Environment	61,024	64,301	64,834	62,231	62,479	64,336
Highways	47,892	49,303	50,747	53,159	55,353	56,628
Economy, Transport & Planning	26,264	29,855	30,313	28,537	29,418	30,319
Directorate costs & savings (to be allocated)	346	-655	-251	-629	-499	-507
	135,526	142,804	145,643	143,298	146,751	150,776
Environment & Infrastructure	124,549	125,395	130,062	129,577	132,733	136,455

Public Health

Director of Public Health: Akeem Ali
Strategic Finance Manager: Paul Carey-Kent

A.3.24. The Health and Social Care Act 2012 transfers substantial health improvement duties to local authorities from 2013/14, funded by a ring-fenced specific grant based on estimates of historic spending from NHS Surrey. The budget is drafted in accordance with the £23.2m grant allocation. This is designed to cover all the services transferring from the PCT, however the Department of Health have recognised that £3.3m of Genito-Urinary Medicine (GUM) Services have been incorrectly excluded from the grant and we are therefore approaching our local Clinical Commissioning Group (CCG) partners for this funding. Discussions will proceed on this basis, and a balanced budget position will be finalised within the resources available when the outcome is known.

A.3.25. In the medium term the expected 10% growth in funding each year should enable us to deal with volume and price issues, whilst recognising that there is a growing demand for Public health services and that there has been historic underfunding of Public health services in Surrey which needs to be rectified.

A.3.26. For 2013/14 and 2014/15 the budget will fund the council’s new public health responsibilities including:

- The transfer of specialist public health staff from the NHS to local authorities
- The six mandatory service areas as outlined Health Lives Healthy People (DH,2011):

    1. Commissioning appropriate access to sexual health services
    2. Commissioning the NHS Health Check programme
    3. Commissioning the health child programme 5-19 years
    4. Commissioning the national child measurement programme
    5. Ensuring that plans are in place to protect the population’s health
    6. Ensuring NHS commissioners receive the public health advice they need

- Commissioning of 15 discretionary services guided by local needs such as tobacco control, substance misuse services, obesity initiatives and accidental injury prevention as outlined in Health Lives Healthy People (DH, 2011).

A.3.27. In 2015 responsibility for services for children under the age of 5 will transfer to Local Authorities including health visiting, the healthy child programme and family nurse partnership. The expectation is that the budget currently allocated to these services will come to Local Authorities.

Draft Income & Expenditure category summary

	2012/13 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s
Funding						
UK Government grants [1]		(23,237)	(29,191)	(32,110)	(35,321)	(38,853)
Reimbursements and recovery of costs [2]		(3,300)				
Total funding		**(26,537)**	**(29,191)**	**(32,110)**	**(35,321)**	**(38,853)**
Expenditure						
Service staffing		**2,727**	**2,782**	**2,838**	**2,895**	**2,953**
Service non-staffing		**23,810**	**26,409**	**29,272**	**32,426**	**35,900**
Total expenditure	0	**26,537**	**29,191**	**32,110**	**35,321**	**38,853**
Less non government grant income	0	**(3,300)**	**0**	**0**	**0**	**0**
Revenue budget	0	**23,237**	**29,191**	**32,110**	**35,321**	**38,853**
Less specific grant income	0	**(23,237)**	**(29,191)**	**(32,110)**	**(35,321)**	**(38,853)**
Net Budget supported by Council Tax and general government grants	0	**0**	**0**	**0**	**0**	**0**

Draft service summary

	2012/13 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s
Funding	0	(26,537)	(29,191)	(32,110)	(35,321)	(38,853)
Expenditure by service:						
Public Health		26,537	29,191	32,110	35,321	38,853
Public Health	0	0	0	0	0	0

Notes:

1. The grant for Public Health has been announced for 2013/14 and 014/15. It is assumed that following current government policy the funding will increase by 10% each year after this.
2. In 2013/14 £3.3m of GUM funding has been allocated to CCG's by the DoH. Public Health will work with local partners in 2013/14 to access this funding and work to adjust the funding for 2014/15

Change and Efficiency
Strategic Director: Julie Fisher
Strategic Finance Manager: Susan Smyth

A.3.28. Savings of £6.6 m will be delivered over the five years by delivering transformational change. Over the longer term, the Directorate will focus on delivering services and procuring services in partnership to drive efficiencies through economies of scale and securing improved commercial arrangements with suppliers. Partnership working is already helping to achieve savings. The Directorate will continue to develop its business support offer to other organisations, examples include the recent agreement to provide transactional and IT services to East Sussex. The Directorate will also seek to provide professional consultancy services such as human resources and procurement, through to specialised services including treasury and insurance services. Savings will be monitored throughout the year during regular cabinet member briefings and quarterly accountability meetings.

Draft Income & Expenditure category summary

	2012/13 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s
Funding						
UK Government grants		(1,162)	(1,145)	(1,145)	(1,145)	(1,145)
Fees & charges	(195)	(197)	(202)	(206)	(211)	(215)
Property income	(3,880)	(4,125)	(4,387)	(4,483)	(4,582)	(4,683)
Joint working income	(2,850)	(2,962)	(3,074)	(3,147)	(3,197)	(3,247)
Reimbursements and recovery of costs	(5,074)	(5,184)	(5,417)	(5,682)	(5,800)	(5,923)
Total funding	**(11,999)**	**(13,630)**	**(14,225)**	**(14,663)**	**(14,935)**	**(15,213)**
Expenditure						
Service staffing	35,817	35,453	35,970	36,687	37,355	38,116
Service non-staffing	60,887	60,766	61,521	61,352	63,675	66,189
Total expenditure	**96,704**	**96,219**	**97,491**	**98,039**	**101,030**	**104,305**
Less non government grant income	(11,999)	(12,468)	(13,080)	(13,518)	(13,790)	(14,068)
Revenue budget	**84,705**	**83,751**	**84,411**	**84,521**	**87,240**	**90,237**
Less specific grant income	0	(1,162)	(1,145)	(1,145)	(1,145)	(1,145)
Net Budget supported by Council Tax and general government grants	**84,705**	**82,589**	**83,266**	**83,376**	**86,095**	**89,092**

Change & Efficiency

Draft service summary

	2012/13 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s
Funding	(11,999)	(13,630)	(14,225)	(14,663)	(14,935)	(15,213)
Expenditure by service:						
Property Services	39,997	40,121	40,732	40,483	42,077	43,810
Information Management & Technology	24,415	23,211	23,732	24,216	24,733	25,261
Finance	10,237	10,346	10,782	11,185	11,696	12,250
HR & Organisational Development	11,374	10,905	10,978	11,056	11,286	11,521
Shared Services	5,546	6,654	6,764	6,895	7,032	7,174
Procurement	3,135	3,184	3,246	3,310	3,377	3,444
Transformational Change	2,000	1,798	1,257	894	829	845
	96,704	96,219	97,491	98,039	101,030	104,305
Change & Efficiency	**84,705**	**82,589**	**83,266**	**83,376**	**86,095**	**89,092**

Chief Executive Office

Asst Chief Executive: Susie Kemp
Strategic Finance Manager: Susan Smyth

A.3.29. The Directorate faces ongoing pressures of £1.7m over the 5 year planning period. This is predominately due to expected inflation of £1.5m, but also £0.4m has been added to the Legal budget to reflect the increased costs due to both the number and complexity of child protection cases. These pressures are offset slightly by the removal of one off budgets in relation to the Superfast broadband project and Jubilee celebrations. A one off increase of £1.5m has been added to the 2013/14 budget to fund the estimated cost of holding County Council elections.

A.3.30. Savings of £1.0m are planned over the five year period. Of this £0.2m was achieved early during 2012/13 and is reflected within the 2013/14 budget. £0.8m is planned for 2015/16 through a reconfiguration of the directorate. This will require a significant change to the operation and design of the directorate.

Draft Income & Expenditure category summary

	2012/13 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s
Funding						
UK Government grants						
Other bodies grants						
Fees & charges	(162)	(135)	(138)	(141)	(144)	(147)
Property income:						
Income from investment						
Joint working income	(21)	(21)	(22)	(22)	(23)	(23)
Reimbursements and recovery of costs	(463)	(471)	(480)	(490)	(501)	(511)
Total funding	**(646)**	**(627)**	**(640)**	**(653)**	**(668)**	**(681)**
Expenditure						
Service staffing	8,897	9,183	9,363	9,546	9,737	9,931
Service non-staffing	5,414	6,871	5,489	4,804	4,924	5,049
Schools - net expenditure						
Total expenditure	**14,311**	**16,054**	**14,852**	**14,350**	**14,661**	**14,980**
Less non government grant income	(646)	(627)	(640)	(653)	(668)	(681)
Revenue budget	**13,665**	**15,427**	**14,212**	**13,697**	**13,993**	**14,299**
Less specific grant income	0	0	0	0	0	0
Net budget supported by Council Tax and general government grants	**13,665**	**15,427**	**14,212**	**13,697**	**13,993**	**14,299**

Draft service summary

	2012/13 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s
Funding	(646)	(627)	(640)	(653)	(668)	(681)
Expenditure by service:						
Chief Executive Office	494	472	481	491	501	511
Re-configuration of CEO Directorate	0	0	0	-800	-800	-800
Emergency Management	521	499	511	519	530	540
Communications	1,883	1,882	1,918	1,961	2,011	2,043
Legal & Democratic	7,836	9,899	8,572	8,740	8,919	9,104
Policy & Performance	3,577	3,302	3,370	3,439	3,500	3,582
	14,311	**16,054**	**14,852**	**14,350**	**14,661**	**14,980**
Chief Executive Office	13,665	15,427	14,212	13,697	13,993	14,299

Central Income & Expenditure

Strategic Director: Julie Fisher
Deputy Chief Finance Officer: Kevin Kilburn

A.3.31. The Central Income and Expenditure budget provides for items of income and expenditure that are not directly related to service provision, or are as a result of past decisions. This budget supports the council's corporate priorities by providing the resources to ensure the provision of the council's capital programme and has a sound financial standing both now and in the future. This is achieved through the use of the Risk Contingency budget and the long term stability of the pension fund.

A.3.32. The gross expenditure under this budget has reduced by £9m to £69m for the 2013/14 financial year. A significant part of this reduction - £11.8m – is due to the planned reversal of one-off budget items included in the 2012/13 budget. These include revenue contribution to the Invest to Save budget, which is now a standalone fund; a one contribution to the capital programme, and contributions to the council's earmarked reserves. In reviewing its treasury management policy, the council has reduced the minimum amount of cash it must hold and the estimated life of its new assets. Overall this has led to a saving of £3.4m.

A.3.33. On 1 April 2013 council is required by the Pensions Act 2008 to ensure that all its employees are enrolled into one of its pension schemes. Individuals will then be able to voluntarily leave the scheme. Although the number of employees remaining in the scheme cannot be forecast accurately, the council estimates that the cost of this will be around £1m.

A.3.34. The council holds a risk contingency budget to cover for savings and reductions not being made in full. The 2012-17 MTFP included £8m for the 2013/14 financial year, but with the increased level of savings and greater uncertainty around funding, this is being increased to £13m. This increase will be funded from the Budget Equalisation Reserve.

A.3.35. For the remainder of the five year plan the central income and expenditure budgets increases to £72m. This increase reflects two significant pressures. The first is the revenue financing of the council's capital programme, and the second is the impact of the triennial actuarial review of the pension fund. This is estimated to increase the employer contributions by £5m from 2014/15.

Central Income & Expenditure

Draft Income & Expenditure category summary

	2012/13 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s
Funding						
Local taxation - Council Tax	(580,026)	(550,429)	(571,843)	(585,944)	(603,546)	(621,656)
Local taxation - Business Rates		(43,863)	(45,208)	(46,655)	(47,821)	(49,303)
UK Government grants	(270,100)	(246,456)	(233,386)	(228,978)	(227,667)	(224,036)
Other bodies grants						
Fees & Charges:						
Property income:						
Income from investment	(992)	(594)	(222)	(97)	(44)	(5,166)
Joint working income						
Reimbursements and recovery of costs						
Total funding	**(851,118)**	**(841,342)**	**(850,659)**	**(861,674)**	**(879,078)**	**(900,161)**
Expenditure						
Service staffing	953	426	312	342	318	158
Service non-staffing	77,090	68,631	72,840	70,077	74,133	72,138
Schools - net expenditure						
Total expenditure	**78,043**	**69,057**	**73,152**	**70,419**	**74,451**	**72,296**
Less non government grant income	(992)	(594)	(222)	(97)	(44)	(5,166)
Revenue budget	**77,051**	**68,463**	**72,930**	**70,322**	**74,407**	**67,130**
Less specific grant income	(850,126)	(840,748)	(850,437)	(861,577)	(879,034)	(894,995)
Net budget supported by Council Tax and general government grants	**(773,075)**	**(772,285)**	**(777,507)**	**(791,255)**	**(804,627)**	**(827,865)**

Draft service summary

	2012/13 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s
Funding	(851,118)	(841,342)	(850,659)	(861,674)	(879,078)	(900,161)
Expenditure by service						
Protected salaries & relocation	953	426	312	342	318	158
Pensions back funding	8,606	8,606	8,787	8,980	9,178	9,380
Redundancy & compensation	4,781	4,360	3,652	3,831	3,679	2,716
Invest to save	3,800	0	0	0	0	0
Risk contingencies	9,000	13,000	8,000	8,000	8,000	8,000
Changes to pension fund contributions	0	1,000	6,000	6,000	6,000	6,000
Land drainage precept	973	1,047	1,149	1,256	1,369	1,488
Contribution to/from reserves	9,229	3,597	4,183	-668	1,124	-656
Revenue Contribution to Capital Expenditure	2,000	0	0	0	0	0
Interest payable	16,073	15,983	16,944	17,700	19,347	19,386
Minimum Revenue Provision (MRP)	22,628	21,038	24,125	24,978	25,436	25,824
	78,043	69,057	73,152	70,419	74,451	72,296
Central Income and Expenditure	**(773,075)**	**(772,285)**	**(777,507)**	**(791,255)**	**(804,627)**	**(827,865)**

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		2013/14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s	MTFP 2013-18 Total £000s
Schools basic need							
CAE / Schools	Schools basic need	72,387	79,584	61,498	47,849		261,318
Recurring programmes							
ASC	Major adaptations	700	700	700	700	700	3,500
C&C	Fire vehicles & equipment reserve	1,652	2,284	1,190	1,368	2,018	8,512
C&C	Local Committee allocation	385	385	385	385	385	1,925
CEO	Community Building Grant scheme	150	150	150	150	150	750
CSF	Adaptations for children with disabilities	299	299	299	299	299	1,495
CSF	Foster carer grants	300	300	300	300	300	1,500
CSF	Schools devolved formula capital (ring-fenced grant) [1]	2,231	2,231	2,231	2,231	2,231	11,155
E&I	Highway maintenance	26,018	26,018	26,018	26,018	26,018	130,090
E&I	Bridge strengthening	2,076	1,956	1,956	1,956	1,956	9,900
E&I	Flooding & drainage	776	776	776	776	776	3,880
E&I	Local transport schemes	4,000	4,000	4,000	4,000	4,000	20,000
E&I	Maintenance at closed landfill sites	100	100	100	100	100	500
E&I	Rights of Way and byways	85	85	85	85	85	425
E&I	Road safety schemes	200	200	200	200	200	1,000
E&I	Safety barriers	256	256	256	256	256	1,280
E&I	Traffic signal replacement	550	550	550	550	550	2,750
E&I	Economic regeneration projects	1,000	1,000	1,000	1,000	1,000	5,000
CAE / Schools	Carbon reduction - Schools [1]	3,332	3,332	3,332	3,332	3,332	16,660
CAE / Schools	Schools - Disability Discrimination Act	447	456	466	477	487	2,333
CAE / Schools	Schools capital maintenance, inc.childrens centres [1]	10,328	10,328	10,328	10,328	10,328	51,640
CAE	Carbon reduction - Corporate	1,162	1,186	1,212	1,239	1,264	6,063
CAE	Fire risk assessments	358	365	373	382	390	1,868
CAE	Minor works/disability access	175	178	182	186	190	911
CAE	Non schools structural maintenance	5,454	5,526	5,604	5,683	5,797	28,064
CAE	IT Equipment Replacement Reserve	500	3,285	2,980	992	2,725	10,482
Total recurring programmes		**62,534**	**65,946**	**64,673**	**62,993**	**65,537**	**321,683**

		2013/14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s	MTFP 2013-18 Total £000s
Projects							
CAE / E&I	Basingstoke Canal Improvements	500	500	500	500		2,000
CAE / C&C	Cultural Services	150		1,250			1,400
CAE / C&C	Fire Station reconfiguration	2,000	4,500	3,500			10,000
CAE / C&C	Fire Stations minor works	200	200	200			600
CAE / C&C	Guildford Fire Station	2,530					2,530
CAE / C&C	Merstham Library	1,200					1,200
CAE / C&C	Fire training tower replacement		500				500
CAE / CSF	Portesbury SEN School	4,273	6,841	2,756	210		14,080
CAE / CSF	Portesbury SEN School-ring fenched grant	1,735					1,735
CAE / Schools	Replace aged demountables	3,265	1,585	985			5,835
CAE / CSF	SEN strategy	8,407	1,524				9,931
CAE / CSF	Short-Stay Schools	250					250
CAE / CSF	Youth Transformation	575	200				775
CAE	Joint Public Sector Property Projects	1,250	750				2,000
CAE	Projects to enhance income	350					350
CAE	Projects to reprovision and deliver capital receipts	2,000	2,400	200			4,600
ASC	Wellbeing centres	200	200	200	200		800
ASC	In-house capital improvement scheme	250	250	250	250	250	1,250
ASC	User led organisation hubs	150	150	150	150		600
E&I	Walton Bridge-ring fenced grant	4,004	444				4,448
E&I	Local sustainable transport fund grant	500	50				550
E&I	Local sustainable transport fund grant (large bid)	3,844	3,335				7,179
E&I	Safe cycling initiatives [1]	2,202					2,202
E&I	CIL funded schemes [2]	150	1,230	4,420	5,780	5,940	17,520
E&I	S.106 funded schemes [2]	1,700	1,700	1,700	1,700	1,700	8,500
CEO	Economic Development-Broadband	11,300					11,300
Total projects		**52,985**	**26,359**	**16,111**	**8,790**	**7,890**	**112,135**
Total Capital Schemes		**187,906**	**171,889**	**142,282**	**119,632**	**73,427**	**695,136**

Notes to Schemes

1. Spend will be linked to relevant capital grants which have not yet been announced
2. The CIL and S.106 scheme values are estimated amounts that reflect indicative funding levels for these schemes

Policy statement on reserves & balances

Introduction

A.5.1. This paper sets out the Council's policies underpinning the maintenance of a level of general balances and earmarked reserves within the Council's accounts.

Statutory Position

A.5.2. A local authority is not permitted to allow its spending to exceed its available resources so that overall it would be in deficit. Sections 32 and 43 of the Local Government Finance Act 1992 require authorities to have regard to the level of balances and reserves needed for meeting estimated future expenditure when calculating the budget requirement.

A.5.3. Balances and reserves can be held for three main purposes:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing, this forms part of general reserves;
- a contingency to cushion the impact of unexpected events or emergencies, this also forms part of general balances;
- a means of building up funds often referred to as earmarked reserves, to meet known or predicted liabilities.

A.5.4. This policy statement is concerned with general balances and earmarked reserves as defined above.

Purpose of Balances and Reserves

A.5.5. The Council has traditionally maintained a small general balance in order to provide a contingency against unforeseen overspendings or a major unexpected event.

A.5.6. Although there is no generally recognised official guidance on the level of general balances to be maintained, the key factor is that the level should be justifiable in the context of local circumstances, and council taxpayers' money should not be tied up unnecessarily. The Council's external auditor comments on the level of balances and reserves as part of the annual audit of the council's financial position.

A.5.7. While general balances are unallocated, earmarked reserves are held for specific purposes and to mitigate against potential future liabilities.

Level of Balances and Reserves

A.5.8. In recent years it has been considered prudent to maintain a minimum level of available general balances of between 2.0% to 2.5% of the net budget requirement, i.e. between £15m to £19m. This is normally sufficient to cover unforeseen circumstances and the risk of higher than expected inflation. Going into 2012/13 the Chief Finance Officer recommended that the level of general balance was increased, to a maximum of £30m, in recognition of the unprecedented austerity agenda and anticipated future high level of service reductions & efficiencies likely to be required in future years.

A.5.9. The level of earmarked reserves will vary according to specific prevailing financial circumstances, in particular linked to risk and uncertainty.

A.5.10. In this context the Chief Finance Officer report on the budget for 2013/14 recommends:

- holding general balances to £16.8m, combined with;
- providing a risk contingency within the revenue budget of £13m (increased from £8m in 2012/13) to mitigate against the risk of non-delivery of the service reductions & efficiencies included in budget proposals;
- the creation of an earmarked Revolving Investment & Infrastructure Fund to cover the capital financing costs of long-term investment in initiatives that will deliver savings and enhance income in the longer term, thus increasing the Council's long term financial resilience.

Proposed Policy for 2013/14

A.5.11. General balances should only be held for the purposes of:

- helping to cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;
- a contingency to cushion the impact of unexpected events or emergencies.

A.5.12. The application of general balances and reserves can, by definition only be used once and should therefore only be applied for one-off or non-recurring spending or investment or to smooth the effect of government funding reductions that have a disproportionate impact in any one year.

2012-13 Budget Public survey using SIMALTO modeling – Headline findings

A.6.1. The results of the survey are a **robust and reliable guide** to the views of Surrey residents. There were **701 responses**. The method used means the results reported are **representative of the whole county** - they include a balance of views from people of different ages, gender, socio-economic groups etc.

A.6.2. There are four key headline findings:

1. **The council's current spending closely reflects the spending priorities of Surrey's residents**
   A majority of residents would leave the allocation of current spend as it is now, altering the existing budget only slightly through increased investment in highways services, with corresponding reductions to the opening hours of libraries and recycling centres.

2. **The council understands its residents**
   The research company who ran the exercise reported that the similarity between the council's current spending and residents' preferences was notable and not typical for councils.

3. **A majority of residents (58%) would be willing to see a slight increase in council spending and their council tax in return for current service levels being maintained and specific investments and improvements being made in:**
   - Highways maintenance
   - Supporting young people into education, employment or training, including more apprenticeships
   - Supporting more older people to live independently

4. **Residents attach value to the council's services and reductions will cause dissatisfaction**
   If service levels were scaled back to the most basic level that was presented in the budget survey, 96% of respondents indicated they would complain to the council. They identified four areas that should be protected even if savings have to be made:

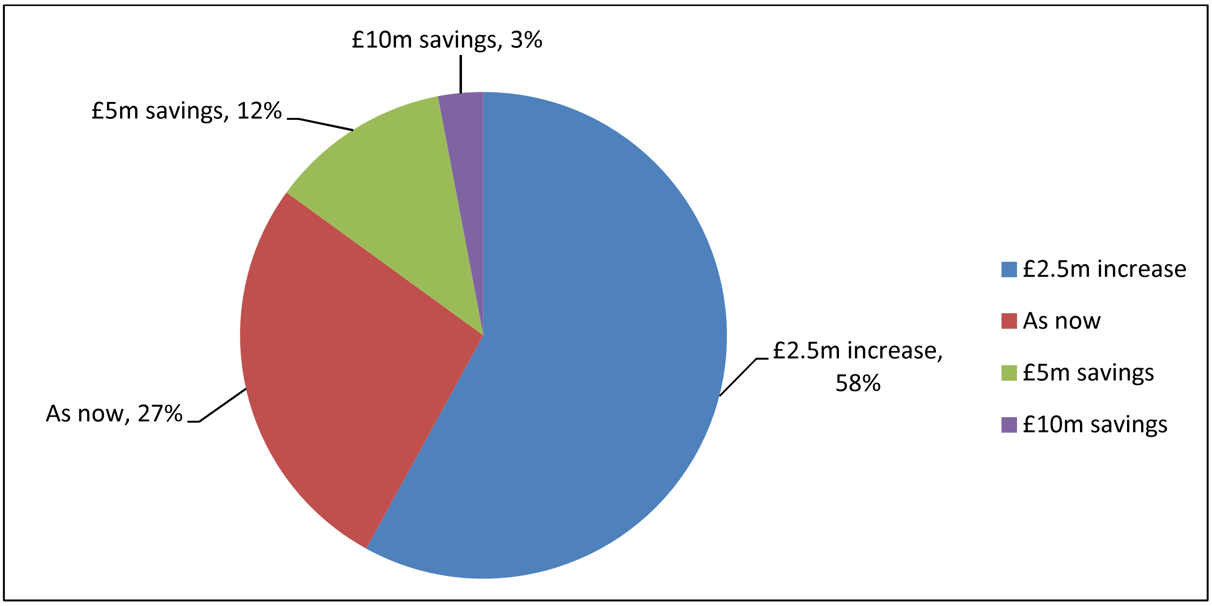
   - Fire and Rescue services
   - Highways maintenance
   - Residential care for dementia sufferers
   - Independent living for older people

A.6.3. The full set of data results from the survey can be found online at http://www.surreycc.gov.uk/your-council/consultations

Detailed results

A.6.4. Figure A6:1 shows that once informed about the impact of their service preferences on the council's spending (and their council tax) the consensus view from residents was slight increases to the current level of spend on the services they were surveyed on. 58% of respondents to the survey were willing to accept a £2.5m increase in council spend on the services (equating to a £6 annual council tax rise for the average home) to pay for their preferred service options.

Figure A6:1: Residents' budget scenario choice once informed of impact of their spending decisions (face-to-face sample)



A.6.5. Table A6.1 shows residents' consensus optimum service configurations for different spending scenarios. The column on the far right hand side illustrates the mix of services that residents expressed a preference for in a scenario where an additional £2.5m is invested in the services. The column of the far left hand side illustrates the mix of services that residents expressed a preference for in a scenario where spending on the services is reduced by £10m. The columns in-between illustrate the preferred mix of services in scenarios where spending on the services is reduced by £7.5m, £5m, £2.5m or remains as it is currently.

A.6.6. The yellow shaded options (in bold) indicate where the current service level has been 'improved', and the grey shading (italics) indicates reduction in service level.

Table A6.1: Optimum service configurations for different spending scenarios (face to face survey results)

Investment Scenario SIMALTO Points	**-£10m 31**	**-£7.5m 41**	**-£5m 51**	**-£2.5m 61**	**As now 71**	**+£2.5m 81**
Council Tax change	-	-	-	-	-	**+£6**
1 NEET support centres	*5 fewer*	*5 fewer*	As now	As now	As now	**More apprenticeships**
2 Children's centres	*6 fewer*	*6 fewer*	*6 fewer*	As now	As now	As now
3 Dementia care	*100 fewer*	As now	As now	As now	As now	As now
4 Elderly live at home	As now	As now	As now	As now	As now	**100 more**
5 Day centres	*Close 1*	*Close 1*	As now	As now	As now	As now
6 Learning difficulties	*20 fewer*	*20 fewer*	As now	As now	As now	As now
7 Fire and rescue	As now	As now	As now	As now	As now	As now
8 Library service	*Large reduction*	*Large reduction*	*Large reduction*	*Small reduction*	*Small reduction*	As now
9 Trading standards	*Halve protection*	*Halve protection*	*Halve protection*	As now	As now	As now
10 Arts & heritage	*No support*	*No support*	*No support*	*No support*	As now	As now
11 Road maintenance	As now	As now	As now	As now	**Increase**	**Increase**
12 Recycling centres	*Less hours*	*Less hours*	*Less hours*	*Less hours*	*Less hours*	As now
13 Bus routes	*Many fewer*	*Many fewer*	*Many fewer*	*Fewer*	As now	As now
14 Countryside estate	*Close all*	*Close all*	*Close all*	*Deteriorate*	As now	As now

A.6.7. Table A6:2 shows the complete hierarchy of preferred choices for the options on the SIMALTO grid. The options at the top of the list are those which the most number of residents selected as a priority. So, from a starting point where all services have reduced spending and provision the most popular thing to do when given a chance to allocate funds was to spend it on highways maintenance. The second most popular choice was to spend a further amount on highways maintenance. The third most popular choice was then to bring the number of fire engines back up. And so on.

Table A6:2: Complete hierarchy of preferred choices

Service	Change	% Preference Face-to-face	% Preference Web residents	Cost
11 Road maintenance	Big reduction → Reduction	91	93	£1m
11 Road maintenance	Reduction → as now	88	82	£1m
7 Fire and rescue	2 fewer → 1 fewer engine	86	89	£1m
1 NEET support	Close 10 centres → close 5	85	85	£1m
4 Elderly independent living	100 fewer → as now	84	89	£1m
7 Fire and rescue	1 fewer engine → as now	83	68	£1m
5 Disabled day centres	Close 2 → close 1	81	88	£500k
9 Trading standards	No support → Reduced	79	88	£250k
9 Trading standards	Reduce → as now	79	75	£250k
1 NEET support	Close 5 centres → as now	79	71	£1m
2 Children's centres	12 fewer → 6 fewer	78	83	£500k
2 Children's centres	6 fewer → as now	74	68	£500k
5 Disabled day centres	Close 1 → as now	73	75	£500k
6 Learning independence	20 fewer → as now	72	86	£1m
3 Dementia residential care	100 fewer → as now	72	71	£2.5m
12 Recycling centres	Fewer centres → fewer hours	70	84	£500k
13 Bus routes	12 fewer → 7 fewer	69	80	£1m
14 Countryside estate	Close sites → deterioration	67	81	£250k
14 Countryside estate	Deterioration → as now	67	71	£250k
13 Bus routes	7 fewer → as now	66	56	£1m
1 NEET support	As now → more apprenticeships	62	41	£500k
11 Road maintenance	As now → increase	62	44	£1m
8 Library services	Big reduction → Reduction	61	75	£500k
12 Recycling centres	Fewer hours → as now	58	64	£500k
8 Library services	Reduction → as now	53	57	£500k
2 Children's centres	As now → +1500 children	51	27	£500k
10 Arts & heritage	No support → as now	50	72	£250k
4 Elderly independent living	As now → 100 more	49	57	£1m
9 Trading standards	As now → Enhanced	47	37	£250k
7 Fire and rescue	As now → investment	35	13	£1m
6 Learning independence	As now → 20 more	30	55	£1m

continued ..

14 Countryside estate	As now → improved	30	24	£500k
13 Bus routes	As now → 7 more	27	13	£1m
11 Road maintenance	Increase → significant increase	27	15	£1m
1 NEET support	more apprenticeships → much more	24	14	£500k
10 Arts & heritage	As now → enhanced	24	26	£250k
2 Children's centres	+1500 children → +3000 children	22	9	£250k
8 Library services	As now → increase	22	12	£250k
9 Trading standards	Enhanced → + advice	21	12	£250k
3 Dementia residential care	As now → 100 more	19	23	£2.5m
12 Recycling centres	As now → some new	18	15	£500k
7 Fire and rescue	investment → more investment	15	4	£1m
14 Countryside estate	improved → much more	11	6	£500k
12 Recycling centres	some new → more new	9	3	£500k
8 Library services	Increase → + Sunday opening	8	5	£250k
13 Bus routes	7 more → 11 more	7	4	£1m

A.6.8. The results show that of the numerous individual changes to service levels from which residents could choose to prioritise, some key messages emerged regarding service enhancements that would cause them to be **most satisfied**, service levels that they most **wished to protect** from reductions, and others they would be relatively **less concerned** about if they were reduced:

Enhancement options that residents would be most satisfied with:

- More investment in Highways maintenance
- Investment in NEET support, including an increase in apprenticeships.
- Further investment in more older people being supported to live independently.

Services where provision should be protected even if savings have to be made:

- Fire and Rescue services.
- Highways maintenance.
- Residential care for dementia sufferers.
- Independent living for older people.

Service reduction options that would cause relatively least concern for residents (But which would still cause many people dissatisfaction)

- Reducing Libraries opening hours and fewer new books.
- Reducing opening hours for recycling facilities.
- Six to eight bus services removed.
- No support for Arts and Heritage services

RESEARCH METHODOLOGY

Background

A.6.9. The Council desired resident input into the 2013 Budget planning process that was as relevant and accurate as possible. Following a procurement process the SIMALTO Modelling approach was adopted. The Council has used this approach for budget consultations previously in 2005 and 2009. It has also been used by over 90 local authorities in the UK and worldwide.

A.6.10. This method asks respondents to make their priorities from a choice of defined alternative levels of each service. Respondents' choices are 'realistic' since the relative savings/extra costs of each different service level are shown to residents, and they only have fixed, constrained budgets to allocate across the competing service levels. This recognises some changes save/cost more than others, and residents (councils) cannot spend the same money twice

Method

A.6.11. The council prepared a matrix grid of 14 different services on which the level of service provision might be changed from 2012 to 2013[1]. Individual alternative levels of service are described, each with the relative cost of their change from other levels of the same attribute, e.g. increased investment in road and footway maintenance (4 units, (12 - 8) on attribute 11) costs the same as 6-8 enhanced weekday bus services (4 units, (12 - 8) on attribute 13).

A.6.12. Very approximately, 1 point on the grid represents £250,000 of council budget, and the current service 'costs' 71 points (approximately £18million) on the grid. Respondents were invited to carefully read the whole sheet, and then carry out the following tasks.

Task 1 Cross out any options they thought were unacceptable, i.e. would cause them to complain or seriously consider doing so if this level of service was provided.

Task 2 Indicate the 5 or 6 services they thought were most important.

Task 3 Read the options in the first option box on each row, and indicate how 'pleased' they would be if that level of service were to be provided by the council.

Task 4 Allocate between 29 and 31 points on improving the overall service from this basic first option box position (first priorities)

Task 5 Allocate a further 20 points – second priority improvements

Task 6 Allocate a further 20 points – third priority improvements

Task 7 Allocate a final 15 points of improvements – fourth priority improvements

After each of Tasks 4 to 7, respondents indicated how 'pleased' they would be if this improved level of service were to be provided (with no associated change in council tax being implied).

[1] Note that the survey did not model the entire council budget. It focussed on 14 service areas with discretion to adjust spending levels

Task 8 Finally respondents were told the net effect that each of their scenarios would have on the county budget. The last scenario would require an approximate £6 annual increase in council tax for the average home.

First points allocation round	+30 point priorities	£10 million saving
Second points allocation round	+50 point priorities	£5 million saving
Third points allocation round	+70 point priorities	No change
Fourth points allocation round	+85 point priorities	£2.5 million increase (equates to approx £6 council tax increase for a Band D property)

Residents were then asked to select the scenario which they felt was most worth the cost.

Sample

A.6.13. A total of 701 people participated in the survey. The sample for the Simalto exercise was sourced using two different methods:

- 155 face-to-face interviews were completed to capture views that were representative of Surrey's residents across different ages and genders
- A web-based version of the Simalto exercise was run via the council's website. A total of 546 people participated in the web survey – 445 residents, 89 council officers and 12 Members.

A.6.14. When comparing the results between both samples, there are only very slight differences between their preferences.

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List of earmarked reserves

A.7.1 Earmarked reserves are funds set aside for specific purposes and agreed by the Cabinet. Table A7.1 shows the Council's earmarked reserves. A description of each reserve follows below the table.

Table A7.1 Forecast year end balances for earmarked reserves

	Balance	Projected balance	
	31 March 2012 £m	31 March 2013 £m	1 April 2013 £m
Investment Renewals Reserve	11.1	12.2	12.2
Equipment Replacement Reserve	1.1	1.4	1.4
Vehicle Replacement Reserve	4.4	5.3	5.3
Waste Sites Contingency Reserve	0.3	0.3	0.3
Budget Equalisation Reserve	32.0	11.0	0.0
Financial Investments Reserve	9.5	9.5	0.0
Investment Reserve	5.0	5.0	0.0
Revolving Investment & Infrastructure Fund	0.0	0.0	20.0
Street Lighting Private Finance Initiative (PFI) Reserve	4.6	5.8	6.2
Insurance Reserve	7.2	7.4	7.4
Severe Weather Reserve	5.0	5.0	5.0
Eco Park Sinking Fund	3.0	8.0	8.0
Child Protection	1.3	2.7	2.7
Service Specific Government Grants	19.2	11.0	11.0
Interest Rate Risk Reserve	0.0	3.2	3.7
Economic Downturn Reserve	0.0	4.4	6.5
General Capital Reserve	8.4	7.5	7.5
Total earmarked reserves	**112.1**	**99.7**	**97.2**

Purpose of earmarked reserves

Investment Renewals Reserve enables services to invest to make savings in the future. The reserve makes loans to services, which are repayable. The recovery of the loan is tailored to the requirements of each business case, which is subject to robust challenge before approval as part of the Council's governance arrangements.

Equipment Replacement Reserve enables services to set aside revenue budgets to meet future replacement costs of large equipment items. Services make annual revenue contributions to the reserve and make withdrawals to fund purchases.

Vehicle Replacement Reserve enables the future cost of vehicle replacement to be spread over the life of existing assets through annual revenue contributions.

Waste Sites Contingency Reserve is held to meet as yet unquantifiable liabilities on closed landfill sites arising from the Environmental Protection Act 1990.

Budget Equalisation Reserve supports the following year's budget from previous years' income and carried forward revenue budget underspends. From 2011/12 £32m was brought forward and this was applied to support the 2012/13 revenue budget. The current forecast for the 2012/13 financial year is an underspending of £10m, which will be carried forward to support the 2013/14 budget.

Financial Investments Reserve was set up in 2008/09 to mitigate potential future losses due to the failure of banks and financial institutions the Council had deposits with (specifically Icelandic banks). During 2012/13 it has been determined that all of the outstanding money will be returned to the Council, albeit over a number of years, and it is therefore proposed that this reserve be converted to the Revolving Investment & Infrastructure Fund.

Street Light Private Finance Initiative (PFI) Reserve holds the balance of the street lighting PFI grant income over and above that used to finance the PFI to date. The balance will be used when future expenditure in year exceeds the grant income due in that same year. For 2013/14 this reserve will increase by £0.4m.

Insurance Reserve is to cover potential losses from the financial failure of Municipal Mutual Insurance (MMI) in 1992 and also possible claims against the council. The MMI company had limited funds to meet its liabilities, consequently, future claims against policy years covered by MMI may not be fully paid, so would be funded from this reserve. The council's actuary has advised that the council holds £3.5m for the MMI liability and a further £3.9m for other possible insurance claims.

Severe Weather/Civil Emergency Reserve enables the Council to act decisively and with real urgency in the event of a serious incident.

Eco Park Sinking Fund is to set aside the surpluses in the early years of the waste contract would smooth out the budget variations in later years. An initial contribution of £3m was made in 2010/11 and a further £5m was contributed during 2012/13.

Investment Reserve was established to provide funds for the council to acquire properties and respond quickly and to take advantage of changes in the property market to fund its capital programme. In 2013/14 it is proposed that this reserve be converted to the Revolving Investment & Infrastructure Fund.

Child Protection Reserve was set up in 2012/13 for the additional staffing costs as a result of the increase number of children subject to a child protection order. This reserve is to fund the costs until 2015/16, when the base budget will be increased to cover these costs.

Service Specific Government Grants Reserve holds government grants received in previous financial years which will be used to fund expenditure in the future.

Interest Rate Risk Reserve is to enable the Council to fund its capital programme from borrowing in the event of an expected change in interest rates or other borrowing conditions. The 2013/14 budget includes a £0.5m contribution to this reserve.

Economic Downturn Reserve is to allay the risks of erosion in the council's tax base due to the impact of the localisation of council tax benefit and a down turn in the economy.

Revolving Investment & Infrastructure Fund is to provide funding for initiatives that will deliver savings and enhance income in the longer term. This reserve will be set up with £20m: a combination of deleting the Financial Investment Reserve and the Investment Fund, with the balance to be made up from the surplus on the council tax collection fund (which will be determined before the end of the financial year 2012/13).

General capital Reserve holds unapplied capital grants largely arising due to late notification by government leaving it too late for the Council to be able to apply. The reserve is available to fund future capital expenditure.

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PRUDENTIAL INDICATOR (1). AFFORDABILITY PRUDENTIAL INDICATORS	2011/12 Outturn	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Expenditure	123,900	140,586	187,906	171,889	142,282	119,632	73,427
	%	%	%	%	%	%	%
Ratio of financing costs to net revenue stream	5.30	4.85	5.01	5.25	5.33	5.48	4.87
Net borrowing requirement	£'000	£'000	£'000	£'000	£'000	£'000	£'000
brought forward 1 April	537,949	540,950	555,036	644,027	688,039	721,500	729,688
carried forward 31 March	540,950	555,036	644,027	688,039	721,500	729,688	712,938
in year borrowing requirement	3,001	14,086	88,991	44,012	33,461	8,188	- 16,750
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
In year Capital Financing Requirement	3,001	14,086	88,991	44,012	33,461	8,188	- 16,750
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Financing Requirement as at 31 March	540,950	555,036	644,027	688,039	721,500	729,688	712,938
Affordable Borrowing Limit			£	£	£	£	£
Updated position of Current Capital Programme							
Increase per council tax payer			4.03	13.65	17.77	20.66	22.94

PRUDENTIAL INDICATOR (2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS	2011/12 approved	2012/13 approved	2013/14 estimate	2014/15 estimate	2015/16 estimate	2016/17 estimate	2017/18 estimate
Authorised limit for external debt -	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Borrowing	567,347	582,371	593,847	634,002	656,801	656,930	624,642
Other long term liabilities	56,869	69,088	81,768	92,037	88,009	83,742	79,391
TOTAL	**624,216**	**651,459**	**675,616**	**726,039**	**744,810**	**740,672**	**704,033**
Operational boundary for external debt -	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Borrowing	510,474	523,308	530,516	566,785	586,446	584,434	553,684
other long term liabilities	56,869	69,088	81,768	92,037	88,009	83,742	79,391
TOTAL	**567,343**	**592,396**	**612,284**	**658,822**	**674,455**	**668,176**	**633,075**
Upper limit for fixed interest rate exposure							
Net principal re fixed rate borrowing / investments	150%	150%	150%	150%	150%	150%	150%
Upper limit for variable rate exposure							
Net principal re variable rate borrowing / investments	-50%	-50%	-50%	-50%	-50%	-50%	-50%
Upper limit for total principal sums invested for over 364 days	£	£	£	£	£	£	£
(per maturity date)	nil	nil	nil	nil	nil	nil	nil

Maturity structure of new fixed rate borrowing during 2011/12	upper limit	lower limit
under 12 months	50%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	100%	0%

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Prudential indicators

Capital expenditure

B.2.1. This prudential indicator is a summary of the Council's annual capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Actual and estimates of capital expenditure are set out for the previous, current and future years.

B.2.2. Table B2.1 sets out actual and estimated capital expenditure and its funding for 2011/12 to 2017/18. This prudential indicator is a summary of the Council's annual capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Actual and estimates of capital expenditure are set out for the previous, current and future years.

Table B2.1: Actual and estimated capital expenditure 2011/12 - 2017/18

	2011/12 Actual £m	2012/13 Projected £m	2013/14 ← - - - - - - - - - - £m	2014/15 £m	2015/16 Estimated £m	2016/17 £m	2017/18 - - - - - - - - - - → £m
Capital expenditure	124	141	188	172	142	120	73
Financed by:							
Government grants	81	96	69	77	71	72	55
Capital receipts	15	10	14	26	5	5	0
Revenue, reserves and third party contributions	14	5	3	8	14	15	18
Net financing need for the year*	**14**	**30**	**102**	**61**	**52**	**28**	**0**

*Capital expenditure to be met by borrowing

The Council's borrowing need (the capital financing requirement)

B.2.3. The capital financing requirement (CFR) represents capital expenditure financed by external debt and internal borrowing and not by capital receipts, revenue contributions, capital grants or third party contributions at the time of spending. The CFR thus measures an authority's underlying need to borrow for a capital purpose. Any capital expenditure which has not been funded from the locally determined resources will increase the CFR. The CFR will reduce by the minimum revenue provision (MRP). The MRP is a statutory annual revenue charge which reduces the borrowing need in a similar way to paying principal off a household mortgage. The CFR includes any other long term liabilities, e.g., PFI schemes, finance leases. Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes and they therefore do not form part of the Council's borrowing requirement.

B.2.4. Table B2.2 sets out the Council's capital financing requirement (CFR). The capital financing requirement (CFR) represents capital expenditure financed by external debt and internal borrowing and not by capital receipts, revenue contributions, capital grants or third party contributions at the time of spending. The CFR thus measures an authority's underlying need to borrow for a capital purpose. Any capital expenditure which has not been funded from the locally determined resources will increase the CFR. The CFR will reduce by the minimum revenue provision (MRP). The MRP is a statutory annual revenue charge which reduces the borrowing need in a similar way to paying principal off a household mortgage. The CFR includes any other long term liabilities, e.g., PFI schemes, finance leases. Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes and they therefore do not form part of the Council's borrowing requirement.

Table B2.2: Capital financing requirement (CFR) 2011/12 to 2017/18

	2011/12 Actual £m	**2012/13 Projected £m**	**2013/14 ← - - - £m**	**2014/15 - - - £m**	**2015/16 Estimated £m**	**2016/17 - - - £m**	**2017/18 - - - → £m**
Opening CFR	538	541	555	644	688	721	730
Add new borrowing:							
MRP and other financing movements*	-11	-15	-13	-17	-19	-19	-17
Net Financing Need**	14	29	102	61	52	28	0
Closing CFR	541	555	644	688	721	730	713
Total CFR movement	3	14	89	44	33	9	-17

*Other financing movements include the addition to fixed assets on the balance sheet under PFI

The Council's gross borrowing requirement

B.2.5. Gross borrowing refers to an authority's total external borrowing requirement. CIPFA has issued an amendment to the Prudential Code 2011 to replace the net debt indicator (which offset investments) with a gross debt indicator. CIPFA requires this amendment to be implemented from 2013/14. The reason for this change is to highlight instances of local authorities borrowing ahead of requirement.

B.2.6. Table B2.3 sets out the Council's and net gross debt. Gross borrowing refers to an authority's total external borrowing requirement. CIPFA has issued an amendment to the Prudential Code 2011 to replace the net debt indicator (which offset investments) with a gross debt indicator. CIPFA requires this amendment to be implemented from 2013/14. The reason for this change is to highlight instances of local authorities borrowing ahead of requirement.

Table B2.3: Gross borrowing requirement 2011/12 to 2017/18

	2011/12 Actual £m	**2012/13 Projected £m**	**2013/14 £m**	**2014/15 £m**	**2015/16 £m**	**2016/17 £m**	**2017/18 £m**
			← - - - - - - - - - -		**Estimated**		**- - - - - - - - - - →**
Gross borrowing	315	319	327	362	385	383	353
Investments	-229	-200	-130	-130	-130	-130	-130
Net borrowing	86	119	197	232	255	253	223
CFR	**541**	**555**	**644**	**688**	**721**	**730**	**713**

The Council's operational boundary

B.2.7. The operational boundary is an indicator against which to monitor its external debt position. This indicator is based on the expected maximum external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short periods during the year. It should act as an indicator to ensure the authorised limit is not breached. The operational boundary for external debt is based on an authority's current commitments, service plans, proposals for capital expenditure and associated financing, cash flow and accords with the approved treasury management policy statement and practices. It reflects the Chief Finance Officer's estimate of the most likely, prudent but not worst case scenario. The operational boundary represents a key management tool for in-year monitoring. Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified.

B.2.8. Table B2.4 sets out the Council's operational boundary. The operational boundary is an indicator against which to monitor its external debt position. This indicator is based on the expected maximum external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short periods during the year. It should act as an indicator to ensure the authorised limit is not breached. The operational boundary for external debt is based on an authority's current commitments, service plans, proposals for capital expenditure and associated financing, cash flow and accords with the approved treasury management policy statement and practices. It reflects the Chief Finance Officer's estimate of the most likely, prudent but not worst case scenario. The operational boundary represents a key management tool for in-year monitoring. Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified.

Table B2.4: Operational boundary 2011/12 to 2017/18

	2011/12 Actual £m	**2012/13 Projected £m**	**2013/14 ← £m**	**2014/15 - - - £m**	**2015/16 Estimated £m**	**2016/17 - - - £m**	**2017/18 → £m**
Borrowing	510	523	530	567	586	584	554
Other long term liabilities	57	69	82	92	88	84	79
Total	**567**	**592**	**612**	**659**	**674**	**668**	**633**
Actual external debt	86	119	197	232	255	253	223

The Council's authorised limit

B.2.9. This key prudential indicator represents a control on the maximum level of borrowing. It is a statutory limit determined under section 3(1) of the Local Government Act 2003 and represents a limit beyond which external debt is prohibited. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. The limit needs to be set or revised by the full Council. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised since the introduction of the Prudential Code. The limit separately identifies borrowing from other long term liabilities such as finance leases. The authorised limit is based on the operational boundary and incorporates additional headroom to allow for unusual cash movements.

B.2.10. Table B2.5 sets out the Council's authorised limit for external debt. This key prudential indicator represents a control on the maximum level of borrowing. It is a statutory limit determined under section 3(1) of the Local Government Act 2003 and represents a limit beyond which external debt is prohibited. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. The limit needs to be set or revised by the full Council. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised since the introduction of the Prudential Code. The limit separately identifies borrowing from other long term liabilities such as finance leases. The authorised limits is based on the operational boundary and incorporates additional headroom to allow for unusual cash movements.

Table B2.5: Authorised limit for external debt 2012/13 to 2017/18

	2011/12 Actual £m	**2012/13 Projected £m**	**2013/14 ← - - - - - £m**	**2014/15 £m**	**2015/16 Estimated £m**	**2016/17 £m**	**2017/18 - - - - - → £m**
Borrowing	567	582	594	634	657	657	625
Other long term liabilities	57	69	82	92	88	84	79
Total	**624**	**651**	**676**	**726**	**745**	**741**	**704**
Actual external debt	86	119	197	232	255	253	223

Ratio of financing costs to net revenue stream

B.2.11. The ratio shows the estimated annual revenue costs of borrowing, less net interest receivable on investments, as a proportion of annual income from council taxpayers and central government (net revenue stream). The estimates of financing costs include current and future commitments based on the capital programme. A prudent level not to exceed would be 6%.

B.2.12. Table B2.6 sets out the Council's ratio of financing costs to net revenue stream. The ratio shows the estimated annual revenue costs of borrowing, less net interest receivable on investments, as a proportion of annual income from council taxpayers and central government (net revenue stream). The estimates of financing costs include current and future commitments based on the capital programme. A prudent level not to exceed would be 6%.

Table B2.6: Ratio of financing costs to net revenue stream

	2012/13 Projected	2013/14	2014/15	2015/16	2016/17	2017/18
		← - - - - - - - - - -	- - - - Estimated	- - - - - - - - - - →		
Ratio of financing costs to net revenue stream	4.85%	5.01%	5.25%	5.33%	5.48%	4.87%

Incremental impact of capital investment decisions on Council Tax 2013/14 to 2017/18

B.2.13. This indicator sets out the impact on council tax of the capital schemes introduced in the five-year capital programme recommended in this budget report and compares the costs with the Council's existing approved commitments and current plans. The forward assumptions are based on the budget, but will invariably include some estimates, such as the level of government support, which is not currently known for future years.

B.2.14. Table B2.7 sets out the incremental impact of capital investment decisions on Council Tax. This indicator sets out the impact on council tax of the capital schemes introduced in the five-year capital programme recommended in this budget report and compares the costs with the Council's existing approved commitments and current plans. The forward assumptions are based on the budget, but will invariably include some estimates, such as the level of government support, which is not currently known for future years.

Table B2.7: Estimated incremental impact of capital investment decisions on council tax 2013/14 to 2017/18

	2013/14	2014/15	2015/16	2016/17	2017/18
Band D Council Tax	£4.03	£13.65	£17.77	£20.66	£22.94

Global economic outlook and the UK economy

The global economy

B.3.1. The Eurozone debt crisis has continued to cast a pall over the world economy and has depressed growth in most countries. This has impacted the UK economy which is unlikely to have grown significantly in 2012 and is creating a major headwind for recovery in 2013. Quarter 2 of 2012 was the third quarter of contraction in the economy; this recession is the worst and slowest recovery of any of the five recessions since 1930. A return to growth at 1% in quarter 3 is unlikely to prove anything more than a washing out of the dip in the previous quarter and the preliminary estimate from the Office for National Statistics (ONS) is that the economy shrank by 0.3% in quarter 4.

B.3.2. The Eurozone sovereign debt crisis has abated somewhat following the European Central Bank's (ECB) pledge to buy unlimited amounts of bonds of countries which ask for a bailout. The immediate target for this statement was Spain which continues to prevaricate on making such a request and so surrendering its national sovereignty to International Monetary Fund (IMF) supervision. However, the situation in Greece is heading towards a crunch point as the Eurozone imminently faces up to having to relax the timeframe for Greece reducing its total debt level below 120% of GDP and providing yet more financial support to enable it to do that. Many commentators still view a Greek exit from the Euro as inevitable as total debt now looks likely to reach 190% of GDP, i.e. unsustainably high. The question remains as to how much damage a Greek exit will cause and whether contagion would spread to cause Portugal and Ireland to also leave the Euro, though the longer a Greek exit is delayed, the less are likely to be the repercussions beyond Greece on other countries and on European Union (EU) banks.

B.3.3. Sentiment in financial markets has improved considerably since the ECB action plus the Eurozone's recent renewed commitment to support Greece and to keep the Eurozone intact. However, the foundations to this "solution" to the Eurozone debt crisis are still weak and events could easily conspire to put this into reverse.

B.3.4. The United States (US) economy has only been able to manage weak growth in 2012 despite huge efforts by the Federal Reserve to stimulate the economy by liberal amounts of quantitative easing (QE) combined with a commitment to a continuation of ultra low interest rates into 2015. Unemployment levels have been slowly reducing but against a background of a fall in the numbers of those available for work. The fiscal cliff facing the US President at the start of his re-election seems to have resolved itself but it has proved a major dampener, discouraging businesses from spending on investment and increasing employment more significantly in case there is a sharp contraction in the economy in the pipeline. However, the housing market does look as if it has, at long last, reached the bottom and house prices are now on the up.

B.3.5. Hopes for a broad based recovery have, therefore, focused on the emerging markets. However, there are increasing concerns over flashing warning signs in various parts of the Chinese economy that indicate it may be heading for a hard landing rather than a gradual slow down.

The UK economy

B.3.6. The Government's austerity measures, aimed at getting the public sector deficit into order with a balanced budget over the next four years, now look as if they will fail to achieve their objectives within the original planned timeframe. Achieving this target is dependent on the UK economy growing at a reasonable pace but recession in the Eurozone, our biggest trading partner, has depressed growth whilst tax receipts have not kept pace with additional welfare benefit payments. It will be important for the Government to retain investor confidence in UK gilts so there is little room for it to change course other than to move back the timeframe.

B.3.7. Currently, the UK is enjoying a major financial benefit from some of the lowest sovereign borrowing costs in the world as the UK is seen as a safe haven from Eurozone debt. There is though little evidence that consumer confidence levels are recovering, nor that the manufacturing sector is picking up. On the positive side, growth in the services sector has rebounded in Q3 and banks have made huge progress since 2008 in shrinking their balance sheets to more manageable levels and also in reducing their dependency on wholesale funding. However, the availability of credit remains tight in the economy and the Funding for Lending scheme, which started in August 2012, has not yet had the time to make a significant impact. Finally, the housing market remains tepid and the outlook is for house prices to be little changed for a prolonged period.

Economic growth

B.3.8. Economic growth has basically flat lined since the election of 2010 and, worryingly, the economic forecasts for 2012 and beyond were revised substantially lower in the Bank of England Inflation quarterly report for August 2012 and were then further lowered in the November Report. QE was increased again by £50bn in July 2012 to a total of £375bn. Many forecasters are expecting the Bank of England Monetary Policy Committee (MPC) to vote for a further round of QE to stimulate economic activity regardless of any near term optimism. The announcement in November 2012 that £35bn will be transferred from the Bank of England's Asset Purchase Facility to the Treasury (representing coupon payments to the Bank by the Treasury on gilts held by the Bank) is also effectively a further addition of QE.

Unemployment

B.3.9. The Government's austerity strategy has resulted in a substantial reduction in employment in the public sector. Despite this, total employment has increased to the highest level for four years as over one million jobs have been created in the private sector in the last two years.

Inflation and the Bank Rate

B.3.10. Inflation has fallen sharply during 2012 from a peak of 5.2% in September 2011 to 2.2% in September 2012. However, inflation increased back to 2.7% in October though it is expected to fall back to reach the 2% target level within the two year horizon.

AAA Rating

B.3.11. The UK continues to enjoy an AAA sovereign rating. However, the credit rating agencies will be carefully monitoring the rate of growth in the economy as a disappointing performance in that area could lead to a major derailment of the plans to contain the growth in the total amount of Government debt over the next few years.

Sector's forward view

B.3.12. Economic forecasting remains difficult with so many external influences weighing on the UK. There does, however, appear to be consensus amongst analysts that the economy remains relatively fragile and, whilst there is still a broad range of views as to potential performance, expectations have all been downgraded during 2012. Key areas of uncertainty include:

- the potential for the Eurozone to withdraw support for Greece at some point if the costs of such support escalate and become prohibitive, so causing a worsening of the Eurozone debt crisis and heightened risk of the breakdown of the bloc or even of the currency itself;
- inter government agreement on how to deal with the overall Eurozone debt crisis could fragment;
- the impact of the Eurozone crisis on financial markets and the banking sector;
- the impact of the Government's austerity plan on confidence and growth and the need to rebalance the economy from services to manufactured goods;
- the under-performance of the UK economy which could undermine the Government's policies that have been based upon levels of growth that are unlikely to be achieved;
- the risk of the UK's main trading partners, in particular the EU and US, falling into recession;
- stimulus packages failing to stimulate growth;
- elections due in Germany in 2013;
- the potential for protectionism, i.e., an escalation of the currency conflict/trade dispute between the US and China;
- the potential for action to curtail the Iranian nuclear programme;
- the situation in Syria deteriorating and impacting other countries in the Middle East

B.3.13. The focus of so many consumers, corporates and banks on reducing their borrowings, rather than spending, will continue to act as a major headwind to a return to robust growth in western economies.

B.3.14. Given the weak outlook for economic growth, Sector sees the prospects for any changes in Bank Rate before 2015 as very limited. There is potential for the start of Bank Rate increases to be even further delayed if growth disappoints.

B.3.15. Sector believes that the longer run trend is for gilt yields and Public Works Loan Board (PWLB) rates to rise due to the high volume of gilt issuance in the UK, and the high volume of debt issuance in other major western countries. The interest rate forecast in this report represents a balance of downside and upside risks. The downside risks have already been commented on. However, there are specific identifiable upside risks as follows to PWLB rates and gilt yields, and especially to longer term rates and yields:

- UK inflation being significantly higher than in the wider EU and US causing an increase in the inflation premium in gilt yields;
- the reversal of QE; this could initially be allowing gilts held by the Bank to mature without reinvesting in new purchases, followed later by outright sale of gilts currently held;
- the reversal of Sterling's safe haven status on an improvement in financial stresses in the Eurozone;
- Investors reverse de-risking by moving money from government bonds into shares in anticipation of a return to worldwide economic growth;
- the possibility of a UK credit rating downgrade (Moody's has stated that it will review the UK's AAA rating at the start of 2013).

Treasury management scheme of delegation

Full Council

B.4.1 Approval of annual strategy.

Audit & Governance Committee

B.4.2. Receiving and reviewing regular monitoring reports.

Chief Finance Officer

B.4.3. Reviewing the treasury management policy and procedures and making recommendations to the responsible body.

- Raising borrowing or funding finance from the most appropriate of these sources:
  - Government's Public Works Loans Board
  - lenders' option borrowers' option (LOBO) loans
  - local bond issues
  - European Investment Bank
  - overdraft
  - banks and building societies
  - local authorities
  - lease finance providers
  - internal borrowing.

- Debt management:
  - managing the cost of debt;
  - delegate authority to treasury management staff to undertake borrowing and debt rescheduling activities.

- CIPFA Prudential Code for Capital Finance in Local Authorities:
  - ensuring that this requirement is not breached, taking into account current commitments, existing plans, and the proposals in the budget report.

- Investing:
  - setting more restrictive investment criteria in response to changing circumstances;
  - arranging investments using these instruments:
    - fixed term deposits with banks and building societies
    - money market funds
    - local authorities
    - Government's Debt Management Agency deposits
    - pooled funds: gilts and corporate funds;
  - compiling and updating the lending list, utilising the criteria for counterparties, in consultation with the treasury management consultants;
  - managing surplus funds and revenue from investments;
  - appointment and performance management of external cash managers (if considered necessary);
  - delegate authority to invest to designated treasury management staff.

- Loan rescheduling:
  - any debt rescheduling which will be done in consultation with the treasury management consultants.

- Policy documentation:
  - formulation and review of the treasury management strategy statement;
  - formulation and review of the treasury management practices (TMPs).

- Strategy implementation:
  - implementing the strategy, ensuring no breaches of regulations;
  - reporting to Cabinet any material divergence from the strategy making requests to Council to approve amendments to the strategy as required;
  - ensuring that treasury management activities are carried out in accordance with CIPFA Codes of Practice.

Institutions

B.5.1. The Council will use specific credit ratings to determine which institutions can be used for investments. For specified investments, an institution will require the highest short-term credit rating from at least one of the three main credit rating agencies. For non-specified investments, the criteria base will be increased to include the other main rating categories to ensure that any institutions used for lending in excess of 364 days are of the highest overall credit quality.

Banks and building societies

B.5.2. For banks and building societies, the following minimum requirements will permit only high quality institutions to be on the Council's lending list but will also allow a wide spread of institutions to choose from:

Rating	Fitch or equivalent from Moody's and Standard & Poor
Short-term	F1
Long-term	A
Individual / financial strength	bb+/C-
Support	3

B.5.3. Equivalent ratings are used as not all institutions are rated by all three rating agencies. Where an institution is rated by more than one agency, the lowest ratings will be used to determine whether it qualifies for inclusion on the list. This practice is known as the Lowest Common Denominator approach.

Money market funds

B.5.4. The County Council currently uses five money market funds on a regular basis, with qualifying requiring a AAA rating from either Fitch, Moody's or Standard & Poor.

Enhanced Cash / Bond Funds

B.5.5. The Council will consider using enhanced cash funds as part of its investments in 2013-14. Criteria for suitable funds is a fund credit quality (FCQ) rating of AAA and a fund volatility rating (FVR) of s1 (or equivalent) from the three main rating agencies (Fitch, Moody's or Standard & Poor's). The criteria would only allow the Council to use funds with the highest FCQ and those funds where performance has a low sensitivity to changing market conditions.

Other institution types

B.5.6. The following institutions are mentioned explicitly in the new guidance and associated legislation. Councils are not expected to lay down specific criteria for including these types of institution as they are either UK Government institutions or have a UK Government guarantee.

- UK Government including gilts and the Debt Management Office
- Local authorities as defined by the Local Government Act 2003
- Supranational institutions, e.g., the European Investment Bank

Specified investments

B.5.7. All such investments will be sterling denominated, with maturities up to maximum of one year, meeting the minimum 'high' rating criteria where applicable.

	Minimum 'High' credit criteria
DMA deposit facility	-
Term deposits: local authorities	-
Term deposits: fully nationalised banks	Short-term F1, Support 1
Term deposits: UK banks and building societies	Short-term F1, Long-term A-, Viability bb+, Financial Strength C-, Support 3
Term deposits: overseas banks	Short-term F1, Long-term A-, Viability bb+, Financial Strength C-, Support 3 (AAA rated countries)
Money market funds	AAA
Enhanced Cash / Bond Funds	AAAf / s1 or equivalent

Effective counterparty limits

	Fitch				Moody's			S&P			
Type	ST	LT	VIA*	Sup	ST	LT	FSR	ST	LT	Maximum Value	Maximum Term
Bank/Building Society	F1	A-	bb+	3	P-1	A3	C	A1	A-	£20m	3 months
Bank/Building Society	F1+	AA-	a-	2	P-1	Aa3	B	A1 +	AA-	£25m	1 year
Bank/Building Society	F1+	AA	a-	1	P-1	Aa2	B	A1 +	AA	£35m	1 year
Money Market Funds	AAA				AAA			AAA		£20m	1 year
Enhanced Cash / Bond Funds	AAA / v1				Aaa-bf			AAAf / s1		£20m	1 year
Debt Management Office	-				-			-		Unlimited	1 year
Supranational	-				-			-		£10m	1 year
Local Authority	-				-			-		£20m	1 year

* Fitch Viability rating replaced the Individual Strength rating in December 2011

i) Deposits are permitted with UK banks that do not comply with the Council's credit rating criteria subject to the following:
   a. they have been nationalised or part nationalised by the UK government; and /or
   b. they have signed up to the UK government financial support package.

ii) The use of Money Market Funds is restricted to funds with three AAA ratings (from each of the agencies) up to a maximum of £100m (with a maximum of £20m per Money Market Fund).

iii) An additional £20m (per call account) is made available to invest in overnight high interest call accounts with both RBS and Lloyds TSB (making a total of £60m limit with each). This will be maintained while they remain part nationalised.

B.5.8. Deposits with foreign banks are permitted, on the condition that they meet our minimum criteria, and that the country in which the bank is domiciled is AAA-rated with any of the three ratings agencies (Fitch, Moody's and Standard and Poor's).

- MMF = Money Market Fund

- DMADF = Debt Management Account Deposit Facility at the Bank of England
- ST = Short-Term
- LT = Long-Term
- Via = Viability rating
- Sup = Support rating
- FSR = Financial Strength Rating

F1 Indicates the strongest capacity for timely payment of financial commitments; an added "+" denotes any exceptionally strong credit feature.

P-1 Indicates superior credit quality and a very strong capacity for timely payment of short-term deposit obligations. No enhanced rating available.

A-1 Indicates a strong capacity to meet financial commitments; an added "+" denotes a capacity to meet financial commitments as extremely strong.

Illustrative counterparty list as at 28 January 2013

	Fitch Ratings				Moody's Ratings			S&P Ratings	
	S/T	L/T	Viab.	Supp	S/T	L/T	Str.	S/T	L/T
UK		AAA				AAA			AAA
HSBC	F1+	AA-	A+	1	P1	AA3	C	A1+	AA-
Lloyds	F1	A	BBB	1	P1	A2	C-	A1	A
Royal Bank of Scotland	F1	A	BBB	1	P2	A3	D+	A1	A
Nationwide Building Society	F1	A+	A+	1	P1	A2	C	A1	A+
Barclays	F1	A	A2	1	P1	A2	C-	A1	A+
Santander (UK)	F1	A	A2	1	P1	A2	C-	A1	A
Australia		AAA				AAA			AAA
Australia & NZ Banking Group	F1+	AA-	AA-	1	P1	AA2	B-	A1+	AA-
Commonwealth Bank of Australia	F1+	AA-	AA-	1	P1	AA2	B-	A1+	AA-
Macquarie Bank	F1	A	A	3	P1	A2	C-	A1	A
National Australia Bank	F1+	AA-	AA-	1	P1	AA2	B-	A1+	AA-
Westpac Banking Corporation	F1+	AA-	AA-	1	P1	AA2	B-	A1+	AA-
Canada		AAA				AAA			AAA
Canadian Imperial Bank	F1+	AA-	AA-	1	P1	AA2	B-	A1	A+
Bank of Montreal	F1+	AA-	AA-	1	P1	AA2	B-	A1	A+
Bank of Nova Scotia	F1+	AA-	AA-	1	P1	AA1	B	A1	A+
Royal Bank of Canada	F1+	AA	AA	1	P1	AA3	C+	A1+	AA-
Toronto-Dominion Bank	F1+	AA-	AA-	1	P1	AAA	B+	A1+	AA-
Finland		AAA				AAA			AAA
Nordea Bank	F1+	AA-	AA-	1	P1	AA3	C	A1+	AA-
Germany		AAA				AAA		A+	AAA
DZ Bank	F1+	A+		1	P1	A1	C-	A1+	AA-
Deutsche Bank	F1+	A+	A	1	P1	A2	C-	A1	A+
KfW	F1+	AAA		1	P1	AAA		A1+	AAA
Landswirtschaftliche Rentenbank	F1+	AAA		1	P1	AAA		A1+	AAA
Netherlands		AAA				AAA			AAA
ING Bank	F1+	A+	A	1	P1	A2	C-	A1	A+
Rabobank	F1+	AA	AA	1	P1	AA2	B-	A1+	AA
Bank Nederlandse Gemeemten	F1+	AAA			P1	AAA	A	A1+	AAA
Norway									
DnB NOR Bank	F1	A+	A+	1	P1	A1	C-	A1	A+
Singapore		AAA				AAA			AAA
Development Bank of Singapore	F1+	AA-	AA-	1	P1	AA1	B	A1+	AA-
Oversea Chinese Banking Corp	F1+	AA-	AA-	1	P1	AA1	B	A1+	AA-
United Overseas Bank	F1+	AA-	AA-	1	P1	AA1	B	A1+	AA-
Sweden		AAA				AAA			AAA
Skandinaviska Enskilda Banken	F1	A+	A+	1	P1	A1	C-	A1	A+
Svenska Handelsbanken	F1+	AA-	AA-	1	P1	AA3	C	A1+	AA-
Swedbank AB	F1	A+	A+	1	P1	A2	C-	A1	A+
Switzerland		AAA				AAA			AAA
UBS AG	F1	A	A-	1	P1	A2	C-	A1	A

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Approved countries for investments

AAA

- Australia
- Canada
- Denmark
- Finland
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland
- UK

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Annual minimum revenue provision (MRP) statement

B.7.1. Best practice guidance recommends that authorities prepare a statement of policy on making MRP in respect of the forthcoming financial year. Going forwards this policy will be submitted to Full County Council before the start of the financial year. The statement is required to indicate how the authority intends to fulfil its duty to make prudent provision. Whenever these proposals are subsequently reviewed, a revised statement will be put to Full County Council for approval.

Proposed minimum revenue provision policy statement

B.7.2. Prior to 2008/09, the Council, in accordance with legislation, made a contribution from revenue to cover 4% of the unfinanced borrowing that has been undertaken to support the capital programme.

B.7.3. The Secretary of State under section 21(1A) of the Local Government Act 2003 issued guidance on the calculation of MRP in February 2008 with 2008/09 being the first year of operation. The Council has assessed its method of MRP and is satisfied that the guidelines for its annual amount of MRP set out within this policy statement will result in its making the prudent provision that is required by the guidance.

B.7.4. Where capital expenditure was incurred before 1 April 2008, MRP will continue to be charged at the rate of 4% of the outstanding capital financing requirement, in accordance with the guidance. For capital expenditure incurred on or after 1 April 2008 and funded through borrowing, the Council will calculate MRP using the asset life method, as summarised in Table B7.1 below. MRP will be based on the estimated life of the assets purchased from unsupported borrowing.

Table B7.1 Estimated economic lives of assets

Asset class	**Estimated economic life**
Land and heritage assets	50 years
Buildings	40 years (unless value indicates otherwise)
Vehicles, equipment & plant	10-15 years
IT Equipment (Hardware)	3-10 years
Infrastructure: - bridge strengthening - lighting - structural maintenance - minor works	 40 years 20 years 12 years 7 years
Intangible Assets (such as computer software)	5 years
Properties held for economic regeneration	1% or 0% MRP charged.

B.7.5. In accordance with provisions in the guidance, MRP will be first charged in the year following the date that an asset becomes operational.

B.7.6. MRP will be made at 1% for properties held that are not currently needed for service operational purposes, but may be in future or are being held to facilitate future economic growth or re-generation.

B.7.7. In the case of long-term debtors arising from loans made to third parties, or other types of capital expenditure made by the Council which will be repaid under separate arrangements (such as long term investments), there will be no minimum revenue provision made. The Council will make a MRP on investments in service delivery companies based on a 100-year life.

B.7.8. The Council reserves the right to determine alternative MRP approaches in particular cases in the interests of making prudent provision where this is material, taking into account local circumstances, including specific project timetables and revenue earning profiles.

Treasury Management Policy

B.8.1. The County Council's financial regulations require it to create and maintain a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury activities, as a cornerstone for effective treasury management.

Definition

B.8.2. Surrey County Council defines its treasury management activities as: *"The management of the organisation's cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

Risk appetite

B.8.3. The Council's appetite for risk in terms of its treasury management activities is low. A premium is placed on the security of capital in terms of investment and on the maintenance of financial stability in terms of the costs of borrowing.

Risk management

B.8.4. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

Value for money

B.8.5. The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Borrowing policy

B.8.6. The Council greatly values revenue budget stability and, therefore, will aim to borrow the majority of its long term funding needs at long term fixed rates of interest. However, short-term rate loans may be utilised where the yield curve provides opportunity. The Council will also constantly evaluate debt restructuring opportunities within the portfolio.

B.8.7. The Council will set an affordable borrowing limit each year in compliance with the Local Government Act 2003, and will have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities when setting that limit.

Investment policy

B.8.8. The Council's primary objectives for the investment of its surplus funds are to protect the principal sums invested from loss, and to ensure adequate liquidity so that funds are available for expenditure when needed. The generation of investment income to support the provision of local authority services is a further important objective.

B.8.9. The Council will approve an investment strategy each year as part of the treasury management strategy. The strategy will set criteria to determine suitable organisations with which cash may be invested, limits on the maximum duration of such investments and limits on the amount of cash that may be invested with any one organisation.

County Council Meeting –12 February 2013

REPORT OF THE CABINET

The Cabinet met on 18 December 2012 and 5 February 2013. The report from the meeting to be held on 5 February 2013 will be circulated following that meeting.

In accordance with the Constitution, Members can ask questions of the appropriate Cabinet Member, seek clarification or make a statement on any of these issues without giving notice.

The minutes containing the individual decisions for 18 December 2012 meeting are included within the agenda at item 13. The minutes of the 5 February 2013 meeting will be submitted to the next meeting of the Council. Cabinet responses to Committee reports are included in or appended to the minutes. If any Member wishes to raise a question or make a statement on any of the matters in the minutes, notice must be given to Democratic Services by 12 noon on the last working day before the County Council meeting (Monday 11 February 2013).

For members of the public all non-confidential reports are available on the web site (www.surreycc.gov.uk) or on request from Democratic Services.

1. STATEMENTS/UPDATES FROM CABINET MEMBERS

Surrey Switch and Save Scheme

I am pleased to update you today on the council's progress on its collective switching scheme for energy – Surrey Switch and Save.

The scheme, which uses the joint buying power of Surrey householders and businesses to secure a better deal on energy prices, is in its *second week of the campaign* and as of 1 February 2013, *2,390* participants have decided to take action to slash their energy bills.

Via our extensive marketing campaign we have targeted every single household in Surrey via the Surrey Matters magazine, delivered over 20,000 leaflets, sent out countless Tweets and Facebook messages, had adverts on the radio, on buses, held community events and contacted our business community.

This is all great news; but we need to do more. In the face of ever increasing energy bills savings of up to £200 per year cannot be ignored. In a similar scheme in a different part of the country, where the average saving was £171, some residents actually saved over £600! Whilst this can't be guaranteed for everyone, we should be encouraging everyone to register as there's absolutely no obligation at all to switch.

Our target is to register up to 30,000 households and I ask all who can help in spreading this message to do so. The more people that sign up, the better deal everyone gets. This could be a potential saving of £6m for Surrey households and businesses that could be spent back in our community, not lining the coffers of the "Big 6".

I would like to remind everyone how easy it is to switch. This can be done by either going on the website www.surreyswitchandsave.org, - by registering over the phone on 0800 783 2503 or by going into any of the council offices and taking in their most recent bill.

Residents have until 11pm on the 25 February to register. They will be informed of their new rate by 4 March and will have until 22 March to say they want to switch.

It really is that simple.

Denise Le Gal
Cabinet Member for Change and Efficiency

2. RECOMMENDATIONS ON POLICY FRAMEWORK DOCUMENTS

18 December 2012

A SURREY MINERALS AND WASTE PLANS – ADOPTION OF THE AGGREGATES RECYCLING JOINT DEVELOPMENT PLAN DOCUMENT

1. The Cabinet at its meeting on 18 December 2012 considered the report on the Surrey Minerals and Waste Plans – Adoption of the Aggregates Recycling Joint Development Plan Document.

   The recommendations and reasons for recommendations considered by Cabinet are attached at Appendix 1.

   The report submitted to Cabinet is attached as Appendix 2

   Please note that the annexes are available in the Members Reading Room and on the Surrey County website. (www.surreycc.gov.uk/Your council/Councillors and committees/Committee papers/Name of committee/Cabinet/18 December 2012)

   Hard copies are available on request.

2. **The Cabinet RECOMMENDS:**

   That the Surrey Minerals and Waste Aggregates Recycling Joint Development Plan Document (incorporating the main modifications recommended by the Inspector and additional modifications and minor amendments) as attached as **Annex 2**, to the Cabinet (18 December 2012) report, be adopted.

3. REPORTS FOR INFORMATION / DISCUSSION

A CHILDREN, SCHOOLS AND FAMILIES DIRECTORATE ANNUAL REPORT FOR 2011 - 2012

1. The achievements of the Children, Schools and Families Directorate in 2011-12 were set out in its Annual Report. Performance data predominantly reflected the financial year 2011-12 apart from schools data which reflected the 2010/11 academic year. The timing of the report reflected the need to reflect key messages from the Ofsted inspection of children' services in the Autumn 2012. The Children, Schools and Families (CSF) Directorate had made good progress over the past year. A recent Ofsted inspection found Surrey County Council's arrangements for the protection of children to be effective. The directorate had developed a children and young people's strategy for 2012-17 order to sustain continued improvement.

2. The directorate received national recognition for the implementation of its new integrated children's system (ICS) and for an innovative savings scheme for looked after children. Other successes for the directorate include continuing low levels of young people who are not in education, employment and training (NEET) and reducing first-time entrance to the youth justice system to an all-time low.

3. Pupils in Surrey's maintained schools continued to perform well at each key stage and in most cases remained above the national average in 2011. Results for pupils attending the virtual school for children at key stage 1 continued to be well above national averages for children in care and at key stage 4 were the highest ranking amongst statistical neighbours.

4. The directorate's annual report 2011/12 details work that will be undertaken over the next year to enable the delivery of the best outcomes at all stages of childhood and support the most vulnerable children and their families. Financial pressures in the next few years will have a strong impact on the directorate as will toughed inspection frameworks for multi-agency safeguarding and schools. Following the Ofsted inspection of children' services there is still much to do, particularly in strengthening the cohesiveness of partnership working and implementing a coordinated programme of early help. Shared understanding of service thresholds was needed as was the embedding of the use of the common assessment framework (CAF) as a holistic tool for responding to children's needs. These areas will be taken forward through a public value programme, the children and young people's partnership and the Surrey Safeguarding Children Board.

5. The Cabinet agreed:

(1) The good progress that has been made by the Directorate and achievements over the last year be noted.

(2) The publication of the Children, Schools and Families directorate annual report be agreed.

B QUARTERLY REPORT ON DECISIONS TAKEN UNDER SPECIAL URGENCY ARRANGEMENTS – 1 OCTOBER – 31 DECEMBER 2012

1. The Cabinet is required under the Constitution to report to Council on a quarterly basis the details of decisions taken by the Cabinet and Cabinet Members under the special urgency arrangements set out in Article 6.05(f) of the Constitution. This occurs where a decision is required on a matter that is not contained within the Leader's Forward Plan, nor available 5 clear days before the meeting. Where a decision on such matters could not reasonably be delayed, the agreement of the Chairman of the appropriate Select Committee, or in his/her absence the Chairman of the Council, must be sought to enable the decision to be made.

There has been one such decision during the last quarter as follows:

Site Acquisition for possible School Purpose. (This was a part 2 item)

Reason for urgency: That there was a strong possibility that due to representations previously made by the owners to bring forward the site for housing the opportunity to acquire the site could be lost due to residential developers putting forward their own superior offers to acquire it.

Mr David Hodge
Leader of the Council
1 February 2013

CABINET IS ASKED TO MAKE THE FOLLOWING RECOMMENDATIONS TO THE COUNTY COUNCIL:

A. SURREY MINERALS AND WASTE PLANS – ADOPTION OF THE AGGREGATES RECYCLING JOINT DEVELOPMENT PLAN DOCUMENT

That the Cabinet recommend to County Council that the Surrey Minerals and Waste Aggregates Recycling Joint Development Plan Document (incorporating the main modifications recommended by the Inspector and additional modifications and minor amendments) as attached as **Annex 2**, to the submitted Cabinet (18 December 2012) report, be adopted.

Reasons for Recommendations

To secure completion of the final element of the Minerals and Waste Plan, fulfilling the associated legal requirements for Local Development Frameworks and comply with the adopted Minerals & Waste Development Scheme legal requirements.

APPENDIX 2

SURREY COUNTY COUNCIL

CABINET

DATE: **18 DECEMBER 2012**

REPORT OF: **MR JOHN FUREY, CABINET MEMBER FOR TRANSPORT AND ENVIRONMENT**

LEAD OFFICER: **TREVOR PUGH, STRATEGIC DIRECTOR, ENVIRONMENT AND INFRASTRUCTURE**

SUBJECT: **SURREY MINERALS AND WASTE PLANS - RECOMMENDATION TO COUNTY COUNCIL TO ADOPT THE AGGREGATES RECYCLING JOINT DEVELOPMENT PLAN DOCUMENT**

SUMMARY OF ISSUE:

The adopted Surrey Minerals and Waste Plans provide the planning framework for the County Council in its roles as a mineral and as a waste planning authority. Minerals and waste development in Surrey includes aggregates recycling facilities for the recycling of construction, demolition and excavation waste. The Aggregates Recycling Joint Development Plan Document (DPD) sets out proposals for how the Surrey Minerals Plan's targets for the recycling of these types of waste can be met by 2016 and to 2026.

The DPD provides for an important element of overall aggregate supply in the county which also includes land-won sand and gravel from quarries. An increase in recycling will complement a near 50% reduction in the amount of land-won sand and gravel that Surrey County Council has had to plan for since 2009.

The Surrey Minerals and Waste Plans form part of the policy framework which is agreed by the County Council. The Cabinet is requested to recommend to the next meeting of the County Council that the DPD be adopted. The DPD contains modifications and amendments as recommended by the Inspector following independent public examination. The Inspector concluded that the DPD provides an appropriate basis for the planning of the county over the next 14 years.

RECOMMENDATIONS:

It is recommended that the Cabinet recommend to County Council that the Surrey Minerals and Waste Aggregates Recycling Joint Development Plan Document (incorporating the main modifications recommended by the Inspector and additional modifications and minor amendments) as attached as **Annex 2** be agreed.

REASON FOR RECOMMENDATIONS:

To secure completion of the final element of the Minerals and Waste Plan, fulfilling the associated legal requirements for Local Development Frameworks and comply with the adopted Minerals & Waste Development Scheme legal requirements.

DETAILS:

Background

1. The adopted Surrey Minerals and Waste Plans (Plans) provide the planning framework for the County Council in its roles as both a mineral and a waste planning authority. Minerals and waste development in Surrey includes aggregates recycling facilities for the recycling of construction, demolition and excavation (C, D & E) waste. The recently adopted Surrey Minerals Plan sets targets for the amount of C, D & E waste that should be recycled in Surrey by 2016 and to 2026. The Aggregates Recycling Joint Development Plan Document (DPD) sets out proposals for how the targets can be met.

2. On 26 November 2012, following independent public examination, the Inspector issued his report (**Annex 1**) on the DPD concluding that the submitted DPD is 'sound and legally compliant' subject to a number of modifications. There are three groups of modifications shown in **Annex 3**. They comprise:

   - main modifications to the DPD recommended by the Inspector which go to the soundness of the DPD (These are summarised in paragraph 9 of this report).
   - additional modifications to the DPD such as factual updates and for clarification.
   - minor amendments to the DPD put forward by the Council at the time of submission of the DPD to the Secretary of State, such as factual updates and for clarification.

3. The DPD incorporating all the changes is appended as **Annex 2**. The Inspector's recommendations must be incorporated into the DPD for it to be 'sound and legally compliant' if the County Council wish to adopt the DPD.

4. This report recommends the County Council to adopt the DPD with the Inspector's recommended main modifications, additional modifications and minor amendments.

Introduction

5. The adopted Minerals and Waste Plans (Plans) set the development framework for the County Council in its roles as both a mineral and a waste planning authority. The Plans identify specific sites and policy considerations for future mineral and waste development in Surrey and provides guidance to developers who wish to put forward proposals. The Aggregates Recycling Joint Development Plan Document (DPD) is the final element in the framework. It makes provision for recycling C, D & E waste into alternative aggregates in Surrey for the period up to 2026, and reduces the need for primary aggregate extraction. All of the allocated sites are either on existing or proposed mineral developments, or on sites identified for a waste use.

6. The County Council agreed on 19 July 2011 to publish the DPD for representations and subsequent submission to Government for public examination. Following the receipt of representations, Cabinet subsequently agreed on 14 December 2011 a schedule of proposed minor amendments to the DPD to accompany its submission to the Secretary of State on 16 December 2011.

Independent Examination

7. A pre-hearing meeting took place at County Hall on 21 February 2012. The public hearings commenced on Tuesday 20 March 2012 and took place on eight days ending on 29 June 2012. The Inspector made accompanied visits to all of the proposed sites in the DPD with additional visits made to Homefield Sandpit, Runfold and Lambs Brickworks, South Godstone following the promotion of these two sites for inclusion in the DPD by industry.

8. Members are advised to read the Inspector's Report (the Report) (**Annex 1**) for the DPD, which concludes that it is soundly based and appropriate for the planning of aggregates facilities within the county over the next 14 years. The Inspector has endorsed a number of main modifications (**Annex 3**) put forward by the Council during the public examination. These do not alter the thrust of the overall strategy but ensure that the DPD is sound and legally compliant.

9. The main modifications include:

- inclusion of a policy presumption in favour of sustainable development (this is a requirement of the National Planning Policy Framework published in March 2012)
- forecasts of future production are now based on sales recorded for the year 2010 (forecast sales were previously based on an average of three years sales which showed a lower outcome for future production)
- not allocating the sites at Charlton Lane, Shepperton (the Inspector considered that the site would neither be suitable nor available)
- not allocating sites at Whitehall Farm, Egham; Homers Farm, Bedfont and Watersplash Farm, Halliford (the operators have stated there is no intention to bring these sites forward)
- increased estimates of the contribution towards recycled aggregate production on sites where the operators have indicated their firm intentions to bring forward proposals at Salfords Depot, Redhill; Penton Hook Marina, Chertsey and Milton Park Farm, Egham

10. Additional modifications and minor amendments (**Annex 3**) that update, clarify and improve the DPD are also proposed. They are minor changes which, taken together, do not materially affect the policies and strategy set out in the DPD.

11. The Main Modifications, Additional Modifications together with an updated Environmental Report (which comprised a sustainability appraisal of the Main and Additional Modifications) and an assessment of the compliance of the DPD with the National Planning Policy Framework were published for consultation in August 2012. A schedule (**Annex 4**) of the representations received was forwarded to the Inspector. The schedule was made available on the County Council website together with copies of the (redacted) representations. The Inspector has taken the responses into account in writing the Report.

12. The main findings of the Report are that the DPD is sound and legally compliant and the County Council has fulfilled its duty to co-operate with regard to its preparation. The recycling target figures of 0.8 mtpa by 2016 and 0.9 mtpa by 2026 are endorsed as being the best available and it would not be appropriate to revisit the figures. The Report finds that the DPD provides an acceptable framework for maintaining this level of provision over its lifetime. The difficulty of seeking to promote an ideal distribution of sites is recognised, as is the need to allocate Green Belt sites owing largely to the lack of availability of alternative non Green Belt sites.

13. The proposal to allocate the Milton Park Farm, Egham as a potential aggregate recycling facility raised a significant number of representations opposing the identification of the site and was discussed at length at the Examination. The Report acknowledges that the development of the mineral working and an aggregate recycling facility together would not 'be devoid of any effect on local amenity'. The Inspector further states that 'I am not

convinced that the introduction of an AR facility would significantly increase the likelihood of harm'. He concludes that 'I am satisfied that reliance on this site is justified'.

14. There were two sites promoted by industry for inclusion in the DPD, namely Homefield Sandpit, Runfold and Lambs Brickworks, South Godstone. However, the Inspector concluded that, 'The Plan makes adequate provision for recycling capacity for most of its term, with a reasonable expectation of meeting the targets for the end of the period. It is therefore sound without the need to allocate additional sites'. In the case of Homefield Sandpit, the Report states 'the site has the potential to contribute to the achievement of the targets as a windfall…….but it is not necessary in the interests of soundness for it to be specifically allocated under Policy AR1'. Regarding Lambs Brickworks, the Inspector concludes 'That is not to say that the site may not have potential to contribute to provision as a windfall under Policy AR2. However, this may be dependent on a scheme being drawn up that would not materially increase traffic generation from all of the non-business park activities'.

CONSULTATION:

15. Preparation of minerals and waste plan documents is subject to extensive consultation as required by the Town and Country Planning (Local Planning) (England) Regulations 2012.

RISK MANAGEMENT AND IMPLICATIONS:

16. As with many aspects of the planning system, adoption of the DPD carries the risk of a legal challenge. The timescale for a challenge is 6 weeks from the date of adoption of the document. (Full Council on 12 February 2013).

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

17. There are potential costs associated with a legal challenge should one be made within the six week period following adoption (see para 16 above).

18. There are legal requirements associated with the adoption of the DPD. These include letter notification to individuals and organisations and printing and publication of documents for inspection. Notice of the adoption will also be necessary to be placed in Surrey local newspapers. The costs associated with the adoption of the DPD are approximately £8,000 and are covered in the budget for the year.

19. Adoption of the DPD provides a platform for determining planning applications for future aggregate recycling facilities in Surrey. It will direct development towards the most suitable areas and guard against ad hoc development proposals, which could prove more difficult to resist and costly for the Council to defend on appeal in the absence of an up to date policy framework.

SECTION 151 OFFICER COMMENTARY

20. The Section 151 Officer confirms that all material, financial and business issues and risks have been considered in this report.

LEGAL IMPLICATIONS – MONITORING OFFICER

21. The Minerals and Waste Plan documents have been prepared in accord with the relevant legislation. The Planning Inspector concluded that the DPD had complied with legal requirements.

EQUALITIES AND DIVERSITY

22. The Committee, in making this decision will need to take account of the public sector equality duties under the Equality Act 2010. These require that due regard should be given to the need to (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010; (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it and (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it. These have been addressed in part through preparation of the Surrey Statement of Community Involvement, adopted in July 2006. This sets out how the Council will improve opportunities for the local community and organisations to be involved in planning decisions, including hard to reach groups including elderly people, young people and people who do not speak English.

23. Equality Impact Assessments (EIAs) have been carried out on the Minerals and Waste Plans and have not revealed any discernible discrimination against any people of the protected characteristics. These EIAs are listed as background documents to this report. The Minerals Plan EIA was refreshed in February 2010 to take account of the preparation of the Aggregates Recycling DPD and concludes that:

> "There is no evidence to suggest that the proposals and policies in the Minerals Plan are likely to impact on people in the equality and diversity groups any differently from the impact on the general Surrey population. It should be noted that no new mineral development takes place directly as a result of the Plan; before new mineral development takes place the Minerals Industry must submit planning applications to Surrey County Council as Mineral Planning Authority for assessment and determination. An Equality Impact Assessment has been carried out on the process of determining planning applications for mineral development which found that there was no discernible impact on the equality and diversity strands."

24. There is nothing arising from the Examination and the Inspector's report or from any other work done since the refresh of the Minerals Plan EIA to indicate that the position has changed.

25. In allocating sites, the Aggregates Recycling Joint DPD focuses on existing and proposed mineral extraction and waste management sites. The preparation of the Aggregates Recycling Joint DPD included public consultation with the local community and representative organisations including the full range of equality and diversity strands, in accordance with the Statement of Community Involvement. When planning applications are received there will be further engagement with the groups representing people of the protected characteristics and any potential impact on individuals with a protected characteristic can be looked at at this stage

CLIMATE CHANGE/CARBON EMISSIONS IMPLICATIONS

26. The County Council attaches great importance to being environmentally aware and wishes to show leadership in cutting carbon emissions and tackling climate change.

27. The Planning and Compulsory Purchase Act 2004 (as amended) requires DPDs to include policies on mitigating and adapting to climate change. The parent document, the adopted Surrey Minerals Plan Core Strategy DPD, covers this issue. The Inspector did not raise the matter in the examination as a soundness issue.

WHAT HAPPENS NEXT:

28. The Council will consider the adoption of the DPD. If the Council agrees to adopt the Aggregates Recycling Joint DPD on 12 February 2013 an adoption statement will be advertised and sent to consultees. The DPD and other relevant documents will be

deposited in inspection locations such as libraries and Surrey borough and district council offices as well as being made available on the County Council website.

Contact Officer:
Les Andrews
Minerals and Waste Planning Policy Manager - 020 8541 9523

Consulted:
Trevor Pugh, Strategic Director, Environment and Infrastructure
Email and letter notification of publication of Inspector's Report to Minerals Plan consultees.

Annexes:
Annex 1: Aggregates Recycling Joint DPD – Inspector's Report
Annex 2: Aggregates Recycling Joint DPD for adoption
Annex 3: Schedule of Main Modifications, Additional Modifications and Minor Amendments
Annex 4: Schedules of representations received regarding:

- Main Modifications,
- Additional Modifications,
- Updated Environmental Report
- Compliance with the National Planning Policy Framework

Annexes available in Members Reading Room and on Surrey County Council website (www.surreycc.gov.uk/Your council/Councillors and committees/Committee papers/Name of committee/Cabinet/18 December 2012)

Sources/background papers:
Surrey Minerals Plan 2011 Core Strategy DPD
Surrey Minerals Plan 2011 Primary Aggregates DPD
Surrey Waste Plan 2008.
Surrey Statement of Community Involvement 2006
Minerals Plan Equalities Impact Assessment - Refreshed February 2010.
Waste Plan Equalities Impact Assessment May 2008
Environment and Regulation - Planning Development Control Equalities Impact Assessment March 2009
All above documents available on the Surrey County Council website

National Planning Policy Framework (NPPF)

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County Council Meeting – 12 February 2013

S

REPORT TO COUNCIL

SURREY COUNTY COUNCIL AND EAST SUSSEX COUNTY COUNCIL PARTNERSHIP – SHARED SERVICES

KEY ISSUE/DECISION:

For Council Members to consider and agree whether to accept the delegation of a function from East Sussex County Council, under which Surrey County Council will provide transactional support and IT hosting services to East Sussex County Council under a partnership agreement between the two Councils.

BACKGROUND:

Surrey County Council, as with other public sector bodies, is faced with delivering services to the public in the context of reduced funding. One option to deliver better value for money is to work in collaboration with other councils to deliver services. The Council has entered into a number of discussions with other local authorities to explore collaboration opportunities under the SE7 initiative.

During 2012 East Sussex County Council approached Surrey County Council to explore the potential for collaboration in order to deliver benefits to both organisations and to explore the opportunity of sharing back office services, with Surrey County Council managing and providing those services for both authorities.

At the Surrey County Council Cabinet meeting on 18 December 2012, Members supported the establishment of a partnership agreement between the two Councils to share back office services.

Councils are able to make arrangements with another local authority for it to discharge functions on their behalf. The authorities participating in such arrangements may do so on terms and conditions they agree between themselves. The services proposed in this report are functions which fall within the executive powers of a Council. A report was therefore presented to East Sussex County Council's Cabinet on 11 December 2012 and its Members approved the establishment of the partnership agreement and the delegation of powers to Surrey County Council. Any delegated functions accepted by the Council will become the responsibility of Surrey County Council's Cabinet.

However, in order for the proposed partnership to be implemented the law requires Full Council to agree to accept the delegation by East Sussex's Cabinet. This Council's Cabinet commends to Council acceptance of the delegation. Cabinet Members agreed that the partnership will build upon the strength of Surrey County Council's shared services enabling both Surrey County Council and East Sussex County Council to make further efficiencies through economies of scale and build resilience in service delivery. Efficiencies will be delivered to the public sector from the joint procurement of IT technical support, utilisation of capacity within Surrey County Council's Data Centre and from shared management and reduced overheads. A detailed analysis of the business case is set out in the reports of Cabinet Member for Change and Efficiency to Cabinet on 18 December 2012.

Equalities and Diversity

An Equalities Impact Assessment on the joint working arrangements has been conducted and will be reviewed by the Cabinet Member for Community Safety. Further EIAs will be conducted at key points throughout the development of the partnership agreement and mobilisation phase to ensure that any mitigating actions required are put in place. The EIA will be updated in March 2013, following further consultation with East Sussex County Council and Serco PLC.

RECOMMENDATIONS:

It is recommended that Full Council support the establishment of a partnership agreement between Surrey County Council and East Sussex County Council, under which Surrey County Council will provide transactional support and IT hosting services to East Sussex County Council.

Contact Officer:
Simon Pollock, Interim Head of Shared Services – 020 8541 7848

Sources/background papers:

- Cabinet Report November 2011: Time for Leadership, Time for Change
- Cabinet Report July 2012 – Procurement Review and Partnership between Surrey County Council and East Sussex County Council
- Cabinet Reports and Minutes: 18 December 2012: Surrey County Council and East Sussex County Council Partnership – Shared Services

SURREY
COUNTY COUNCIL

MONITORING OFFICER REPORT TO COUNCIL

CRIMINAL RECORDS CHECKS FOR MEMBERS

KEY ISSUE/DECISION:

Following changes to the legislative framework, to agree a policy in relation to criminal records checks for Members.

DETAILS:

Changes to Legislation

1. Criminal records checks are now administered by the Government's Disclosure and Barring Service (DBS) which took over responsibility from the Criminal Records Bureau (CRB) on 1 December 2012. Consequently, CRB checks are now referred to as DBS checks. Under the relevant legislation, Members are not able to engage in a "regulated activity" without an enhanced criminal records check having been carried out and received which indicates the person is not on either the children's or adults' barred lists.

2. Until recently, the regulated activities so far as Members were concerned included:
   - Being a member of the Cabinet.
   - The discharge by a Member of any education or social services functions of the authority.
   - The opportunity for contact with children, including any contact when visiting a school or children's home if a Member frequently carries out an activity there.
   - The opportunity for contact with vulnerable adults when visiting a care home if the Member frequently carries out an activity there.
   - Being a school governor.

3. The Protection of Freedoms Act amended the definitions of regulated activity on 10 September 2012, reducing the numbers of roles requiring a criminal records check. Under the new definition, the only obvious situation where Members would still as a matter of law require a valid

DBS check would be if they are carrying out the following regulated activity:

- Having unsupervised contact with children when visiting a school or children's home if a Member frequently carries out a relevant activity there.

4. A “relevant activity” is defined as one of the following unsupervised activities: teaching, training, instructing, caring for or supervising children, or providing advice / guidance on well-being, or driving a vehicle only for children. The frequency of contact referred to is at any time on 4 or more days in a period of 30 days.

The Council’s Policy

5. Based on the above changes to the legislation, the Council cannot as a matter of law insist that Members are not on the “barred lists” by having a DBS check before becoming a Cabinet Member or making any decisions in relation to education or social services functions.

6. However, the Rehabilitation of Offenders Act regulations have been amended to allow discretion for the Council still to carry out enhanced checks on individuals who were covered by the definitions of regulated activities for children and adults that existed prior to 10 September 2012. The Council can still therefore carry out checks on Cabinet Members and on councillors discharging social services and education functions.

7. Given this discretion, the possible options for DBS checks for Members undertaking certain roles and functions were considered by the Leader of the Council on 9 January 2013.

8. <u>Members</u>

8.1. Whilst the Council cannot require any Member to undertake an enhanced DBS check, requesting Members do so is consistent with the Council’s safeguarding duties, as well as being supportive of the Council’s and individual Councillor’s role as a corporate parent. It also provides individual Councillors with reassurance when dealing with constituents, where they may have to deal with issues relating to vulnerable adults and children.

8.2. If a Member chooses not to undertake a DBS Check, it would not prevent them from making decisions (for example at County Council or Local Committee meetings) relating to the discharge of education or social services functions of the authority. However, they would not be able to have unsupervised contact with children when visiting a school or children's home, if frequently carrying out a relevant activity there.

9. Leader of the Council

9.1. The Leader of the Council is ultimately responsible for all executive decisions of the Council and as such, is involved in a range of decisions impacting on the services provided to children and vulnerable adults. In addition, the Leader of the Council plays a key role in ensuring the Council delivers its responsibilities as a Corporate Parent and in demonstrating his support for the Council's commitment to safeguarding children and vulnerable adults. In undertaking the role of Leader, the Member will frequently come into contact with children and vulnerable adults and therefore may undertake regulated activities as part of the role.

10. Cabinet Members

10.1. In line with the role of the Leader, Cabinet Members will be involved in a number of decisions that directly impact on the services delivered to children and vulnerable adults. Depending on their portfolio, they could also have a statutory responsibility as Lead Member for Children or Adults, as well as be asked to chair the Corporate Parenting Board where safeguarding is crucial. Given the broad nature of a Cabinet Member's portfolio, there is potential for Cabinet Members to need to carry out regulated activities.

10.2. To ensure that Cabinet Members are not restricted from carrying out their role and are able to provide effective leadership on behalf of the Council in its role as Corporate Parent, and in demonstrating commitment to the need for safeguarding children and vulnerable adults the Leader will appoint the Deputy Leader and Cabinet Members subject to a valid enhanced DBS check and has asked that the Constitution be amended to make this clear.

11. Chairmen and Vice-Chairmen of the Council

11.1. As the civic leadership of the Council, the Chairman and Vice-Chairman will spend a considerable amount of their time interacting with the community, partner organisations as well as the voluntary, community and faith sectors. This will inevitably bring them into contact with local residents and service users, including children and vulnerable adults on a frequent basis.

12. Chairmen and Vice-Chairmen of Select Committees

12.1. As Chairmen/Vice-Chairmen of Adult Social Care, Children and Families and Education Select Committees are, by the very nature of their roles, dealing with the social care and education functions of the Council, it is important the public have confidence in their suitability for these responsibilities and a requirement to have a DBS check before appointment is likely to strengthen this. Their role will inevitably bring them into contact with local residents and service users, including children and vulnerable adults, and are likely to include visits to children's homes, schools and care homes.

RECOMMENDATIONS:

The Leader of the Council recommends to Council that:

1. the Constitution be amended to make it clear that the following positions which are appointed by the Council will be subject to a valid enhanced criminal records check:
    - Leader of the Council
    - Chairman and Vice-Chairman of the Council
    - Chairmen and Vice-Chairmen of Adult Social Care, Children and Families and Education Select Committees

2. all Members be encouraged to undertake an enhanced criminal records check as part of their role as a Corporate Parent.

Contact Officer:
Rachel Crossley, Democratic Services Lead Manager
Tel: 020 8541 9993
Email: rachel.crossley@surreycc.gov.uk

Sources/background papers:
Item 3, Leader of the Council Decision Making Meeting, 9 January 2013

County Council Meeting – 12 February 2013

REPORT FOR NOTING BY THE COUNCIL

REPORT OF THE CHAIRMAN OF THE MEMBER CONDUCT PANEL

DECISION OF THE MEMBER CONDUCT PANEL: MR IAN LAKE

1. Following consideration at a meeting of the Member Conduct Panel held pursuant to the arrangements agreed by the Council under S28(6) of the Localism Act 2011 and after taking into account the views of the Independent Person, the Member Conduct Panel decided on 19 December 2012, that Mr Ian Lake, a Member of Surrey County Council:

   a) failed to register his personal interests connected with the company Charterhouse Chancery Limited in the Members' Register of Interests within the required time limits and so had breached paragraph 13(2) of the Code of Conduct[i] and,
   b) had failed to disclose the same personal interests at a meeting of the Council's Cabinet on 29 March 2011 and at the Council Meeting of 10 May 2011 and so had breached paragraph 9 of the Members' Code of Conduct on those two occasions.

2. The Independent Person was satisfied that the decisions of the Member Conduct Panel, set out above, were reasonable and that the considerations leading to those decisions were sound.

3. The Panel decided that, in accordance with the actions it may take pursuant to the Council's arrangements, it would report its findings to Full Council. The Independent Person concurred and observed that, in his view a report to Council is the most appropriate sanction and would reinforce the Council's commitment to transparency and full disclosure.

Lavinia Sealy
Chairman of the Member Conduct Panel

[i] Reference in this report to the Code of Conduct are references to the Model Code set out in the Local Authorities (Model Code of Conduct) Order 2007, which applied to Members of Surrey County Council from 24 July 2007 to 01 July 2012.

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SURREY
COUNTY COUNCIL

REPORT FOR NOTING BY THE COUNCIL

REPORT OF THE CHAIRMAN OF THE MEMBER CONDUCT PANEL

DECISION OF THE MEMBER CONDUCT PANEL:
MRS DENISE SALIAGOPOULOUS

1. Following consideration at a meeting of the Member Conduct Panel held pursuant to the arrangements agreed by the Council under S28(6) of the Localism Act 2011 and after taking into account the views of the Independent Person, the Member Conduct Panel decided on 19 December 2012, that Mrs Denise Saliagopoulos, a Member of Surrey County Council:

   a) failed to register her personal interests connected with the company Charterhouse Chancery Limited in the Members' Register of Interests within the required time limits and so had breached paragraph 13(2) of the Code of Conduct[i] and,

   b) had failed to disclose the same personal interests at a meeting of the Council's Cabinet on 29 March 2011 and at the Council Meeting of 10 May 2011 and so had breached paragraph 9 of the Members' Code of Conduct on those two occasions.

2. The Independent Person was satisfied that the decisions of the Member Conduct Panel, set out above, were reasonable and that the considerations leading to those decisions were sound.

3. The Panel decided that, in accordance with the actions it may take pursuant to the Council's arrangements, it would report its findings to Full Council. The Independent Person concurred and observed that, in his view a report to Council is the most appropriate sanction and would reinforce the Council's commitment to transparency and full disclosure.

Lavinia Sealy
Chairman of the Member Conduct Panel

[i] Reference in this report to the Code of Conduct are references to the Model Code set out in the Local Authorities (Model Code of Conduct) Order 2007, which applied to Members of Surrey County Council from 24 July 2007 to 01 July 2012.

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MINUTES OF THE MEETINGS OF CABINET

Any matters within the minutes of the Cabinet's meetings, and not otherwise brought to the Council's attention in the Cabinet's report, may be the subject of questions and statements by Members upon notice being given to the Democratic Services Lead Manager by 12 noon on Monday 11 February 2013.

MINUTES OF THE MEETING OF THE CABINET
HELD ON 18 DECEMBER 2012 AT 10.30 AM
AT ASHCOMBE SUITE, COUNTY HALL, KINGSTON UPON THAMES, SURREY KT1 2DN.

These minutes are subject to confirmation by the Cabinet at its next meeting.

Members:

*Mr David Hodge (Chairman)	*Mrs Kay Hammond
*Mrs Mary Angell	*Mrs Linda Kemeny
*Mrs Helyn Clack	*Ms Denise Le Gal
*Mr John Furey	*Mr Peter Martin (Vice-Chairman)
Mr Michael Gosling	Mr Tony Samuels

* = Present

PART ONE
IN PUBLIC

119/12 APOLOGIES FOR ABSENCE [Item 1]

Apologies for absence were received from Michael Gosling and Tony Samuels.

120/12 MINUTES OF PREVIOUS MEETING: 27 NOVEMBER 2012 [Item 2]

The minutes of the meeting held on 27 November 2012 were confirmed and signed by the Chairman.

121/12 DECLARATIONS OF INTEREST [Item 3]

There were no declarations of interest.

122/12 PROCEDURAL MATTERS [Item 4]

(a) MEMBERS' QUESTIONS [Item 4a]

Two Members questions were received and their responses were tabled and are attached as Appendix 1.

In relation to her second question, Mrs Watson asked a supplementary question about the minimum level of cash reserves normally held by the council and what was considered a prudent level by the S151 officer. The Leader said that cash levels would be reviewed as part of the budget monitoring process, over the next few weeks.

123/12 PUBLIC QUESTIONS [Item 4b]

Four questions were received from members of the public and their responses were tabled and are attached as Appendix 2.

Q2 Mr Placitelli asked for a further explanation of the County Council's policy relating to no child under 10 years of age accessing residential short break provision except in exceptional circumstances. The Strategic Director for Children, Schools and Families was invited to respond and explained that changes had been procedural rather than policy. The Cabinet Member for Children and Families confirmed that since she had been Cabinet Member for this portfolio, there had not been a written policy about age limits – each case was assessed on an individual basis by social workers. However, she believed that for children of 5/6 years old, the best support was usually within the home environment with support from a link worker.

Q3 Mr Robertson disagreed with the response provided to his question and requested an apology. He referred to a copy of a statement released by the Council's press office on 15 December 2009. The Cabinet Member for Transport and Environment agreed to investigate and provide a response outside the meeting.

Q4 Mrs Gill referred back to Mr Placitelli's question and response and said that her daughter had used The Beeches provision since she was 8 years old. She asked how many children under 10 years old had been assessed as exceptional cases and had been referred to family based care and was there a waiting list? The Cabinet Member for Children and Families agreed to provide an answer outside the meeting.

124/12 PETITIONS [Item 4c]

There were none.

125/12 REPRESENTATIONS RECEIVED ON REPORTS TO BE CONSIDERED IN PRIVATE [Item 4d]

There were none.

126/12 REPORTS FROM SELECT COMMITTEES, LOCAL COMMITTEES AND OTHER COMMITTEES OF THE COUNCIL [Item 5]

Adult Social Care Select Committee comments in relation to Budget Monitoring

A response from the Cabinet Member for Adult Social Care and Health was tabled at the meeting (Appendix 3).

127/12 ENABLING NEW DEVELOPMENT - THAMES BASIN HEATHS SPECIAL PROTECTION AREA - SUITABLE ALTERNATIVE NATURAL GREEN SPACES (SANGS) - POLICY REVISION [Item 6]

The Cabinet Member for Transport and Environment introduced the report and set out the reasons and benefits for altering the existing Suitable Alternative Natural Green Spaces policy (SANGS) and to the removal of the requirement of an uplift payment on a site by site basis, to be replaced with a standard landowner charge per development. He considered that the proposed changes would enable the County to be fair to both developers and residents.

He also drew Cabinet's attention to the map of Thames Basin SANGS (Annex 1, Appendix B of the submitted report).

Finally, Cabinet noted the S151 officer's comments in relation to this decision which could result in a reduced income to the County Council. Both the Legal and Equality and Diversity implications were also noted.

RESOLVED:

1. That the County Council's current Policy be altered by the removal of the requirement that proposals for SANGS are to be considered in the light of whether new housing development is being proposed on land in the Green Belt or on land covered by any other protective or environmental designation, including Sites of Special Scientific Interest, ancient monuments, Area of Outstanding Natural Beauty or Areas of Great Landscape Value; such issues being left for determination by the relevant local planning authority.

2. That the County Council's current Policy be altered by the removal of the requirement that an uplift payment is to be negotiated upon a site by site basis and instead a standard landowner charge per development be secured for the use of its land as SANGS, in addition to the on-site costs of bringing the land up to the required Natural England standards for use as SANGS in perpetuity with the necessary capital, maintenance and management costs, all being secured through developer payments.

3. That the question of whether future SANGS should be provided on individual County Council sites to continue to be considered and approved by the Cabinet Member for Transport & Environment, in consultation with the Strategic Director for Environment and Leader of the Council, on a site by site basis.

4. That the Policy, as set out in Annex 2 of the submitted report, be adopted.

<u>Reasons for Decisions</u>

The potential benefits of SANGS assist in the protection of the bird species which are considered to be at risk due to the ability of SANGS to influence the behaviour of heathland visitors;

As a result of the use of County Council land as SANGS capital, maintenance and management improvements can be undertaken on the land, at no cost to the County Council through developer payments, at the same time as supporting those affected local authorities in achieving their housing targets;

Use of County Council land as SANGS releases land for new development for which the County Council will receive a landowner charge in recognition of the uplift in value that the SANGS bestow on the proposed development sites.

128/12 CHILDREN, SCHOOLS AND FAMILIES DIRECTORATE ANNUAL REPORT FOR 2011-2012 [Item 7]

This report set out the Children, Schools and Families Directorate's progress in 2011/12 and was presented by the Cabinet Member for Children and Families. She referred to the Ofsted inspection in September 2012 of Surrey County Council's arrangements for the protection of children, which had found the Directorate's work to be effective. She acknowledged the areas for improvement that needed to be addressed and she informed Cabinet of the increasing numbers of child protection cases and the impact of budgetary pressures on the Directorate. However, she was pleased to report the success of the savings scheme for Looked After Children, which was the first scheme of its kind nationally and also the implementation of the integrated children's system (ICS) which had also been recognised nationally.

She acknowledged the work to do in strengthening the cohesiveness of partnership working and implementing a coordinated programme of early help. These areas would be taken forward through a public value programme, the children and young people's partnership and the Surrey Safeguarding Children Board.

Key points made by other Cabinet Members were:

- The service had made a dramatic improvement in the last four years.
- Surrey County Council's work to safeguard children was effective, child focussed and was making a difference.
- That this was now a tough inspection regime in which many other local authorities had been voted 'inadequate'.
- There had been excellent achievements in both reducing the numbers of young people Not in Education, Employment or Training and also the first time entrants into the youth justice system was at an all time low.
- Reference was made to tackling Domestic Abuse and that this continued to be a significant priority for the Council.
- That, the new Youth Support Services provided an integrated response for Surrey's most vulnerable young people. The restorative justice element of this service was the right way forward and the work in partnership with Surrey Police was commended.
- The early years provision, together with work being undertaken in the service, to increase the provision of nursery places for 2 year olds was also praised.
- The excellent work of HOPE, a therapeutic service for young people with mental health issues was noted.

The Cabinet congratulated all staff who looked after children, sometimes in difficult circumstances and the Cabinet Member for Children and Families agreed to made this annual report available to all Members.

RESOLVED:

1. The good progress that has been made by the Directorate and achievements over the last year be noted.

2. The publication of the CSF directorate annual report be agreed.

Reasons for Decisions

To note the progress and plans detailed in the 2011/2012 annual report and allow them to be published and shared with the wider council and its partners.

129/12 2012 PROVISIONAL EDUCATION PERFORMANCE OUTCOMES [Item 8]

The Cabinet Member for Children and Learning was pleased to introduce a report which presented an overview of the provisional educational outcomes of children and young people in early years, primary, secondary and special school phases for the academic year ending in the summer of 2012.

Provisional results briefings containing results for Surrey and regional comparators for each key stage were available as annexes. Results were provisional and subject to change. However, since the report had been published, KS3 results had now been verified. All figures represented the latest available data and would not be the same as those presented in the Children's, Schools and Families directorate annual report.

The Cabinet Member considered that the results were a 'solid set of achievements' and recognised the excellent work taking place within Surrey schools. However, she mentioned a need for more focus on teaching effectiveness and progress. She also referred to paragraph 36 of the report which set out the Inspection results for all state funded schools within Surrey, to the end of the 2011/12 academic year.

Confirmation was also given that the Education and Achievement Plan would be presented to Cabinet in February 2013.

Finally, she drew attention to her tabled response to the comments from the Education Select Committee (Appendix 4).

The Deputy Leader referred to the diversity of Surrey schools and said that in excess of 20% of Surrey pupils were educated at Independent Schools and their results were not reflected in these statistics.

RESOLVED:

That the provisional education outcomes be noted.

That schools and Babcock 4S are currently undertaking a full review of the School Improvement Strategy which will inform the annual school improvement plan for the local authority, to be finalised by 31 March 2013.

3. That the Head of Education and Head of School Effectiveness, Babcock 4S return to Cabinet in February 2013, with the Education and Achievement plan and an update on more recently published Ofsted inspection results and performance headlines.

Reasons to Decisions

To ensure that Cabinet is fully informed of the latest provisional education outcomes and to be aware of the current policy context prior to receipt of the Education and Achievement plan in February 2013.

130/12 SURREY MINERALS AND WASTE PLANS - ADOPTION OF THE AGGREGATES RECYCLING JOINT DEVELOPMENT PLAN DOCUMENT [Item 9]

Cabinet Members were advised that the annexes to the report were available in the Members Reading Room and the Cabinet Room. They were also available on the SCC website.

The Surrey Minerals and Waste Plans formed part of the policy framework which had been agreed by the County Council. The Cabinet was requested to recommend to the next meeting of the County Council that the DPD be adopted. The DPD contained modifications and amendments as recommended by the Inspector following independent public examination. The Inspector concluded that the DPD was sound and legally compliant and provided an appropriate basis for the planning of the county over the next 14 years.

The Cabinet Member for Transport and Environment highlighted the reasons for the recommendations and stated that the completion of the final element of the Minerals and Waste Plan was a legal requirement. He also drew attention to the main modifications, as set out in paragraph 9 of the submitted report, which the Inspector had endorsed. He also mentioned the proposal to allocate Milton Park Farm, Egham which had the most number of written representations and people attending at the Examination. The Inspector nevertheless found this allocation to be sound. A number of further comments had been received the day before the Cabinet meeting relating to Milton Park Farm from a local organisation and he asked that officers consider if any of the matters raised should be brought back for further consideration by Cabinet prior to the matter being considered by Council.

RESOLVED:

That the Cabinet recommend to County Council that the Surrey Minerals and Waste Aggregates Recycling Joint Development Plan Document (incorporating the main modifications recommended by the Inspector and additional modifications and minor amendments) as attached as **Annex 2**, to the submitted report, be adopted.

Reasons for Decisions

To secure completion of the final element of the Minerals and Waste Plan, fulfilling the associated legal requirements for Local Development Frameworks and comply with the adopted Minerals & Waste Development Scheme legal requirements.

131/12 PROVISION OF HOME BASED BREAKS SERVICES FOR CARERS: APPROVAL TO AWARD A CONTRACT [Item 10]

In the absence of the Cabinet Member for Adult Social Care and Health, the Cabinet Member for Change and Efficiency presented the report. The Cabinet were advised that the existing contract expired in February 2013 and this report was to award a fixed price contract to the recommended tenderer for the provision of Home Based Breaks Services for Carers from February 2013. The report provided details of the procurement process and demonstrated why the recommended contract award delivered best value for money for carers and Surrey residents alike.

A project group, comprising representatives from Adult Social Care, Children Services, NHS and Procurement was established and a universal tender was run. This helped to ensure a consistent approach and to obtain value for money, due to economies of scale.

The Cabinet Member for Children and Families said that this was an excellent example of joint working between Children's Services and Adult Social Care. Also, both she and the Leader acknowledged the contribution that carers made in the County.

The Leader and the Cabinet Member for Community Safety made reference to the Equalities Impact Assessment, attached as an annex to the report.

RESOLVED:

1. That the background information set out in this report be noted.

2. That the award of a contract be agreed following consideration of the results of the procurement process as set out in item 17.

Reasons for Decisions

The existing contract supplied by Surrey Crossroads will expire on 5 February 2013. A full tender process, in compliance with the requirement of EU Procurement Regulations and the Council's Procurement Standing Orders has been undertaken. The recommendations arising out of the above processes provide best value for money for the Council following a thorough evaluation process.

132/12 CONTRACT AWARD FOR MECHANICAL, ELECTRICAL AND ROOFING MAINTENANCE FRAMEWORKS [Item 11]

The Cabinet Member for Change and Efficiency said that the report sought approval from Cabinet to award three Specialist Construction Framework agreements to the recommended tenderers for the provision of mid-sized planned roofing, mechanical and electrical engineering projects. This was the third contract relating to the strategy to improve the County Council's existing building maintenance, agreed by Cabinet on 27 March 2012.

RESOLVED:

That the selected contractors be appointed onto Roofing, Mechanical and Electrical Works Frameworks, jointly procured with Hampshire County Council as detailed in item 16, the confidential annex.

Reasons for Decisions

The recommended contract award delivers best value for money for Surrey County Council.

133/12 BUDGET MONITORING FORECAST 2012/13 (PERIOD ENDING NOVEMBER 2012) [Item 12]

The Leader presented the Budget Monitoring Forecast report and made the following points:

Revenue – After eight months of the current financial year, and despite some significant demand pressures in both Adults and Children's Social Care, a net underspending of £1.5m was currently being forecast, for this financial year. This was a variance of just 0.1%.

In setting the budget, a contingency against the risk of additional budget pressures and not achieving all of the savings and efficiencies in the Medium Term Financial Plan was prudently set aside. After applying £4.4m to cover the pressures in social care and highways, the council would underspend by £5.9m.

Strategic Directors and service managers were continuing to apply stringent management action plans to meet the savings and efficiencies target in the MTFP of £71m. The current forecast is that services will achieve £66m of these savings. However, the shortfall of £5m would be off-set by other savings, a large proportion of which were due to the underspending on staffing budgets. He said that he was working with Cabinet colleagues and Strategic Directors and Managers to find alternative on-going savings for the next financial year and beyond.

Staffing - Directorates were continuing to actively manage their staffing budgets. This is through holding vacancies to achieve savings and the appropriate use of temporary workers. Currently there were 92% of staff on contracts which is considered to be right for a healthy organisation.

This has led to an underspending of £6.9m for the eight months to the end of November, and this is expected to fall to £5.1m by the end of the year as staff were recruited to essential services. The number of occupied posts in November has further increased to 7,330 – an increase of 64 from October – and 204 posts were being recruited to at the end of the month.

Capital – He said that he was determined to deliver the council's capital programme this year, especially in providing additional school places and had asked officers to bring forward building schemes from future years and deliver more places for the county's children earlier. In combination with real savings on the procurement of alternative accommodation, the current year's School

Basic Need budget of £32m is expected to be nearly fully spent. Overall the capital budget is expected to underspend by £4.6m, which is a significant achievement..

Cabinet Members had the opportunity to comment on the budget forecast variances of their portfolios.

RESOLVED:

1. That the projected revenue budget underspend (Annex 1 – Section A) and the Capital programme direction (Section B) be noted.

2. That government grant changes be reflected in directorate budgets (Section C).

Reasons for Decisions

To comply with the agreed strategy of providing a monthly budget monitoring report to Cabinet for approval and action as necessary.

134/12 SURREY COUNTY COUNCIL AND EAST SUSSEX PARTNERSHIP - SHARED SERVICES [Item 13]

The Cabinet Member for Change and Efficiency welcomed the opportunity for Surrey County Council to enter into a partnership agreement with East Sussex County Council to carry out transactional support activities and IT hosting services on behalf of East Sussex County Council. She considered that it was a very important strategic opportunity, which would enable both Councils to make further efficiencies through economies of scale.

The Cabinet Member for Community Safety referred to the Equalities Impact Assessment (EIA) that the report stated would be carried out in January 2013. She requested the opportunity to review it, prior to the start of the arrangements on 1 April 2013 and this was agreed.

RESOLVED:

1. That the establishment of a partnership agreement with East Sussex County Council for support services be supported.

2. That authority be delegated to the Strategic Director for Change and Efficiency in consultation with the Leader and Cabinet Member for Change and Efficiency, to agree final terms of an arrangement under which East Sussex County Council will delegate the provision of transactional support and IT hosting services to Surrey County Council from 1 April 2013.

3. That authority be delegated to the Strategic Director for Change and Efficiency, in consultation with the Leader and Cabinet Member for Change & Efficiency, to agree the terms for the short-term lease of the Uckfield premises.

4. That the approval of the decision to establish a partnership agreement for the provision of transactional support and IT hosting services to

East Sussex County Council be considered by the full Council at its meeting in February 2013.

Reasons for Decisions

This partnership will build upon the strength of Surrey County Council's shared services enabling both Surrey County Council and East Sussex County Council to make further efficiencies through economies of scale and build resilience in service delivery. Efficiencies will be delivered to the public sector from the joint procurement of IT technical support, utilisation of capacity within Surrey County Council's Data Centre and from shared management and reduced overheads. In the longer term, the partnership could consider further sharing of common systems and the use of common processes enabling further functions to be shared across the two organisations.

135/12 LEADER / DEPUTY LEADER / CABINET MEMBER DECISIONS TAKEN SINCE THE LAST CABINET MEETING [Item 14]

The Leader highlighted the decisions made by him, in relation to the Community Improvements Fund and confirmed that he had sanctioned all recommendations from the Panel.

The Cabinet noted the delegated decisions taken by the Leader, Deputy Leader and Cabinet Members since the last meeting of the Cabinet.

RESOLVED:

That the decisions taken by the Leader, Deputy Leader and Cabinet Members since the last meeting as set out in Appendix 5 be noted.

Reasons for Decisions

To inform the Cabinet of decisions taken by Members under delegated authority.

136/12 EXCLUSION OF THE PUBLIC [Item 15]

137/12 CONTRACT AWARD FOR MECHANICAL, ELECTRICAL AND ROOFING MAINTENANCE FRAMEWORKS (PART 2 ANNEX) [Item 16]

A replacement paper for item 17 was tabled. This set out the details of the contract award and confirmed that the six top scoring tenderers would be appointed to each of the Frameworks, in accordance with the published OJEU advert, if agreed.

RESOLVED:

That the contractors, as detailed in the submitted report, be appointed onto Roofing, Mechanical and Electrical Works Frameworks.

Reasons for Decisions

A full tender process, in compliance with the requirement of EU Procurement Legislation and Procurement Standing Orders has been completed, and the recommendations provide best value for money for the Council following a thorough evaluation process.

138/12 PROVISION OF HOME BASED BREAKS SERVICES FOR CARERS APPROVAL TO AWARD A CONTRACT (PART 2 ANNEX) [Item 17]

The Cabinet Member for Change and Efficiency said that this was the confidential annex relating to item 10, which provided the commercial details for the contract award.

RESOLVED:

That a fixed price contract be awarded to Surrey Crossroads at a value, as set out in the submitted report for two years (with the possibility to extend for further one year with a maximum of two years) for the provision of Home Based Breaks Service for Carers to commence on 6 February 2013.

Reasons for Decisions

By awarding the contract to Surrey Crossroads, we will continue to receive a high quality of service with a low rate. Also, Surrey Crossroads are a Surrey based voluntary sector supplier and have six offices covering all parts of Surrey.

In addition, the contract will enable the Council to make further payments to Surrey Crossroads on the receipt of funding from Clinical Commissioning Groups, which will consequently increase the number of hours provided as a break to carers.

139/12 SURREY COUNTY COUNCIL AND EAST SUSSEX PARTNERSHIP - SHARED SERVICES [Item 18]

The Cabinet Member for Change and Efficiency advised Members that this item was the confidential annex relating to item 13. She also drew their attention to the Risk Implications, which were duly noted.

RESOLVED:

As noted in item 13 (part 1 report).

140/12 URGENT ITEM:SITE ACQUISITION FOR SCHOOL PURPOSES [Item]

This item was considered under Special Urgency Arrangements with the reason for urgency being stated that the opportunity to purchase this site would be lost if the County Council did not act quickly. The Cabinet Member for Children and Learning introduced the report, which was tabled at the meeting.

Cabinet Members acknowledged the pressure for school places in the Guildford area and considered the proposals carefully. They agreed to approve the recommendations in principle.

RESOLVED:

1. That the acquisition of this site for school purposes for an amount as set out in the submitted report, be approved in principle.

2. That it be agreed, in principle, to enter into a back-to-back agreement with Governors of the school named in the submitted report, to enable it to purchase the land from Surrey County Council, in order to construct a new school on the site a future date.

3. That authority be delegated to the Strategic Director of Change and Efficiency and the Strategic Director for Children, Schools and Families in consultation with the Leader, the Cabinet Member for Change and Efficiency, the Cabinet Member for Children and Learning and the Chief Finance Officer to agree final terms and conditions of the sale agreement with the owners and the back-to-back agreement with the Governors of the named School.

Reasons for Decisions:

There is an education need to provide additional secondary school places in the Guildford area and due to constraints within existing secondary school sites there is a need to consider potential options for future provision.

The report was presented as an urgent item, under Special Urgency Arrangements, with the approval of the Chairman of the Overview and Scrutiny Committee and is therefore not subject to call in.

141/12 PUBLICITY FOR PART 2 ITEMS [Item 19]

That non-exempt information relating to the items considered in Part 2 of the meeting may be made available to the press and public, as appropriate.

[Meeting closed at 12.10pm]

Chairman

Appendix 1

ITEM 4 - PROCEDURAL MATTERS

Member Questions

Question (1) from Mrs Hazel Watson (Dorking Hills)

The budget monitoring report to the Cabinet in October 2012 contained the following information on overdue debt:

Table D3 –Overdue debt summary as at 30 September 2012

	2012/13 Q2 £m	2012/13 Q1 £m	2011/12 Q4 £m	2010/11 Q4 £m	2009/10 Q4 £m
Care Related Debt	6.1	5.9	6.1	6.8	6.1
Non Care related debt	3.0	3.5	3.0	3.9	3.6
Total	**9.1**	**9.4**	**9.1**	**10.7**	**9.7**

Given that £5m equates to approximately 1% of Council Tax revenue, and that the level of debt has remained relatively static over a number of years, what urgent action is being taken to reduce this level of debt significantly?

How much debt has written off in the current financial year since April 2012?

Reply:

A careful analysis of the figures for debt shows there is a downward trend in the level of outstanding debt, and this is when the total level of income is going up. Over the period of this administration, this has been achieved through a much greater focus on debt security and its recovery.

This administration has ensured that as much care debt as possible is secured against property. That means that in caring for our vulnerable people, we can be confident that the debt can be recovered against the value of the property in the future. Since 2010, the amount secured against property has increased from £5.2m to £7.3m today.

We have also increased the action taken to recover old debt, and this can be demonstrated that debt over six months old has fallen from £7.8m in 2010 to £6.2m.

Like any other business that wants to continue, we will pursue debt until it is no longer realistically possible or economic to recover. This will be the case where the debtor has passed away and the estate does not have sufficient resources, or bankruptcy. During this year 395 debts have been written off totalling £305,000.

David Hodge
Leader of the Council
18 December 2012

Question (2) from Mrs Hazel Watson (Dorking Hills)

I reproduce below the table of earmarked reserves from as listed in Annex 7 of Item 6 “REVENUE AND CAPITAL BUDGET 2012/13 TO 2016/17”at the Cabinet meeting 31 January 2012.

Annex 7

Earmarked reserves

Forecast year end balances for earmarked reserves

	Balance	**Projected balance**	
			Current Balance (End November
	1 April 2011	**31 March 2012**	**2012)**
	£m	**£m**	**£m**
Investment Renewals Reserve	2.6	13.2	12.7
Equipment Replacement Reserve	3.4	0.7	3.6
Vehicle Replacement Reserve	3.4	2.2	5.3
Waste Sites Contingency Reserve	0.3	0.0	0.3
Budget Equalisation Reserve	22.2	15.2	0.0
Financial Investments Reserve	9.5	9.5	9.5
Street Lighting PFI Reserve	2.7	4.6	5.8
Insurance Reserve	6.2	6.2	7.2
Severe Weather Reserve	5.0	5.0	5.0
Eco Park Sinking Fund	3.0	3.0	3.0
Land Acquisition Reserve	0.0	1.0	0.0
Investment Reserve	0.0	4.0	5.0
Interest Rate Risk Reserve	0.0	3.2	3.2
Economic Downturn Reserve	0.0	4.4	4.4
General Capital Reserve	8.4	6.2	7.6
Capital Receipts Reserve	17.0	3.5	14.8
Total Earmarked Reserves	**83.7**	**81.9**	**87.4**

Please provide itemised details of the present level of each of these reserves and any new and other contingencies and reserves, e.g. 2012 Olympics Reserve? What is the realistic prospect of each of these reserves being needed? What risk assessments have been made to lower the overall level of these reserves to take into account the unlikely requirement that they will all be called upon?

Reply:

As with any prudent family budget, this council sets some money aside to invest in the future and to hold some back for a rainy day. This was readily acknowledged in a recent Audit Commission report, and is one of the reasons why our external auditors commended Surrey County Council on its financial resilience in its recent Annual Governance Report. Like all local authorities we face a future of real uncertainty in our funding from central government. Making sure we have sufficient reserves to not only invest in the future and to cover any risks that we face, but also to ensure that we continue to protect the most vulnerable in our county is essential. I cannot predict the exact timing of the future and when things will happen, but our officers constantly assess the risks for the future. For example, we hold £7.2m to cover self-insured insurance risks. We currently have actuaries assessing if this is the appropriate level, and the cabinet will decide what changes should be made to this reserve based on sound, professional and independent advice.

David Hodge
Leader of the Council
18 December 2012

Appendix 2

ITEM 4 - PROCEDURAL MATTERS

Public Questions

Question (1) from Mr David Beaman

On 8 October 2012, the Chancellor of The Exchequer announced provision of an additional £450 million to assist local authorities keep Council Tax for 2013/2014 frozen for a third year. Surrey County Council was one of the few local authorities that rejected the offer of a similar grant last year and, as a consequence, Council Tax charges for the current 2012/2013 year for residents of Surrey had to be increased by 2.5% in April. Have any circumstances changed that will allow Surrey County Council to accept this additional grant and allow Council Tax charges for 2013/2014?

Reply:

Last year Surrey County Council declined to accept the offer of the Council Tax Freeze Grant. Whilst we acknowledged that this would be a great benefit to residents in many local authorities, it was not appropriate for Surrey and its residents. By accepting the Freeze Grant, which was for one-year only, the county council would have foregone £15m a year every year from 2013/14, which would be the equivalent of £70m over five years. By making the decision not to accept this, Surrey County Council has been able to fund the building of an extra 1,440 school places (equivalent to more than three new primary schools/one secondary school), invest £2m in local road schemes, ensure £10m over five years to help older people stay in their homes and invest £300K in the Apprentices programme.

The offer made by the Chancellor on 8 October 2012 of a two year grant equivalent to a 1% increase would leave the council with a financial black hole of about £50m over five years. This would have a severe impact on our ability to deliver the improvements to roads and highways that residents need and to continue to help more older people to live at home.

Whilst the council recognises the need to keep council tax rises to a minimum to help people in these difficult times and we are making savings totalling £200m per year by 2017 to reflect this, the council is also committed to continue to deliver the services that our residents value and need.

David Hodge
Leader of the Council
18 December 2012

Question (2) from Mr Paul Placitelli

With regards to Surrey County Council's policy that no child under 10 years of age should be accessing residential short break provision except in exceptional circumstances, can you please inform of the exact date that this policy was introduced and the details, dates of the consultation process that took place with stakeholders, parents, carers, guardians of disabled children under 10 and carers forums throughout Surrey that enabled SCC to arrive at this policy?

The date and results of the Equality Impact Assessment that was completed that enabled SCC to arrive at this policy or other formal assessment that was completed instead.

Reply:

Surrey County Council does not have a specific policy in relation to age restrictions for children accessing residential short breaks. As part of ongoing improvements to service delivery, good practice principles have been introduced periodically.
The principle that younger children (under 10) should only access residential short break provision in exceptional circumstances, was a principle of practice to give consideration to family setting placements rather than residential units; for those with needs assessed at a level that required residential short break support. The principle recognised that there are some young children for whom a residential short break unit is the only appropriate provision due to the level and complexity of need.

This principle was considered at the Children and Families Select Committee on 8 March 2011. It was contained within a report on the re-configuration of in-house short breaks service provision for children with disabilities. It was one of 8 principles that had been used for a review of short break provision completed by the service in 2010. These principles were listed within the Committee report.

There has not been a policy change thus there is no specific consultation or Equality Impact Assessment regarding age application in relation to residential short break but an over arching Equality Impact Assessment was completed in relation to the wider Public Value Review in 2010/11.

Mary Angell
Cabinet Member for Children and Families
18 December 2012

Question (3) from Mr Malcolm Robertson, Charlton Lane Community Liaison Group member

(1) Will you please instruct your waste contractor to confirm it has no claim on, (nor will it claim), any land outside the existing perimeter fence (as existed prior to the first of the two planning applications) of Charlton Lane Waste Management Facility?

(2) Will you ensure that the county's waste contractor provides written confirmation that it will not apply to increase the capacity of the site beyond its present maximum of 175,000 tonnes?

Kindly indicate the County's acceptance of these proposals.

(3) Finally, confirm Surrey's ban on in County incineration applies to all its forms, including gasification, and that in future it will work towards truly sustainable methods of waste management.

Reply:

Firstly and before answering Mr Robertson's specific questions, I would point out that SITA's proposal for an Eco Park has been subject to intense and detailed scrutiny as part of the planning and environmental permitting processes. Following this detailed scrutiny the County Planning Authority were satisfied that they could grant planning consent for the development and the Environment Agency were satisfied that the processes on site could be regulated by means of an Environmental Permit.

Contrary to what Mr Robertson says, the council has not 'banned' incineration within the county. It has developed a joint municipal waste management strategy together with district and borough councils which promotes minimising waste and high levels of recycling. As a consequence there is less residual waste to be dealt with and therefore the requirement for smaller treatment facilities. Such facilities are more suited to the use of advanced thermal treatment technologies such as gasification.

With regard to the specific questions raised by Mr Robertson I would respond as follows.

(1) "Will you please instruct your waste contractor to confirm it has no claim on, (nor will it claim), any land outside the existing perimeter fence (as existed prior to the first of the two planning applications) of Charlton Lane Waste Management Facility?

(A) SITA will be required to develop the Eco Park site in accordance with the planning consent, including compliance with the boundaries within that consent. A significant amount of landscaping has been included in the scheme to mitigate against any impact and this landscaped area plus part of the development lies beyond the existing perimeter fence. Therefore we will not agree to instruct SITA as you have indicated.

(2) *Will you ensure that the county's waste contractor provides written confirmation that it will not apply to increase the capacity of the site beyond its present maximum of 175,000 tonnes?*

(A) When the Eco Park is developed the capacity of the site will be fixed at 143,000 tonnes per year. There are no plans to increase this capacity. Should the Eco Park not be built for some reason then the council may have to reconsider its waste strategy, including the use of the Charlton Lane site. In this circumstance we could not guarantee that there would be no requirement for an increase in capacity at the site, though there are no plans for this at present and any change would be subject to a planning application.

(3) *Finally, confirm Surrey's ban on in County incineration applies to all its forms, including gasification, and that in future it will work towards truly sustainable methods of waste management."*

(A) As I have stated above, the council does not have a ban on incineration or any other thermal treatment process within the county. The county council continues to work towards a more sustainable way of managing its waste, reducing its reliance on landfill, increasing recycling and reuse and recovering energy from what is left over. Residents in Surrey are now recycling around 55% of the waste that they produce, which makes the county one of the highest recycling performers in the country. Together with the district and borough's we have set ambitious targets to recycle 70% of our waste by 2014. There will however always be the need to treat waste that cannot be recycled and we will continue to ensure that this is dealt with in the most environmentally sound and cost effective way for the taxpayer.

John Furey
Cabinet Member for Transport and Environment
18 December 2012

Question (4) from Shirley Gill

Why is Surrey County Council Social Services referring so few children with severe learning difficulties, behavioural problems and complex needs (often including uncontrolled epilepsy,) to good suitable short break respite with trained disability nurses in a safe controlled setting?

These are a specific group of children who often can't communicate, have no sense of safety, are anxious and difficult to manage, and need trained disability nurses to look after them. They all attend schools for children with severe learning difficulties, and are the hardest group of children to look after. Often they don't sleep for three or four nights in a row. They need watching all the time either because of their seizures or their behaviour. They are often doubly incontinent. Their families quite often bear bruises but still carry on trying to look after them. Family Link is not suitable for them and they can't access a lot of what the youth schemes do.

The Head of Countywide Services for the Children's and Safeguarding Service from Surrey County Council has said that children are referred in exceptional circumstances, but if this is the case why are so many parents of these children so desperate for respite.
These are the children whose families are on the edge of not coping and when they break the children have to go into residential care. The cost to the County Council of residential care is huge (I have been told £300k a year)

Reply:

The Children with Disabilities Teams are currently working with c.785 children and young people (as of November 2012) the majority of whom have severe learning disabilities, physical disabilities, complex health needs or challenging behaviour. A range of support services are provided to these families including day and residential care, domiciliary care, playschemes and activity breaks or direct payments. Following an assessment of need a care package is agreed with the family tailored to the individual child or young person. Many other families access community based services directly; a total of 1,920 Surrey children and young people accessed a short break during 2010/11.

Children with the highest level of needs, such as Mrs Gill describes, may be referred to one of the seven residential short break services run by or commissioned by Surrey County Council, or the Beeches service commissioned by NHS Surrey. These services are all registered with Ofsted or the Care Quality Commission and graded as good or outstanding in the care they provide. They all employ trained care staff, who are skilled and experienced in managing the care needs of children with complex needs and disabilities. For younger children, and particularly those under 10, family based care will always be our preferred option. However, in some circumstances individual children may be best placed within a residential setting due to their specific care needs; these are the 'exceptional circumstances' as referred to by Sheila Jones, Head of Countywide Services.

We would therefore like to reassure Mrs Gill of our continued commitment to the provision of short breaks and support to families of children and young people with disabilities. An assessment of need will be undertaken with families where parents are struggling to cope or where there is a risk of family breakdown. The social care teams will continue to work closely with parents and carers to support them to keep their children at home through packages of support, direct payments and 'shared care' arrangements.

Mary Angell
Cabinet Member for Children and Families
18 December 2012

Appendix 3

CABINET 18 DECEMBER 2012

CABINET MEMBER RESPONSE TO ADULT SOCIAL CARE SELECT COMMITTEE WITH REGARD TO BUDGET MONITORING

Adult Social Care Select Committee recommendations

Therefore the Select Committee recommends to the Cabinet:

1. The Adult Social Care Directorate has worked extremely well over the last two years to meet very challenging financial savings targets;

2. The Committee continues to champion preventative measures that will affect the long term figures positively;

3. The savings that have been required and will need to continue may now begin to affect the quality of care in some areas;

4. The Adult Social Care Select Committee formally requests that the Cabinet re-consider the savings targets being imposed on the Adult Social Care Directorate, bearing in mind the demographic challenges and increased demand facing it; and

5. The public need to be informed and prepared for possibly difficult announcements and impacts of the funding allocation from central government due in December and in the future.

Reply:

I am grateful to the Select Committee Members for their work in scrutinising the forward budget position.

They rightly recognise the achievements of Adult Social Care Directorate in making savings approaching £90m over the past three years while reducing neither quality of service nor the underlying investment; and I agree that we should continue to invest for the longer term in such programmes as Reablement, Telecare and Supporting People.

I also agree that increased funding would be very welcome. However, we do need to make those decisions within the overall funding available to the County Council, and to make them on a fully informed basis. Accordingly, a substantive response will have to wait until after the Government's settlement has been received and its consequences analysed.

What I propose, therefore, is to feed the Committee's views into the relevant Cabinet discussions, and to attend the Committee's own budget workshop on 15 January to make sure I am fully aware of Members' views as we move towards making the decisions needed to set the budget for 2013/14

Michael Gosling
Cabinet Member for Adult Social Care and Health
18 December 2012

Appendix 4

CABINET 18 DECEMBER 2012

CABINET MEMBER RESPONSE TO EDUCATION SELECT COMMITTEE WITH REGARD TO 2012 PROVISIONAL EDUCATION PERFORMANCE OUTCOMES

Education Select Committee recommendations

The Education Select Committee welcomed Babcock 4S' review of its school improvement activities and requested that the final validated data presented to Committee include:

- Detailed analysis of performance results for individual phases;
- Analysis of performance between students attending combined primary schools and those educated in separate infant and junior schools;
- Greater clarity concerning the changes to the Ofsted inspection framework.

Reply:

- We agree to the recommendations made by the Education Select Committee and information will be shared with Education Select Committee and Cabinet at the earliest opportunity.

- We are currently undertaking a full review of our School Improvement Strategy with our partners, Babcock 4S, with a view to making a number of changes. In particular we will ensure that our support is targeted in a more effective way in reviewing, supporting and developing the capacity of leadership and governance in schools. This is key to school improvement.

- In addition, there is a need to engage earlier, in a more focused manner, with a greater number of schools. It is less costly to work with schools before they significantly decline leading to better value for money. In order to do this we are implementing a more rigorous risk assessment to identify schools that are declining or likely to decline from good and intervene and challenge at an earlier stage.

- Final validated data for Primary key stages will be made available to Education Select Committee in January 2013; final validated data for Secondary key stages and detailed analysis of the new Ofsted framework will be shared with the committee in March 2013.

- Discussion of the focus of the 2013 committee papers will be undertaken on Monday 17 December 2012 at the Education Select Committee planning meeting with the Chairman / Vice-chairman.

Linda Kemeny
Cabinet Member for Children and Learning
18 December 2012

Appendix 5

CABINET MEMBER DECISIONS

NOVEMBER / DECEMBER 2012

(i) COMMUNITY IMPROVEMENTS FUND - PANEL RECOMMENDATIONS

That the proposed grants funding set out in attached Annex be approved from the Community Improvements Fund Budget, and the position of the applicants agreed within the previous meeting, especially the Stroud Green Community Association shop redevelopment be noted.

Reasons for decision

This will enable the Community Partnerships Team to progress with facilitating the payments relating to the Fund.

(Decision of Leader of the Council – 28 November 2012)

(ii) PETITION: ASHTEAD KIDS CLUB

That the respond to the petition, circulated with the agenda, be agreed.

Reasons for decision

To respond to the petition.

(Decision of Cabinet Member for Community Safety – 13 December 2012)

(iii) SPEED LIMIT A245 STOKE ROAD, STOKE D'ABERNON

After careful consideration of the referral from the Environment and Transport Select Committee, requesting that the decision in relation to the speed limit on A245 Stoke Road, Stoke D'Abernon, taken at his meeting on 21 November 2012 be re-considered, together with advice from the Road Safety & Traffic Management Officer, Surrey Police and the Highways officers, he agreed that he would not endorse the reduction from 40mph to 30mph as requested by Elmbridge Local Committee, for the stretch of road between the existing 30mph limit near Leigh Hill Road to a suitable point just east of the Chelsea Football club training ground.

Reasons for decision

A 30mph speed limit does not comply with the Speed Limit Policy and is not supported by the Police.

(Decision of Cabinet Member for Transport and Environment – 13 December 2012)

(iv) BLACKHORSE ROAD SPEED LIMIT ASSESSMENT: REFERRAL FROM WOKING LOCAL COMMITTEE

(1) The decision to introduce a 30mph speed limit in Blackhorse Road be not endorsed.

(2) The recommended outcome proposed by officers be approved.

(3) The Woking Local Committee be asked to support the proposal to carry out a feasibility and design study to look at targeted safety improvements at the junction with Blackhorse Road and Saunders Lane where the majority of accidents have occurred as part of their 2013/14 ITS programme.

Reasons for decision

As detailed in the report to Woking Local Committee on 26 September 2012, a 30mph speed limit is considered to be inappropriate for Blackhorse Road, as it is contrary to County Council policy, contrary to the advice of the Police and Highways Officers, and unlikely to result in any public safety benefit. Carrying out a feasibility and design study for safety improvements at the junction where the majority of accidents have occurred is likely to positively address the concerns of Members and local residents.

(Decision of Cabinet Member for Transport and Environment – 13 December 2012)

(v) BID TO DEPARTMENT FOR TRANSPORT SAFE CYCLING FUND

That the bid to the Department or Transport for safe cycling infrastructure be formally endorsed.

Reasons for decision

This funding bid supports the corporate priority to tackle levels of cycling casualties. It will directly benefit areas of high cycle casualty rates: Walton-upon-Thames and Leatherhead. It will benefit all road users by segregating cyclists from motorised traffic and will provide economic benefit by making it more possible for more people to cycle, reducing travel costs and congestion, and by improving cycle routes to town centre locations.

(Decision of Cabinet Member for Transport and Environment – 13 December 2012)

(vi) REQUEST BY ST ANNE'S CATHOLIC PRIMARY SCHOOL, CHERTSEY FOR A PLANNED LICENSED DEFICIT

That the request for a planned licensed deficit of £95,000 for St Anne's Catholic Primary School, Chertsey, repayable over three years, subject to final agreement that the project is affordable when tenders are received, be approved.

Reasons for decision

The proposal will allow a successful school to provide extended and improved accommodation at no cost to the council.

(Decision of Cabinet Member for Children and Learning – 13 December 2012)

(vii) PROPOSAL TO PERMANENTLY EXPAND WEST EWELL INFANT AND NURSERY SCHOOL

(1) That the school be enlarged by one form of entry (from 3 FE to 4 FE) allowing for a roll of 360 pupils in total, plus the 98 existing nursery places.

(2) That additional classrooms be provided through a building project to meet the requirements of a larger roll.

(3) This expansion be effective from 1 September 2013.

Reasons for decision

West Ewell Infant and Nursery is a popular school which delivers a high quality education. It was rated by OFSTED at its previous two inspections as 'Outstanding'. The provision of additional places here meets the government's policy position to expand successful schools in order to meet parental preferences.

(Decision of Cabinet Member for Children and Learning – 13 December 2012)

(viii) APPOINTMENT OF SUPPLIERS TO THE INSTALLATION, SERVICING AND MAINTENANCE OF INDUSTRIAL, PEDESTRIAN AND FIRE DOORS FRAMEWORK

That a framework agreement for the provision of the installation, servicing and maintenance of industrial, pedestrian and fire doors services be awarded on the basis as set out in paragraph 1 of the submitted report.

Reasons for decision

The existing contracts for the servicing and maintenance of industrial and automatic pedestrian doors will expire on 31 March 2013. A full tender process, in compliance with the requirement of EU Procurement Legislation and Procurement Standing Orders has been completed, and the recommendations provide best value for money for the County Council following a thorough evaluation process.

The recommendations in the submitted report showed that Surrey County Council would make an estimated annual saving of £122,800 per annum, which provided best value for money for the Council following a thorough evaluation process.

(Decision of Cabinet Member for Change and Efficiency – 14 December 2012)